

SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

Filing Date: **1998-12-29** | Period of Report: **1998-09-30**

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FILER

OXBORO MEDICAL INTERNATIONAL INC

CIK: **350557** | IRS No.: **411391803** | State of Incorporation: **MN** | Fiscal Year End: **0930**

Type: **10KSB** | Act: **34** | File No.: **000-18785** | Film No.: **98777572**

SIC: **3841** Surgical & medical instruments & apparatus

Mailing Address

13828 LINCOLN STREET NE
13828 LINCOLN STREET NE
HAM LAKE MN 55304

Business Address

13828 LINCOLN ST N E
HAM LAKE MN 55304
6127559516

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB

<TABLE>
<S> <C>
/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998

/ / TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-18785
</TABLE>

OXBORO MEDICAL INTERNATIONAL, INC.

(Name of small business issuer in its charter)

<TABLE>
<S> <C>
MINNESOTA 41-1391803
(State or other (I.R.S. Employer Identification
jurisdiction of No.)
incorporation or
organization)
</TABLE>

13828 LINCOLN STREET N.E., HAM LAKE, MINNESOTA 55304
(Address of principal executive offices) (Zip Code)
(612) 755-9516

(Issuer's Telephone Number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act: NONE

Securities registered pursuant to Section 12(g) of the Exchange Act:
COMMON STOCK, PAR VALUE \$.01 PER SHARE

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 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 /X/ No
/ /

Check if no disclosure of delinquent filers pursuant to Item 405 of
Regulation S-B is contained herein, and will not be contained, to the best of
registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-KSB or any amendment to
this Form 10-KSB. / /

State issuer's revenues for its most recent fiscal year. \$5,002,489.

Based upon the closing price of the issuer's Common Stock as reported by The
Nasdaq Small-Cap Market, the aggregate market value of such Common Stock held by
nonaffiliates of the issuer as of December 11, 1998, was approximately
\$2,112,774.

As of December 11, 1998 there were 2,438,578 shares of the issuer's Common
Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required under Part III, Items 9-12 is incorporated by reference from the Registrant's Proxy Statement to be mailed to shareholders in connection with the 1999 Annual Meeting (the "Proxy Statement").

PART I

ITEM 1. DESCRIPTION OF BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS. The Company ("Oxboro") develops, assembles, and markets medical and surgical devices and, through its wholly-owned subsidiary, Oxboro Outdoors, Inc. ("Outdoors"), develops, assembles and markets products for the fishing, hunting, and related outdoor recreational markets. The Company entered into the business of recreational products in fiscal 1993.

(b) NARRATIVE DESCRIPTION OF BUSINESS.

PRINCIPAL PRODUCTS. Principal medical products produced and sold by Oxboro include silicone loops, silicone and fabric clamp covers, instrument guards, suture aid booties, identification sheet and roll tape, and various holders and organizers for instruments used in the operating room.

Raw materials and parts for the products are produced to Oxboro's specifications by various outside vendors. Oxboro uses a Class 10,000 clean room facility to assemble, package, and inspect its sterilized products. The assembled products that are sold sterile are sent to an independent contract sterilizer, and samples are tested at an independent laboratory.

Outdoors has developed a line of products for the fishing, hunting and related outdoor recreational market using certain common vendors and materials used in production by Oxboro. The remaining Outdoors products are designed and produced to Outdoors' specifications by various vendors.

Outdoors' principal products fall into two groups. One group consists of products licensed by professional sports organizations ("Licensed Products") and represents approximately 80% of Outdoors' sales. Currently, Licensed Products are comprised of four fishing lures products (the spoon, spinner, tandem and in-line), earrings and key chains. In fiscal 1996, Outdoors entered into a license agreement with NFL Properties, Inc. to obtain the rights to manufacture and sell fishing tackle imprinted with the logos of all 30 National Football League teams. In 1997 the license was expanded to include key chains and earrings using the fishing lure components. In 1997, Outdoors entered into a license agreement with Major League Baseball to obtain the rights to manufacture and sell fishing tackle imprinted with the logos of all 30 Major League Baseball teams. In 1998 Outdoors entered into a similar license agreement with National Association for Stock Car Auto Racing, Inc. ("NASCAR"). It is in the process of negotiating similar license agreements with the Canadian Football League, Professional Cowboy Rodeo Association and Professional Bowlers Association.

The other product group consists of miscellaneous fishing and hunting related products, including fishing tackle products (hooks, lures, leaders, weights, artificial bait and lines), fishing tools and equipment, and fishing and hunting accessory products (self-adhesive organizational foam and other products).

In fiscal 1999, Outdoors plans to focus on the development, marketing and sale of Licensed Products and to explore options that will allow it to realize the maximum cash value of non-licensed products.

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PRODUCT DISTRIBUTION. Medical products are marketed through Oxboro's telemarketing department directly to hospitals throughout the United States and Canada and through dealers and kit packaging companies domestically. International sales of medical products are made through distributors and accounted for approximately 8% of medical product sales during fiscal 1998 and 1997.

Outdoors products are sold to retailers using a combination of Outdoors telemarketers and independent brokers representing the Outdoors product lines and directly to consumers through the Outdoors retail catalogue.

SOURCES OF SUPPLY. The raw materials used for the extruding, molding, and weaving of the Company's various products are readily available from multiple sources.

PATENTS, TRADEMARKS, LICENSES. Many of the products currently being marketed by the Company are not unique. Accordingly, the Company believes that the effect of patents on other than a few select products would be negligible.

In the event the Company substantially develops and tests any new unique products, patent protection could be important; however, such protection may not be available. In the event the Company attempts to secure patents, it is likely to incur substantial costs in such attempts.

With regard to the marketing and sales of certain Outdoors products, Outdoors believes that trademarks may be important and, accordingly, Outdoors has applied for and received trademark registrations for various products. In addition, Outdoors manufactures and markets several products pursuant to license agreements with professional sports organizations. Without these license agreements, Outdoors would be unable to manufacture and market the Licensed Products.

COMPETITION. Both the medical products market and the outdoor recreational market are extremely competitive. The Company believes that among its direct competitors are firms with substantially greater assets, marketing capability, and experience than the Company. In addition, such competitors are often able to offer lower prices than the Company and thus can limit the Company's penetration and market share.

RESEARCH AND DEVELOPMENT EXPENDITURES. In the fiscal years ended September 30, 1998 and 1997, the Company spent \$16,916 and \$19,373, respectively, for research and development, exclusive of personnel costs. In fiscal 1998, \$13,486 was spent for development of medical products, and \$3,430 was spent for development of recreational products. In fiscal 1997, \$6,640 was spent for medical products and \$12,913 for development of Outdoors products.

GOVERNMENT REGULATION. Because Oxboro manufactures and sells medical products, both the products and the manufacturing procedures are subject to regulation in the United States by the Food and Drug Administration and in the European Community by the Medical Device Directives. As a result, Oxboro is subject to extensive rules and regulations, compliance with which may require expenditure of material amounts. In addition, should Oxboro fail to comply with such regulations it would be subject to administrative and criminal actions, which could have a material adverse effect on the Company's business. The Company is subject to CE Mark Certification, which must be adhered to in order for the Company to continue to sell its products in certain international markets. Continued compliance with all regulatory requirements may require significant expenditures.

EMPLOYEES. As of December 11, 1998, the Company, including Outdoors, employed 64 persons on a full-time basis, including 3 in management, 9 in sales, 34 in production and shipping, and 18 in general and administration. In addition, the Company has retained two individuals on a part-time basis to serve as interim president and interim chief financial officer and certain other individuals to provide consulting services on an as-needed basis. The Company also employed six persons on a part-time basis in manufacturing.

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During fiscal 1998, the Company lost its chief executive officer and chief financial officer and its sales manager. The Company is attempting to replace these individuals and, in doing so, will incur certain nonrecurring expenses, including placement fees and other related costs.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's office, manufacturing, and warehouse facilities are located in a 30,000 square foot building on 2.41 acres in Ham Lake, a suburb of Minneapolis, Minnesota. See Note C of Notes to Consolidated Financial Statements (included in Item 7 hereof) regarding the terms of a mortgage on the property.

ITEM 3. LEGAL PROCEEDINGS

No disclosure is required under this Item.

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

During the fourth quarter of the fiscal year ended September 30, 1998, no matter was submitted to a vote of security holders.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on The Nasdaq Small-Cap Market. The following table sets forth the quarterly high and low prices for the Company's Common Stock for each quarter of the past two fiscal years as reported by Nasdaq.

<TABLE>
<CAPTION>

	HIGH	LOW
	-----	-----
<S>	<C>	<C>
FISCAL 1998		
First Quarter.....	\$1 9/32	\$ 15/16
Second Quarter.....	2 1/4	1 3/32
Third Quarter.....	1 31/32	1 1/4
Fourth Quarter.....	1 7/8	1
FISCAL 1997		
First Quarter.....	\$1 3/8	\$1 5/32
Second Quarter.....	1 1/2	1 3/16
Third Quarter.....	1 5/16	7/8
Fourth Quarter.....	1 5/16	15/16

</TABLE>

There were approximately 516 holders of record of the Company's Common Stock as of December 11, 1998. The Company has paid no cash dividends on its Common Stock.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS

Consolidated net sales for the Company were \$5,002,489 in fiscal 1998 compared to \$4,801,965 in fiscal 1997, an increase of approximately 4%. Sales of medical and surgical products for the year ended September 30, 1998, were \$4,450,597 compared to \$4,322,108 for the year ended September 30, 1997, which represents an increase of 3% over the previous year. Competition and the greater emphasis on controlling costs in the health care industry represent ongoing challenges to the Company.

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Outdoors sales for the year ended September 30, 1998 were \$551,892 compared to \$479,857 in fiscal 1997, or an increase of 15% over the previous year. Increased revenue resulted in part from an increased number of retail outlets handling Outdoors products and increased sales to existing retail outlets. Sales of product under the NFL license agreement were \$393,000 in fiscal 1998 as compared to \$362,000 in fiscal 1997.

Consolidated gross margin was 48% in fiscal 1998 as compared to 68% in fiscal 1997. Gross margin for the medical and surgical products division was 67%, while Outdoors had a negative gross margin of (111)%. The lower gross margin for the medical products division (which was 76% in fiscal 1997) can be attributed to increased compensation for production workers, increased costs attributable to quality and regulatory requirements, and reduced efficiencies because of production time spent on compliance matters. The deterioration in gross margin for Outdoors (which was a negative 5% in fiscal 1997) can be attributed to adjustments to inventory of approximately \$640,000 to reflect reduced estimated net realizable value of the assets.

During fiscal 1998, consolidated selling, general and administrative ("SG&A") expenses increased by 14%, or \$457,047 as compared to fiscal 1997. For fiscal year 1998, SG&A expenses represented approximately 76% as a percentage of sales. Increased SG&A expenses for Oxboro include approximately \$265,000 incurred in connection with the termination of Larry Rasmusson as chief executive officer and chief financial officer and increases of approximately \$249,000 in legal fees and other costs incurred principally in connection with a proxy contest at the 1998 annual meeting, approximately \$110,000 in salaries and wages, from both increases to existing employees and the addition of new personnel, and approximately \$207,000 in consulting expense related to FDA/ISO/CE Mark Certification activities. Offsetting these increased expenses was a reduction in bonus expense of \$156,000. Also, in fiscal 1997, the Company incurred an additional \$242,000 in costs in connection with the termination of Harley Haase as chief executive officer. The Company's interest expenses decreased by approximately \$10,000 as a result of lower average borrowings on its line of credit.

The decrease in SG&A expenses for Outdoors during fiscal 1998 of 2% compared to fiscal 1997 was mainly due to the reduction in advertising expense of approximately \$209,000 and reduction in consulting fees of \$53,000, offset by expenses of \$265,000 related to the termination of Larry Rasmusson.

During the next approximately twenty-four months, the Company will be required to pay approximately \$150,000 to Larry Rasmusson in connection with a

non-competition agreement.

In fiscal 1998, the Company incurred a loss before income taxes of \$1,453,544 as compared to a loss before taxes of \$147,765 in fiscal 1997.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1998, the Company had working capital of \$1,661,371 as compared to \$2,100,234 at September 30, 1997. Also, at September 30, 1998, the Company had \$379,041 in long-term debt and \$71,125 in cash and cash equivalents.

During the year ended September 30, 1998, the Company used \$54,474 net cash in operating activities, primarily as a result of the net loss of \$1,453,544, offset by decreases of \$642,913 in inventories and \$194,682 in other current assets, \$224,947 in depreciation and amortization, and an increase of \$207,882 in accrued liabilities.

The Company used \$157,213 net cash in investing activities during the fiscal year ended September 30, 1998, primarily for purchases of equipment.

During fiscal 1998, net cash provided by financing activities was \$157,997. The Company has a line of credit facility, pursuant to which it can borrow up to \$550,000, subject to certain terms and conditions related to the Company's financial performance. Outstanding balances are subject to an annual interest

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rate of 0.5% over the bank's prime rate (8.75% at September 30, 1998) and are secured by all of the Company's assets. As of September 30, 1998, the amount outstanding was \$288,313. Subsequent to September 30, 1998, the outstanding balance was increased to approximately \$453,000. This credit facility expires in March 1999, and the Company intends to replace the credit facility prior to that time.

During fiscal 1999, the Company currently expects to spend approximately \$150,000 to update its management information systems and to refurbish production and packaging equipment. During fiscal 1999, the Company expects continued investments in Outdoors to increase market awareness, continue the development of products and distribution channels, including the continued development of the National Football League, Major League Baseball, and NASCAR lines of tackle for national distribution, and the introduction of lines of licensed products using Canadian Football League, Professional Cowboy Rodeo Association, and Professional Bowlers Association logos. In addition, the Company intends to continue to pursue introduction of additional medical products. The amount of these investment cannot be quantified at this time.

The Company anticipates certain nonrecurring expenses during fiscal 1999 that could affect cash flow. These include payments to be made to Mr. Rasmusson in connection with his termination and costs incurred in the Company's efforts to replace key management employees. The Company may consider debt or equity financing, if necessary to fund these and other operating costs.

FORWARD LOOKING STATEMENTS

Forward looking statements herein are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risks and uncertainty. Among the factors that could cause actual results to differ materially are the following: acceptance of new products, pricing strategies of competitors, general conditions in the industries served by the Company's products, ability to maintain adequate inventories to respond to customer demand, changes in regulatory requirements for health care related products, and overall economic conditions, including inflation and consumer buying patterns.

YEAR 2000 ISSUES

The Company has assessed and continues to assess the impact of the Year 2000 issue on its reporting systems and operations. The Year 2000 issue exists because many computer systems and applications currently use two-digit fields to designate a year. As the century date occurs, date sensitive systems may recognize the Year 2000 as 1900 or not at all. This inability to recognize or properly treat the Year 2000 may cause systems to process critical financial and operational information incorrectly.

Most management information systems under which the Company is currently operating recognize the Year 2000. Any hardware or software that the Company acquires as part of the updating of its management information system will

recognize the Year 2000. The Company's other operational systems have not yet been tested for Year 2000 compliance. Further, the Company has not yet determined whether the entities with which it does business will be Year 2000 compliant. The Company plans to devote the necessary resources to resolve all significant Year 2000 issues in a timely manner, including contacting entities with whom the Company conducts business to determine their readiness. The Company plans to complete its assessments as soon as reasonably possible. Thus far, the Company's expenditures for Year 2000 compliance have been minimal. Although it has not yet quantified the costs of any required modifications, the Company anticipates these costs will be minimal. If Year 2000 modifications are not properly completed either by the Company or any entities with whom the Company conducts business, which include approximately 3800 hospitals, the Company could be unable to receive, process, or ship orders to customers on a timely basis, if at all. In such case, the Company's revenues and financial condition could be adversely impacted. At this stage, the Company has not developed a contingency plan.

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ITEM 7. FINANCIAL STATEMENTS

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Consolidated Statements of Operations.....	F-3
Consolidated Statements of Shareholders' Equity.....	F-4
Consolidated Statements of Cash Flows.....	F-5
Notes to Consolidated Financial Statements.....	F-6

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No disclosure is required under this item.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information required by Item 9 is contained in the Proxy Statement under "Election of Directors."

ITEM 10. EXECUTIVE COMPENSATION

Information required by Item 10 is contained in the Proxy Statement under "Election of Directors and Executive Compensation."

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by Item 11 is contained in the Proxy Statement under "Common Stock Ownership."

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required by Item 12 is contained in the Proxy Statement under "Executive Compensation" and "Certain Relationships and Related Transactions."

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

See "Exhibit Index" for list of Exhibits filed with this report.

(b) Reports on Form 8-K.

No Reports on Form 8-K were filed during the quarter ended September 30, 1998.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant

has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

<TABLE>

<S> <C> <C>
OXBORO MEDICAL INTERNATIONAL, INC.

By /s/ CHRISTOPHER J. TURNBULL

Dated: December 28, 1998

PRESIDENT

</TABLE>

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>

<CAPTION>

SIGNATURES	TITLE	DATE
<C> /s/ CHRISTOPHER J. TURNBULL ----- Christopher J. Turnbull	<S> President (principal executive officer)	<C> December 28, 1998
/s/ RICHARD ULVENES ----- Richard Ulvenes	Chief Financial Officer (principal financial and accounting officer)	December 28, 1998
/s/ KENNETH W. BRIMMER ----- Kenneth W. Brimmer	Director	December 28, 1998
/s/ GARY COPPERUD ----- Gary Copperud	Director	December 28, 1998
/s/ ROBERT S. GARIN ----- Robert S. Garin	Director	December 28, 1998
/s/ JOHN E. SAYER ----- John E. Sayer	Director	December 28, 1998
/s/ JOHN R. WALTER ----- John R. Walter	Director	December 28, 1998

</TABLE>

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Shareholders and Board of Directors

Oxboro Medical International, Inc.

We have audited the accompanying consolidated balance sheet of Oxboro Medical International, Inc. and subsidiary as of September 30, 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended September 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oxboro Medical International, Inc. and subsidiary as of September 30, 1998, and the

consolidated results of their operations and their consolidated cash flows for each of the two years in the period ended September 30, 1998, in conformity with generally accepted accounting principles.

GRANT THORNTON LLP

Minneapolis, Minnesota
November 24, 1998

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OXBORO MEDICAL INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1998

<TABLE>	<C>
<S>	
ASSETS	
CURRENT ASSETS	
Cash.....	\$ 71,125
Trade receivables, net of allowance of \$23,808.....	717,014
Inventories.....	1,926,925
Income taxes receivable.....	46,758
Deferred income taxes.....	103,000
Other current assets.....	55,647

Total current assets.....	2,920,469
PROPERTY, PLANT AND EQUIPMENT--AT COST	
Land.....	57,211
Building.....	905,366
Furniture and equipment.....	1,295,866

	2,258,443
Less accumulated depreciation.....	1,015,809

	1,242,634
OTHER ASSETS	
Cash surrender value of life insurance.....	287,029
Other.....	128,251

	\$4,578,383

LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES	
Note payable to bank.....	\$ 288,313
Current maturities of long-term obligation.....	7,621
Accounts payable.....	315,017
Accrued salaries, wages and payroll taxes.....	109,675
Accrued consulting fees.....	428,531
Other accrued expenses.....	109,941

Total current liabilities.....	1,259,098
LONG-TERM OBLIGATION, less current maturities.....	379,041
DEFERRED INCOME TAXES.....	103,000
COMMITMENTS AND CONTINGENCIES	--
SHAREHOLDERS' EQUITY	
Undesignated shares, \$.01 par value; 5,000,000 shares authorized; no shares issued or outstanding.....	--
Common stock, \$.01 par value; 5,000,000 shares authorized; 2,438,578 shares issued and outstanding.....	24,386
Additional paid-in capital.....	1,536,617
Retained earnings.....	1,538,747

	3,099,750
Receivable from employee stock ownership plan.....	(174,306)
Stock subscriptions receivable.....	(88,200)

	2,837,244

	\$4,578,383

</TABLE>

The accompanying notes are an integral part of this statement.

OXBORO MEDICAL INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED SEPTEMBER 30,

<TABLE> <CAPTION>		1998	1997
<S>		<C>	<C>
Net sales.....		\$ 5,002,489	\$ 4,801,965
Cost of goods sold.....		2,623,271	1,554,643
Gross margin.....		2,379,218	3,247,322
Selling, general and administrative expenses.....		3,801,497	3,344,450
Operating loss.....		(1,422,279)	(97,128)
Other income (expense)			
Interest expense.....		(55,916)	(65,906)
Other.....		24,651	15,269
Loss before income taxes.....		(1,453,544)	(147,765)
Income taxes.....		--	(60,000)
NET LOSS.....		\$ (1,453,544)	\$ (87,765)
Net loss per common share-basic and diluted.....		\$ (0.52)	\$ (0.03)
Weighted average common and common equivalent shares outstanding-basic and diluted...		2,788,560	2,679,112

</TABLE>

The accompanying notes are an integral part of these statements.

OXBORO MEDICAL INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED SEPTEMBER 30, 1998 AND 1997

<TABLE> <CAPTION>		COMMON STOCK		ADDITIONAL	RETAINED	RECEIVABLE
<S>		SHARES	AMOUNT	PAID-IN	EARNINGS	FROM EMPLOYEE
<C>		<C>	<C>	CAPITAL	<C>	STOCK
Balance at October 1, 1996.....		2,672,278	\$ 26,723	\$ 2,276,110	\$ 3,080,056	\$ (101,306)
Retirement of shares related to research and development arrangement.....		(383,500)	(3,835)	(963,415)	--	--
Retirement of shares related to stock subscription receivable.....		(70,200)	(702)	(89,238)	--	--
Exercise of stock options.....		40,000	400	89,600	--	--
Payment from ESOP.....		--	--	--	--	7,500
Net loss.....		--	--	--	(87,765)	--
Balance at September 30, 1997.....		2,258,578	22,586	1,313,057	2,992,291	(93,806)
Shares issued related to amendments to employment and exclusive license agreements.....		510,000	5,100	1,003,740	--	--

Cancellation of shares related to employment and exclusive license agreement amendments.....	(510,000)	(5,100)	(1,003,740)	--	--
Shares issued to ESOP.....	80,000	800	87,200	--	(88,000)
Exercise of stock options.....	320,364	3,204	315,542	--	--
Compensation expense related to options.....	--	--	49,160	--	--
Cancellation of shares related to employment agreement amendment.....	(220,364)	(2,204)	(228,342)	--	--
Payment from ESOP.....	--	--	--	--	7,500
Net loss.....	--	--	--	(1,453,544)	--
Balance at September 30, 1998.....	2,438,578	\$ 24,386	\$ 1,536,617	\$ 1,538,747	\$ (174,306)

<CAPTION>

	STOCK SUBSCRIPTION RECEIVABLE	SHARES IN ESCROW RELATED TO RESEARCH AND DEVELOPMENT ARRANGEMENT	SHARES IN ESCROW RELATED TO EMPLOYMENT AND EXCLUSIVE LICENSE AGREEMENTS	TOTAL
<S>	<C>	<C>	<C>	<C>
Balance at October 1, 1996.....	\$ (80,000)	\$ (967,250)	\$ --	\$ 4,234,333
Retirement of shares related to research and development arrangement.....	--	967,250	--	--
Retirement of shares related to stock subscription receivable.....	80,000	--	--	(9,940)
Exercise of stock options.....	--	--	--	90,000
Payment from ESOP.....	--	--	--	7,500
Net loss.....	--	--	--	(87,765)
Balance at September 30, 1997.....	--	--	--	4,234,128
Shares issued related to amendments to employment and exclusive license agreements.....	--	--	(1,008,840)	--
Cancellation of shares related to employment and exclusive license agreement amendments.....	--	--	1,008,840	--
Shares issued to ESOP.....	--	--	--	--
Exercise of stock options.....	(318,746)	--	--	--
Compensation expense related to options.....	--	--	--	49,160
Cancellation of shares related to employment agreement amendment.....	230,546	--	--	--
Payment from ESOP.....	--	--	--	7,500
Net loss.....	--	--	--	(1,453,544)
Balance at September 30, 1998.....	\$ (88,200)	\$ --	\$ --	\$ 2,837,244

</TABLE>

The accompanying notes are an integral part of these statements.

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OXBORO MEDICAL INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30,

<TABLE>

<CAPTION>

	1998	1997
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss.....	\$ (1,453,544)	\$ (87,765)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization.....	224,947	336,393
Inventory valuation adjustments.....	535,305	122,982
Loss from limited partnership.....	--	7,991
Deferred income taxes.....	73,000	(80,000)
Compensation related to stock options.....	49,160	--
Change in operating assets and liabilities		
Trade receivables.....	2,533	(139,443)
Inventories.....	107,608	(110,871)
Income taxes receivable.....	(79,360)	3,499
Other current assets.....	194,682	(136,250)
Accounts payable.....	83,313	19,087

Accrued liabilities.....	207,882	31,853
Net cash used in operating activities.....	(54,474)	(32,524)
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment.....	40,764	--
Purchases of property, plant and equipment.....	(137,617)	(122,893)
Disposal of (additions to) other assets.....	(60,360)	94,512
Net cash used in investing activities.....	(157,213)	(28,381)
Cash flows from financing activities:		
Net borrowings under note payable to bank.....	157,000	81,313
Proceeds from ESOP receivable.....	7,500	7,500
Proceeds from exercise of stock options.....	--	90,000
Payments on long-term obligation.....	(6,503)	(6,416)
Net cash provided by financing activities.....	157,997	172,397
Net increase (decrease) in cash.....	(53,690)	111,492
Cash at beginning of year.....	124,815	13,323
Cash at end of year.....	\$ 71,125	\$ 124,815
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest.....	\$ 55,916	\$ 65,906
Income taxes.....	1,000	29,000

</TABLE>

Supplemental disclosure of noncash investing and financing activities:

- During 1998, the Company received stock subscriptions in the amount of \$88,200 in connection with the exercise of stock options.
- During 1998, the Company issued 80,000 shares of common stock to the employee stock ownership plan in exchange for a note receivable in the amount of \$88,000.
- During 1997, the Company retired 383,500 shares of common stock at a value of \$967,250 in connection with the termination of a research and development arrangement.
- During 1997, the Company received 70,200 shares of its common stock in cancellation of a stock subscription receivable of \$80,000 and related interest receivable of \$9,940.

The accompanying notes are an integral part of these statements.

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 1998 AND 1997

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Oxboro Medical International, Inc. ("the Company") develops, assembles and markets disposable medical products for use in general and cardiovascular surgery. The Company's wholly-owned subsidiary, Oxboro Outdoors, Inc., develops and markets products for outdoor recreational use. The Company conducts all of its operations out of one facility located in Ham Lake, Minnesota.

CONSOLIDATION POLICY

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Oxboro Outdoors, Inc. All significant intercompany transactions and accounts have been eliminated in consolidation.

TRADE RECEIVABLES AND CUSTOMERS

The Company grants credit to customers in the normal course of business, but generally does not require collateral or any other security to support amounts due.

Medical products are primarily marketed directly to hospitals throughout the United States and Canada. Outdoor recreation products are sold primarily to retailers throughout the United States.

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories consist of the following at September 30, 1998:

<TABLE>		
<CAPTION>		
<S>		
	<C>	<C>
Raw materials.....	\$ 1,087,488	
Finished goods.....	839,437	

	\$ 1,926,925	

</TABLE>		

DEPRECIATION

Depreciation is provided in amounts sufficient to charge the cost of depreciable assets to operations over their estimated service lives, principally on straight-line methods for financial reporting purposes and on straight-line and accelerated methods for income tax reporting purposes. Estimated service lives for financial reporting purposes are thirty years for the building and seven years for furniture and equipment.

INCOME TAXES

Deferred income tax assets and liabilities are recorded based on the difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NET LOSS PER COMMON SHARE

On December 31, 1997, the Company adopted Statement of Financial Accounting Standards No. 128 "Earnings Per Share." As required by Statement No. 128, all previously reported loss per share data have been restated to conform to the provisions of Statement No. 128.

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1998 AND 1997

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's basic net loss per share amounts have been computed by dividing net loss by the weighted average number of outstanding common shares. The Company's diluted net loss per share is computed by dividing net loss by the weighted average number of outstanding common shares and common share equivalents relating to stock options, when dilutive. For the fiscal year ended September 30, 1998, the common share equivalents that would have been included in the computation of diluted net income per share were 200,364, had net income been achieved. There were no common share equivalents at September 30, 1997.

STOCK-BASED COMPENSATION

The Company utilizes the intrinsic value method of accounting for its employee stock-based compensation.

RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Statement No. 130 "Reporting Comprehensive Income" and Statement No. 131 "Disclosures about Segments of an Enterprise and Related Information," which are effective for fiscal year 1999. Statement No. 130 will require the Company to display an amount representing total comprehensive income, as defined by the statement, as part of the Company's basic financial statements. Comprehensive income will include items such as unrealized gains or losses on certain investment securities and foreign currency items. Statement No. 131 will require the Company to disclose financial and other information about its business segments, their products and services, geographic areas, major customers, revenues, profits, assets, and other information.

The adoption of these standards is not expected to have a material effect on the consolidated financial statements of the Company.

Preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Actual results could differ from those estimates.

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1998 AND 1997

NOTE B--NOTE PAYABLE TO BANK

The Company has a line of credit facility with a bank under which it can borrow up to \$550,000, subject to a defined borrowing base. Amounts outstanding under the facility are due upon demand or, if no demand is made, on March 31, 1999 and bear interest at prime plus .5% (effective rate of 8.75% at September 30, 1998). The facility is collateralized by substantially all assets of the Company, contains restrictive covenants which include, but are not limited to, minimum tangible net worth, net earnings, and a maximum debt to tangible net worth ratio. As of September 30, 1998, the Company was in compliance with all covenants. The Company expects to maintain or replace the line of credit under terms similar to those in effect at September 30, 1998.

NOTE C--LONG-TERM OBLIGATION

The Company has a term note payable to a bank which is due in monthly installments of principal and interest at the bank's prime rate plus .5% (effective rate of 8.75% at September 30, 1998). The note is due in 2001, is collateralized by the Company's land and building and is subject to the same restrictive covenants as the line of credit (note B).

Maturities of the long-term obligation are as follows for the years ending September 30:

<TABLE>	
<S>	
	<C>
1999.....	\$ 7,621
2000.....	8,336
2001.....	370,705
</TABLE>	

NOTE D--SHAREHOLDERS' EQUITY

EMPLOYEE STOCK OWNERSHIP PLAN

The Board of Directors has adopted an Employee Stock Ownership Plan (ESOP) for the benefit of the Company's employees. The Company originally loaned \$150,000 to the ESOP for the purchase of 225,000 shares of newly issued common stock at \$.67 a share. In 1998, the Company loaned an additional \$88,000 to the ESOP for the purchase of 80,000 shares of newly issued common stock at \$1.10 per share. The loans from the ESOP bear interest at 9% and 6% per annum, respectively, and are to be repaid in annual installments through 2009. Repayment by the ESOP will be made from future annual contributions by the Company. Contributions to the ESOP were \$20,000 for the year ended September 30, 1997. No contribution was made for the year ended September 30, 1998.

STOCK OPTIONS

The Company grants nonqualified stock options to key employees and other individuals providing services to the Company generally at an exercise price not less than market price as of the date of grant. Each grant awarded specifies the period for which the options are exercisable and provides that the options shall expire at the end of such period.

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1998 AND 1997

NOTE D--SHAREHOLDERS' EQUITY (CONTINUED)

Option transactions for the two years ended September 30, 1998 are summarized as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Outstanding at October 1, 1996.....	160,364	\$ 1.84
Granted.....	80,000	1.10
Exercised.....	(60,000)	1.50
Expired.....	(40,000)	2.75
	-----	-----
Outstanding at September 30, 1997.....	140,364	1.31
Granted.....	330,000	1.20
Exercised.....	(80,000)	1.10
Canceled.....	(100,000)	1.00
	-----	-----
Outstanding at September 30, 1998.....	290,364	\$ 1.35
	-----	-----

Options for 276,364 shares were exercisable at September 30, 1998 at a weighted average exercise price of \$1.33.

The following table summarizes information concerning outstanding and exercisable stock options at September 30, 1998:

OPTIONS OUTSTANDING

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>
\$1.00--\$1.50	210,364	4.0 years	\$ 1.17
1.63--2.00	80,000	3.2 years	1.81

OPTIONS EXERCISABLE

RANGE OF EXERCISE PRICES	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>
\$1.00--\$1.50	210,364	\$ 1.17
1.63--2.00	66,000	1.85

The weighted average fair value of options granted in 1998 and 1997 was \$.85 and \$1.10 per share, respectively. The fair value of each option grant is determined on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1998 and 1997: no dividend yield; risk-free rate of return of 6.3%; volatility of 64.2%; and an average term of 5 years. The Company's 1998 and 1997 pro forma net loss and net loss per share would have been \$1,623,183 and \$157,564 or \$.58 and \$0.06 per share had the fair value method been used for valuing options granted during 1998 and 1997. These effects may not be representative of the future effects of applying the fair value method.

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1998 AND 1997

NOTE E--INCOME TAXES

Deferred income tax assets and liabilities consist of the following at September 30, 1998:

<TABLE>	
<S>	
Deferred tax assets	
Accrued liabilities.....	\$ 148,000
Allowance for doubtful accounts.....	9,000
Inventory valuation adjustments.....	332,000
Net operating loss carryforward.....	178,000
Capital loss carryforward.....	14,000
Charitable contribution carryforward.....	21,000

	702,000
Valuation allowance.....	(599,000)

	\$ 103,000

Deferred tax liabilities	
Depreciation.....	\$ 103,000

</TABLE>

During 1998, the valuation allowance increased by \$511,000.

Income tax expense (benefit) consists of the following:

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,	
	1998	1997
<S>	<C>	<C>
Currently payable (receivable)		
Federal.....	\$ (74,000)	\$ 18,000
State.....	1,000	2,000
	-----	-----
	(73,000)	20,000
Deferred		
Federal.....	67,000	(74,000)
State.....	6,000	(6,000)
	-----	-----
	73,000	(80,000)
	-----	-----
	\$ --	\$ (60,000)
	-----	-----

</TABLE>

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1998 AND 1997

NOTE E--INCOME TAXES (CONTINUED)

A reconciliation of income taxes at the statutory rate compared with the actual income taxes provided is as follows:

<TABLE>
<CAPTION>

	YEARS ENDED SEPTEMBER 30,	
	1998	1997
<S>	<C>	<C>
Federal tax, at statutory rate.....	(34.0)%	(34.0)%
State income taxes, net of federal tax benefit and credits received.....	--	0.9
Differences in statutory rates.....	--	8.0
Officers life insurance.....	.4	4.2
Non-deductible entertainment expenses.....	1.4	9.0
Adjustment of prior year's accruals.....	(0.4)	(6.2)
Research and development credits.....	(2.4)	(8.5)
Change in valuation allowance.....	35.2	(13.5)

Other.....	(0.2)	(0.5)
Effective rate.....	-- %	(40.6) %
	-----	-----
	-----	-----

</TABLE>

At September 30, 1998, the Company has net operating loss carryforwards of approximately \$480,000 which expire in 2018.

The Company also has a capital loss carryforward of approximately \$38,000 available to offset future capital gains which expires in 2002 and a charitable contribution carryforward of approximately \$56,000 which expires in 1999. Benefits of these carryforwards will be recognized as they become deductible for tax purposes.

NOTE F--RELATED PARTY TRANSACTIONS

SIGNIFICANT SHAREHOLDER AND FORMER OFFICER

The Company has entered into several agreements with a significant shareholder, former Chief Executive Officer and Director, Larry Rasmusson (Former Officer) of the Company as described below:

In September 1998, the Company entered into a Mutual Release and Noncompetition Agreement ("Release") with the Former Officer. The Release includes a consulting agreement requiring the Company to pay the Former Officer \$485,000 in twenty-four equal monthly installments of \$20,208, beginning in September 1998 and a noncompetition agreement requiring payment of \$150,000 in twenty-four equal monthly installments of \$6,250, beginning in September 1998. The obligations under the consulting agreement (\$485,000) were accrued and expensed as of September 30, 1998. The payments under the noncompetition agreement are expensed as paid and will continue so long as the Former Officer is not in violation of the terms and conditions of the agreement. The payments under the consulting and noncompetition agreements are secured by a second mortgage on the Company's land and building.

The Release also amended the exclusive license agreement between the Company and the Former Officer for specified Oxboro Outdoors, Inc. products invented or developed by the Former Officer. Under the agreement, advance royalties totaling \$229,241 have been paid to the Former Officer, including \$112,500 paid prior to 1995. These advances are capitalized and are being amortized as the sales of the related products are made. Under the amended agreement, royalties of 8% to 9% of the net sales price of the products sold are to be paid until the advanced royalties are earned. Thereafter, royalties of 4% to

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1998 AND 1997

NOTE F--RELATED PARTY TRANSACTIONS (CONTINUED)

8% will be paid on the net sales price of the products sold. The agreement expires in August 2001. Royalty expense under this agreement was \$47,008 and \$36,385 for the years ended September 30, 1998 and 1997, respectively. At September 30, 1998, net advance royalties remaining on the books were \$128,251.

During 1998, the Company issued 510,000 shares of common stock into escrow in connection with amendments to the Former Officer's employment agreement and the exclusive license agreement. The Former Officer also issued notes receivable to the Company in the amount of \$230,546 in connection with the exercise of options to purchase 220,364 shares of common stock. The Release rescinded these stock issuances, the notes receivable were canceled and the related shares of common stock were returned to the Company.

OTHER

A former director, Dennis Mikkelson, of the Company received approximately \$64,000 and \$60,000 during the fiscal years ended September 30, 1998 and 1997 for general business consulting and for maintenance, development and enhancement of the Company's computer capabilities.

A current director, John Walter, received approximately \$10,000 in commissions from the sale of insurance policies to the Company during each of the years ended September 30, 1998 and 1997. This director also received

approximately \$2,000 and \$30,000 in consulting fees related to Oxboro Outdoors, Inc. during the years ended September 30, 1998 and 1997, respectively.

Each director of the Company who is not an employee receives a fee for services provided in the amount of \$1,000 per quarter and the Chairman of the Board receives \$1,250 per quarter. The aggregate fees paid to non-management directors for services rendered for the years ended September 30, 1998 and 1997 were approximately \$32,250 and \$24,000. Directors serving in fiscal 1997 (Dennis Mikkelson and John Walter) received bonuses totaling \$15,000 for the year ended September 30, 1997. No bonuses were awarded for the year ended September 30, 1998.

At October 1, 1996, \$80,000 was outstanding under a note issued by the former President of the Company, Harvey Haase, in conjunction with the exercise of stock options. During 1997, 70,200 shares of the Company's common stock were surrendered and retired in connection with the cancellation of the promissory note and related accrued interest receivable.

Larry Rasmusson and Harvey Haase receive royalties on product sales under certain royalty agreements. Royalty expense for the years ended September 30, 1998 and 1997 under these agreements was \$92,967 and \$82,447.

Dennis Mikkelson and John Walter issued promissory notes to the Company in the combined amount of \$88,200 in connection with the exercise of stock options. The notes bear interest at 6% and are due in annual installments through January 2003. The notes are collateralized by the related shares of common stock.

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1998 AND 1997

NOTE G--SEGMENT INFORMATION

Oxboro Medical International, Inc. operates in two industry segments: medical supplies ("Medical") and outdoor recreational products through its wholly-owned subsidiary, Oxboro Outdoors, Inc. ("Outdoors"). Financial information by industry segment as of and for the years ended September 30, 1998 and 1997 is summarized as follows:

	MEDICAL	OUTDOORS	CONSOLIDATED
	-----	-----	-----
<S>	<C>	<C>	<C>
1998			
Net sales.....	\$ 4,450,597	\$ 551,892	\$ 5,002,489
Direct contribution operating income (loss).....	1,035,498	(1,291,996)	(256,498)
Allocation of corporate expense.....	(705,858)	(459,923)	(1,165,781)
	-----	-----	-----
Operating income (loss).....	\$ 329,640	\$ (1,751,919)	\$ (1,422,279)
	-----	-----	-----
Identifiable assets.....	\$ 3,194,412	\$ 1,383,971	\$ 4,578,383
	-----	-----	-----
1997			
Net sales.....	\$ 4,322,108	\$ 479,857	\$ 4,801,965
Direct contribution operating income (loss).....	1,773,804	(1,000,276)	773,528
Allocation of corporate expense.....	(679,758)	(190,898)	(870,656)
	-----	-----	-----
Operating income (loss).....	\$ 1,094,046	\$ (1,191,174)	\$ (97,128)
	-----	-----	-----
Identifiable assets.....	\$ 3,926,403	\$ 1,651,774	\$ 5,578,177
	-----	-----	-----

</TABLE>

Direct contribution operating income (loss) represents segment revenues less directly related operating expenditures of the Company's segments. Management believes this is the most meaningful measurement of each segment's results as it excludes consideration of corporate expenses which are common to both business segments.

Corporate expenses consist principally of senior management's compensation and facility costs of the Company's building. These costs generally would not be subject to significant reduction upon the discontinuance or disposal of one of the segments.

NOTE H--COMMITMENTS AND CONTINGENCIES

CONSULTING AGREEMENT

In October 1994, Oxboro Outdoors, Inc. entered into a six year consulting agreement with an individual, R.J. Fritz, which provides for annual payments of approximately \$25,000. The agreement was terminated in fiscal 1999 resulting in a cash payment for the final 23 months of the agreement subsequent to September 30, 1998.

LICENSING AGREEMENTS

The Company has a licensing agreement with National Football League Properties Inc. (NFL) to market and sell fishing tackle, keychains and earrings bearing logos of NFL teams. The Company also has licensing agreements with Major League Baseball Properties, Inc. (MLB) and National Association for Stock Car Auto Racing, Inc. (NASCAR) to market and sell fishing tackle bearing logos of MLB teams and

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OXBORO MEDICAL INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 1998 AND 1997

NOTE H--COMMITMENTS AND CONTINGENCIES (CONTINUED)

certain NASCAR drivers. The royalty payments, as a percent of net sales as defined in the agreements, and expiration dates of the agreements are as follows:

<TABLE>

<CAPTION>

	ROYALTIES	EXPIRATION DATE
	-----	-----
<S>	<C>	<C>
NFL.....	11%	March 31, 2000
MLB.....	11%	December 31, 1999
NASCAR.....	17%	December 31, 1999

</TABLE>

The agreements also call for minimum royalty payments, as defined in the agreements.

RISKS AND UNCERTAINTIES

The Year 2000 issue relates to limitations in computer systems and applications that may prevent proper recognition of the Year 2000. If Year 2000 modifications are not properly completed either by the Company or any entities with whom the Company conducts business, specifically hospital customers, the Company could be unable to receive, process, or ship orders to customers on a timely basis, if at all. In such case, the Company's revenues and financial condition could be adversely impacted.

NOTE I--LEGAL PROCEEDINGS

The Company is subject to various legal proceedings in the normal course of business. Management believes that these proceedings will not have a material adverse effect on the consolidated financial statements.

NOTE J--FOURTH QUARTER ADJUSTMENTS

During the fourth quarter of fiscal year 1998, the Company recorded expenses related to the Release of the Former Officer (note F) of approximately \$530,000 and adjustments to inventory of \$640,000 to reflect reduced estimated net realizable value of the assets.

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SECOND AMENDMENT TO EXCLUSIVE LICENSE AGREEMENT

This Second Amendment made and entered into effective this 1st day of September, 1998, by and between Larry Rasmusson ("Rasmusson") and Oxboro Medical International, Inc., a Minnesota corporation ("Company").

WITNESSETH:

WHEREAS, Rasmusson and the Company entered into an exclusive license agreement effective as of the first day of April, 1990 (the "License Agreement"); and

WHEREAS, Rasmusson and the Company entered into a First Amendment to Exclusive License Agreement effective the first day of November, 1995; and

WHEREAS, Rasmusson and the Company desire to amend the License Agreement to set forth the number of days that the Company has to accept or reject products submitted by Rasmusson to the Company under the License Agreement.

NOW THEREFORE, the parties hereto, in consideration of the above recitals and in further consideration of the terms and conditions set forth below, agree as follows:

1. Article VII of the License Agreement entitled "General Provisions" shall be amended by the addition of the following subparagraph:

7.8. Rasmusson agrees to offer to the Company, in writing, all products, concepts, and ideas that he may develop until August 31, 2000, that are within the same category as, or similar to, the products the Company is marketing as of September 1, 1998, and the Company shall determine, within forty-five (45) days, whether it is interested in obtaining the rights to and developing and marketing such product, concept or idea. If within said forty-five (45) days of the Company's receipt of Rasmusson's written offer the Company has not advised Rasmusson in writing that it has determined to pursue development and marketing of the product, concept, or idea, Rasmusson shall be entitled to offer it to any third party.

Company will pay Rasmusson or his heirs or personal representative Royalties as set forth in Article 4.1 of the License Agreement on the NET SALES PRICE of all PRODUCTS and Additional Products after the date of Rasmusson's death, disability or retirement.

The Company will have the option at any time to cease paying Royalties to Rasmusson with respect to any individual item included in the PRODUCTS or the Additional Products by transferring all rights to such item back to Rasmusson and cease to manufacture, market and sell such PRODUCTS or Additional Products. The Company will also have the right to maintain its exclusive license to an individual item included in the PRODUCTS or the Additional Products, even if such item is defined as no longer sold by the Company, by paying to Rasmusson an amount equal to four percent (4%) times the average annual NET SALES PRICE for the item over the Company's three (3) preceding fiscal years for each year that the Company wishes to maintain its exclusive license.

Except as hereby amended or as otherwise amended and signed by the parties to such Agreement, the Exclusive License Agreement remains in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Second Amendment to the Exclusive License Agreement as of the day and year first above written.

OXBORO MEDICAL INTERNATIONAL, INC.

By /s/ Robert S. Garin

Its Chairman of the Board

RASMUSSON

/s/ Larry Rasmusson

Larry Rasmusson

FOURTH AMENDMENT TO
EXCLUSIVE LICENSE AND ROYALTY AGREEMENT

THIS FOURTH AMENDMENT ("Amendment") to the Exclusive License and Royalty Agreement ("Royalty Agreement") dated as of April 17, 1993, by and between LARRY A. RASMUSSEN, residing at 1485 - 139th Lane Northwest, Andover, Minnesota (hereinafter referred to as "Rasmussen") and OXBORO OUTDOORS, INC., a Minnesota corporation having its principal place of business at 13828 Lincoln Street, Ham Lake, Minnesota 55304 (hereinafter referred to as the "Company"), is made effective as of the 1st day of September, 1998.

RECITALS

WHEREAS, and Rasmussen entered into the Third Amendment to the Royalty Agreement effective as of February 25, 1998;

WHEREAS, the Third Amendment reduced the Royalties payable to Rasmussen under the Royalty Agreement for a period of time and caused the Parent of the Company to issue on behalf of the Company shares of stock of the Parent to Rasmussen in escrow.

WHEREAS, the Company and Rasmussen desire to rescind the Third Amendment to the Royalty Agreement in its entirety and to effect certain other amendments to the Royalty Agreement pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the recitals set forth above and in further consideration of the terms and conditions set forth below, Rasmussen, Company and Parent agree to amend the Agreement as follows:

1. RESCISSION OF THIRD AMENDMENT TO EXCLUSIVE LICENSE AND ROYALTY AGREEMENT. The Third Amendment to the Exclusive License and Royalty Agreement effective the 25th day of February, 1998, is hereby rescinded in its entirety. The 150,000 shares issued to Rasmussen (Certificate of Common Stock of Oxboro Medical International, Inc. No. __) shall be and are hereby returned to Oxboro Medical International, Inc. duly endorsed by Rasmussen or with an attached Assignment Separate From Certificate.

2. AMENDMENT TO SUBSECTION 4.1. Section 4.1 of the Royalty Agreement is hereby amended in its entirety as follows:

4.1 The Company will pay to Rasmussen Royalties in the amount set forth below on the NET SALES PRICE of all PRODUCTS sold by the Company during the revised term of this Royalty Agreement:

(a) The Company will pay Rasmussen Royalties in the amount of eight percent (8%) up to One Million Dollars of NET

SALES PRICE of PRODUCTS and nine percent (9%) for all net

sales in excess of One Million Dollars until Royalty advances (currently in the approximate amount of Eighty Thousand and No/100 Dollars (\$80,000.00)) are consumed; thereafter Royalties shall be paid pursuant to subparagraph b;

(b) Royalties shall be paid as set forth in the following table on the cumulative NET SALES PRICE of PRODUCTS sold by the Company for each fiscal year:

<TABLE>
<CAPTION>

Cumulative NET SALES PRICE OF PRODUCTS	ROYALTY PERCENTAGE
<S>	<C>
\$0 to \$1,000,000	4%
\$1,000,000 to \$2,000,000	6%
Over \$2,000,000	8%

</TABLE>

3. AMENDMENT TO SECTION 8. Section 8 of the Royalty Agreement entitled Duration and Termination is hereby amended in its entirety as follows:

8. DURATION AND TERMINATION.

(a) This Contract shall terminate at 11:59 p.m. on August 31, 2001. Upon termination, Rasmusson shall have no further rights with respect to the PRODUCTS or Additional Products being sold at that time or to PRODUCTS and Additional Products which have not previously reverted to Rasmusson.

(b) Prior thereto, this Contract may be terminated by either party in the event of a breach under or default in the performance of any material provision, term or condition of this Contract and the giving of written notice specifying the alleged breach or default, if the party in breach or default fails to cure the alleged breach or default within thirty (30) days of receipt of notice, or fails to commence actions to cure the breach or default within such thirty (30) days period and thereafter diligently prosecute and pursue such cure to completion.

(c) In the event of termination of this Contract as a

result of a default by the Company, the Company will immediately lose all rights to manufacture, produce and sell the PRODUCTS and the Additional Products, which rights shall immediately revert to Rasmusson; provided, however, that the Company will have the right to sell its inventory of any completed PRODUCTS and Additional Products manufactured or produced as of the date of such termination for a period of ninety (90) days from the date of such termination. The Company will also immediately lose all rights to use the KNOW-HOW, will cease using the KNOW-HOW in all respects, and will transfer all rights pertaining to the KNOW-

2

HOW back to Rasmusson. The Company will continue to pay Royalties as provided in this Contract based on the NET SALES PRICE of PRODUCTS or Additional Products sold by the Company following the termination of this Contract. The Company will assign to Rasmusson all patents, trademark registrations, copyrights and similar intellectual property rights, as well as all applications therefore, which relate to or are derived from the PRODUCTS, the Additional Products or the KNOW-HOW; and Rasmusson will have the right to utilize the KNOW-HOW and to manufacture and sell the PRODUCTS and the Additional Products, either on his own account or through such other persons or entities as he may select.

4. ARBITRATION. Any controversy or dispute arising under the terms of this Agreement shall be determined by arbitration in Minneapolis, Minnesota, according to the then current Rules and Regulations of the American Arbitration Association and the decision of the arbitrator or arbitrators shall be final and binding upon all parties and may be entered as a final judgment in any court of competent jurisdiction. The costs and arbitrators fees of the prevailing party shall be paid by the non-prevailing party.

5. NOTICES. All notices required under this Agreement shall be given in writing and shall be sufficiently given if delivered to the addressee in person or, if mailed, by certified mail, return receipt requested, and addressed as follows:

<TABLE>

<S>	<C>
If to Parent:	President Oxboro Medical International, Inc. 13828 Lincoln Street NE Ham Lake, Minnesota 55304
If to Company:	Oxboro Outdoors, Inc. c/o The Board of Directors

Oxboro Medical International, Inc.
13828 Lincoln Street NE
Ham Lake, Minnesota 55304

If to Rasmusson: Larry A. Rasmusson
1485 - 139th Lane N.W.
Andover, MN 55304

</TABLE>

Any notice shall be deemed effective (i) when delivered if delivered personally and (ii) five (5) days after deposit in the mail, return receipt requested.

All other terms and conditions of the Royalty Agreement, as amended, shall remain unchanged, subject to future amendment by written agreement of the parties hereto.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

COMPANY:

RASMUSSON:

OXBORO OUTDOORS, INC.

By: /s/ Robert S. Garin

/s/ Larry A. Rasmusson

Its: Chairman of the Board

Larry A. Rasmusson

PARENT:

Consented and Agreed to this 21st day of _____, 1998.

OXBORO MEDICAL INTERNATIONAL, INC.

By: /s/ Robert S. Garin

Its: Chairman of the Board

SECOND AMENDMENT TO
CONSULTING AGREEMENT

This Second Amendment is made and entered into effective as of the 1st day of September, 1998 by and between Oxboro Medical International, Inc., a Minnesota corporation (the "Company"), and Larry A. Rasmusson ("Rasmusson" or "Consultant").

R E C I T A L S

WHEREAS, the Company and Rasmusson have entered into a Consulting Agreement as of the 1st day of November, 1995;

WHEREAS, the Consulting Agreement was drafted with the intent that it would commence upon the termination of Rasmusson's Employment Agreement with the Company on March 31, 1998;

WHEREAS, Rasmusson and the Company negotiated an agreement which extended the term of Rasmusson's Employment Agreement for an additional eighteen months through September 30, 1999; Rasmusson and the Company recently negotiated an agreement which now reduces the term of said Employment Agreement to September 1, 1998;

WHEREAS, as a condition and in consideration of Rasmusson's agreeing to reduce the term of his Employment Agreement, the Company has agreed to amend the terms of the Consulting Agreement as set forth below.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, the parties hereto agree as follows:

I. CONSULTING SERVICES

Section 1 of the Consulting Agreement, entitled "Consulting Services", is hereby superseded and replaced by the following new Section 1:

1. CONSULTING SERVICES. Consultant agrees that commencing on the date of his retirement from his duties as an officer and employee of the Company, he will hold himself available, unless disabled from doing so as a result of illness or other incapacity, to advise and consult from time to time, by telephone or in such other manner and at such place or places as may from time to time be mutually agreeable to Consultant and the Company, with the officers, directors, employees and other representatives of the Company when and to the extent reasonably requested to do so by the Company's officers and/or directors, relative to the business of the Company consistent in scope and concept with

duties and responsibilities while he was employed by the Company. Upon such request(s), Consultant shall provide to the Company, through such officers, directors, employees and other representatives, the benefit of his experience and knowledge of the business and of his judgment on or with respect to matters, issues and/or subjects submitted to Consultant through such requests. Rasmusson may, but shall not be required to, provide such consulting services in person at the Company's offices.

II. COMMENCEMENT

Section 3 of the Consulting Agreement, entitled "Commencement", is hereby superseded and replaced by the following new Section 3:

3. COMMENCEMENT. This Agreement shall commence upon termination of the Employment Agreement, as amended.

III. FEES

The first paragraph under Section 4 of the Consulting Agreement, entitled "Compensation", is hereby superseded and replaced by the following paragraph:

4. FEES. In consideration of the services to be rendered by Consultant pursuant to this Agreement during the twenty-four (24) month term hereof, the Company shall pay the Consultant the sum of Four Hundred Eighty-Five Thousand and No/100 (\$485,000.00) Dollars in twenty-four (24) equal monthly installment payments in the amount of Twenty Thousand Two Hundred Eight and 33/100 (\$20,208.33) Dollars each, whether or not the Company requests Consultant to provide such services. Payments shall commence in September, 1998 and shall be made on the first day in September, 1998 and on the first day of each month thereafter through August, 2000.

IV. TERMINATION

Section 9 of the Consulting Agreement, entitled "Termination", is hereby superseded and replaced by the following:

9. TERMINATION. This Agreement shall be terminated upon the second anniversary of this Agreement or may otherwise be terminated:

- (a) by Consultant without cause, for any reason or for no reason, at any time upon thirty (30) days written notice to the Company; or
- (b) if Company is in default hereunder and such default is not

cured within thirty (30) days of written notice thereof, then Consultant can terminate this Agreement and the non-compete provision hereof is of no further force and effect.

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V. LEGAL FEES

In the event either party commences legal action to enforce the terms of the Consulting Agreement, as amended, the prevailing party in such action shall be reimbursed by the non-prevailing party all legal costs and expenses and attorney's fees incurred by the prevailing party in such action.

All other terms of the Consulting Agreement shall remain unchanged, subject to future amendment by written agreement of the parties hereto.

COMPANY:

OXBORO MEDICAL
INTERNATIONAL, INC.

RASMUSSEN:

/s/ Larry A. Rasmusson

Larry A. Rasmusson

By /s/ Robert S. Garin

Its Chairman of the Board

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FIRST AMENDMENT TO NON-QUALIFIED STOCK OPTION AGREEMENT

This First Amendment to the Oxboro Medical International, Inc. Non-Qualified Stock Option Agreement dated August 17, 1995, is made and entered into effective as of the 1st day of September, 1998 between Oxboro, Medical International, Inc., a Minnesota corporation (the "Company") and Larry A. Rasmusson ("Rasmusson").

RECITALS

WHEREAS, the Company granted a Stock Option to Rasmusson effective August 17, 1995 to purchase Eighty Thousand Three Hundred Sixty-Four (80,364) shares of Common Stock ("Stock") of the Company at a price of \$1.50 per share;

WHEREAS, on January 14, 1998 there remained Twenty Thousand Three Hundred Sixty-Four (20,364) shares of said Stock outstanding under the option;

WHEREAS, on January 14, 1998 the Company and Rasmusson entered into a Stock Option Exercise and Loan Agreement to effect an exercise of the option and an acquisition of the Twenty Thousand Three Hundred Sixty-Four (20,364) shares in consideration of a Secured Promissory Note in the amount of Thirty Thousand Five Hundred Forty-Six and No/100 Dollars (\$30,546.00), which shares were pledged to the Company as security for the Note under an Instruments Security Agreement dated January 15, 1998;

WHEREAS, the Company and Rasmusson desire to effect a rescission to said Stock Option Exercise and Loan Agreement, secured Promissory Note and Instruments Security Agreement;

WHEREAS, the Company and Rasmusson desire to reinstate and amend the terms of the Non-Qualified Stock Option Agreement as set forth below.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, the parties hereto agree as follows:

1. RESCISSION OF THE STOCK OPTION EXERCISE AND LOAN AGREEMENT, SECURED PROMISSORY NOTE AND INSTRUMENTS SECURITY AGREEMENT. The Company and Rasmusson hereby rescind in their entirety the Stock Option Exercise and Loan Agreement, Secured Promissory Note and Instruments Security Agreement between the Company and Rasmusson, all dated January 15, 1998. The Twenty Thousand Three Hundred Sixty-Four (20,364) shares of the Company's Common Stock issued to Rasmusson pursuant to the Certificate of Common Stock of Oxboro Medical International, Inc. No. ___ shall be and hereby is returned to the Company duly endorsed by Rasmusson or pursuant to an

Assignment Separate from Certificate. Both the Company and Rasmusson are hereby relieved from

any and all obligation, duties and responsibilities under said Stock Option Exercise and Loan Agreement, Secured Promissory Note and Instruments Security Agreement.

2. TERM OF OPTION. This Option must be exercised, if at all, and to the extent exercised, on or before March 31, 1999.
3. EXERCISE OF OPTION. This Option may be exercised either by payment in full in cash, by certified or cashier's check or, by the transfer to the Company of shares of Stock already owned by Rasmusson and having a fair market value, as of the date of the exercise of the this Option, which is not less than the purchase price of the Stock being acquired pursuant to the Option provided that such shares of Stock were acquired and full consideration paid therefore at least six (6) months prior to such delivery or by execution of an interest-free Promissory Note by Rasmusson in the amount of Thirty Thousand Five Hundred Forty-Six and No/100 Dollars (\$30,546.00) which Note shall be payable in full on or before September 1, 2000. If the Option is exercised by the execution of a Promissory Note, in the form attached hereto as Exhibit 1, then the Note shall be secured by any and all payments due to Rasmusson by the Company. If the Note is not paid in full on or before September 1, 2000, then the Company may apply any and all amounts due and owing to Rasmusson at such time to payment of the Note. Further, the shares shall be held as additional collateral for payment of the Note; however, Rasmusson may vote the shares while such shares are being held as collateral by the Company. Such shares shall be held as collateral pursuant to an Instruments Security Agreement in the form attached hereto as Exhibit 2. All other terms and conditions of the Option remain unchanged and are in full force and effect.

OXBORO MEDICAL INTERNATIONAL, INC.

By: /s/ Robert S. Garin

Its: Chairman of the Board

RASMUSSON

/s/ Larry A. Rasmusson

Larry A. Rasmusson

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FIRST AMENDMENT TO NON-QUALIFIED STOCK OPTION AGREEMENT
(CURRENT)

This First Amendment to the Oxboro Medical International, Inc. Non-Qualified Stock Option Agreement dated October 1, 1997 (Current Option"), is made and entered into effective as of the 1st day of September, 1998 between Oxboro, Medical International, Inc., a Minnesota corporation (the "Company") and Larry A. Rasmusson ("Rasmusson").

RECITALS

WHEREAS, the Company granted a Stock Option to Rasmusson effective October 1, 1997 to purchase One Hundred Thousand (100,000) Shares of Common Stock ("Stock") of the Company at a price of \$1.00 per share;

WHEREAS, on January 14, 1998 the Company and Rasmusson entered into a Stock Option Exercise and Loan Agreement to effect an exercise of the Option and an additional option for an additional One Hundred Thousand (100,000) Shares of Common Stock of the Company and an acquisition of Shares in consideration of a Secured Promissory Note in the amount of Two Hundred Thousand Dollars (\$200,000), which Shares were pledged to the Company as security for the Note under an Instruments Security Agreement dated January 15, 1998;

WHEREAS, the Company and Rasmusson desire to effect a rescission to said Stock Option Exercise and Loan Agreement, secured Promissory Note and Instruments Security Agreement;

WHEREAS, the Company and Rasmusson desire to reinstate and amend the terms of the Non-Qualified Stock Option Agreement as set forth below.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises hereinafter contained, the parties hereto agree as follows:

1. RESCISSION OF THE STOCK OPTION EXERCISE AND LOAN AGREEMENT, SECURED PROMISSORY NOTE AND INSTRUMENTS SECURITY AGREEMENT. The Company and Rasmusson hereby rescind in their entirety the Stock Option Exercise and Loan Agreement, Secured Promissory Note and Instruments Security Agreement between the Company and Rasmusson for the purchase of said Two Hundred Thousand (200,000) Shares of Stock, all dated January 15, 1998. The One Hundred Thousand (100,000) shares of the Company's Common Stock issued to Rasmusson under the above-referenced Current Option and pursuant to the Certificate of Common Stock of Oxboro Medical International, Inc. No. ___ shall be and hereby is returned to the Company duly endorsed by Rasmusson or pursuant to an Assignment

Separate from Certificate. Both the Company and Rasmusson are hereby relieved from any and all obligation, duties and

responsibilities under said Stock Option Exercise and Loan Agreement, Secured Promissory Note and Instruments Security Agreement.

2. TERM OF OPTION. This Option must be exercised, if at all, and to the extent exercised, on or before March 31, 1999.
3. EXERCISE OF OPTION. This Option may be exercised either by payment in full in cash, by certified or cashier's check or, by the transfer to the Company of shares of Stock already owned by Rasmusson and having a fair market value, as of the date of the exercise of the this Option, which is not less than the purchase price of the Stock being acquired pursuant to the Option provided that such shares of Stock were acquired and full consideration paid therefore at least six (6) months prior to such delivery or by execution of an interest-free Promissory Note by Rasmusson in the amount of One Hundred Thousand Dollars (\$100,000) which Note shall be payable in full on or before September 1, 2000. If the Option is exercised by the execution of a Promissory Note, in the form attached hereto as Exhibit 1, then the Note shall be secured by any and all payments due to Rasmusson by the Company. If the Note is not paid in full on or before September 1, 2000, then the Company may apply any and all amounts due and owing to Rasmusson at such time to payment of the Note. Further, the shares shall be held as additional collateral for payment of the Note; however, Rasmusson may vote the shares while such shares are being held as collateral by the Company. Such shares shall be held as collateral pursuant to an Instruments Security Agreement in the form attached hereto as Exhibit 2.

All other terms and conditions of the Option remain unchanged and are in full force and effect.

OXBORO MEDICAL INTERNATIONAL, INC.

By: /s/ Robert S. Garin

Its: Chairman of the Board

RASMUSSON

/s/ Larry A. Rasmusson

Larry A. Rasmusson

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MUTUAL RELEASE & NONCOMPETITION AGREEMENT

This Mutual Release & Noncompetition Agreement ("Agreement") is entered into effective the 1st day of September, 1998, by and between Larry A. Rasmusson ("Rasmusson") and Oxboro Medical International, Inc. ("Company").

RECITALS

A. Rasmusson is the Chief Executive Officer and Chief Financial Officer of the Company and is the President, Treasurer and Secretary of Oxboro Outdoors, Inc. ("Outdoors"), a wholly owned subsidiary of Company. The Company, Outdoors and Rasmusson have entered into the following agreements:

1. An Employment Agreement between the Company and Rasmusson dated April 1, 1993, as amended ("Employment Agreement");
2. A Consulting Agreement between the Company and Rasmusson dated November 1, 1995, as amended ("Consulting Agreement");
3. An Exclusive License Agreement between the Company and Rasmusson dated effective as of April 1, 1990, as amended ("License Agreement");
4. An Exclusive License and Royalty Agreement between Outdoors and Rasmusson dated effective as of April 17, 1993, as amended ("Royalty Agreement");
5. A Non-Qualified Stock Option from the Company to Rasmusson effective August 17, 1995 for 80,364 shares, of which 20,364 shares remained unexercised on January 14, 1998;
6. A Stock Option Exercise and Loan Agreement, a Secured Promissory Note and Instruments Security Agreement between the Company and Rasmusson with respect to said 20,364 shares dated January 15, 1998;
7. Two Non-Qualified Stock Options from the Company to Rasmusson dated October 1, 1997, each for 100,000 shares, which options were exercised on January 15, 1998; and
8. A Stock Option Exercise and Loan Agreement, Secured Promissory Note and Instruments Security Agreement between the Company and Rasmusson with respect to said 200,000 shares dated January 15, 1998.

B. The Employment Agreement, as amended, terminates as of October 1, 1999. The Company and Rasmusson desire to effect an earlier termination date

of the Employment Agreement as provided herein.

C. The Consulting Agreement is to take effect on and as of the effective date of the termination of the Employment Agreement. The Company and Rasmusson desire to effect an amendment to the Consulting Agreement as provided herein.

D. Company and Rasmusson desire the License Agreement, as previously amended, to continue in full force and effect and remain unchanged and unaffected by this Agreement.

E. Outdoors and Rasmusson desire to further amend the Royalty Agreement as provided herein.

F. Company and Rasmusson desire to rescind the Stock Option Exercise and Loan Agreement, Secured Promissory Note and Instruments Security Agreement for the 20,364 shares as provided herein.

G. Company and Rasmusson desire to rescind the Stock Option Exercise and Loan Agreement, the Secured Promissory Note and the Instruments Security Agreement which relate to the two 100,000 share Non-Qualified Stock Option Agreements, and to rescind one of said

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Non-Qualified Stock Option Agreements and to revise the remaining Non-Qualified Stock Option Agreement, as provided herein.

H. In addition to the above, Rasmusson and Company wish to resolve any and all claims arising out of or having to do with Rasmusson's employment by the Company and/or Outdoors and/or serving the Company and Outdoors as an officer, director, consultant, agent or representative. Both Rasmusson and Company hereby specifically agree and acknowledge that good and sufficient consideration exists for the terms and conditions of this Mutual Release & Noncompetition Agreement as set forth below.

TERMS AND CONDITIONS

The parties hereto agree as follows:

1. EMPLOYMENT AGREEMENT. Effective as of 12:01 a.m., September 1, 1998, the Employment Agreement is and shall be terminated, including, but not limited to, the First, Second and Third Amendments to the Employment Agreements, whereupon the 360,000 shares of Common Stock of the Company issued to Rasmusson in Escrow pursuant to the Third Amendment shall be endorsed over to the Company by Rasmusson and shall be cancelled by the Company. However, Section III entitled "Covenant Not to Compete" and Section IV entitled "Confidential Nature of the Company's Business - Non-Disclosure" in the Employment Agreement shall continue in full force and effect for a

period of twenty-four (24) months from and after September 1, 1998; however, if Harley Haase is employed, engaged or retained, directly or indirectly, by the Company during said 30 month period, then the remaining term of such Covenant Not to Compete shall be waived. Further, Rasmusson may keep a copy of memos and other written correspondence written by and to him subject to the above-referenced confidentiality obligation. In consideration of the early termination of the Employment

Agreement, and in consideration of the non-disclosure and noncompete provisions, the Company shall pay to Rasmusson \$150,000.00 in twenty-four (24) equal monthly installments of \$6,250.00 beginning September, 1998. The Company shall make these monthly payments to Rasmusson by placing a check in the United States mail on the first payroll date of every month during this twenty-four-month period, so long as Rasmusson is not in violation of any of the terms and conditions of said Sections III and/or IV of the Employment Agreement, as amended. The Company's obligation to Rasmusson hereunder shall be secured by a second mortgage on the Company's land and building located at 13828 Lincoln Street N.E., Ham Lake, Minnesota. Until the payment obligations set forth in Paragraphs 1 and 2 hereof have been fulfilled, the combined total of the unpaid balances secured by the first mortgage and the second mortgage cannot exceed an amount equal to 80% of the fair market value of land and building described in said mortgages. The fair market value shall be determined by an appraiser appointed or selected by the first mortgagee; however, if Rasmusson disagrees with such appraised value, then he shall appoint or select a second appraiser in a timely manner, and the fair market value shall be the average of the two appraisals. After January 1, 2000, if the Company desires to refinance the subject property while there are unpaid installments, the Company may, subject to Rasmusson's prior written consent, prepay the unpaid installments or provide substitute collateral reasonably satisfactory to Rasmusson]. Until September 1, 1998, Rasmusson shall continue to be paid his full salary and normal benefits under the terms of the Employment Agreement.

2. CONSULTING AGREEMENT. The Consulting Agreement shall be amended effective as of the date of this Mutual Release & Noncompetition Agreement to reduce the term of the Consulting Agreement to twenty-four (24) months, which twenty-four (24) month period shall commence on the effective date of this Mutual Release & Noncompetition Agreement. In

consideration of Rasmusson agreeing to reduce the term of the Consulting Agreement and the performance of his obligations thereunder, the Company hereby agrees to pay Rasmusson consulting fees in a total amount of \$485,000.00, which shall be paid in twenty-four (24) equal monthly

installments of \$20,208.33. The payment of such installments shall commence September 1998, and shall be paid on the first date of each of said twenty-four (24) months. After January 1, 2000, if the Company desires to refinance the subject property while there are unpaid installments, the Company may, subject to Rasmusson's prior written consent, prepay the unpaid installments or provide substitute collateral reasonably satisfactory to Rasmusson. Rasmusson shall not be required to devote more than five (5) days per month of consulting services to the Company. The Consulting Agreement shall be amended pursuant to the terms of Exhibit A attached hereto and made a part hereof consistent with the terms set forth above. The Company's obligation to Rasmusson hereunder shall also be secured by a second mortgage on the Company's land and building located at 13828 Lincoln Street N.E., Ham Lake, Minnesota.

3. LICENSE AGREEMENT. The License Agreement shall be amended effective as of the date of this Mutual Release & Noncompetition Agreement to provide that the Company has forty-five (45) days to accept or reject products submitted by Rasmusson to the Company as more particularly set forth in the Second Amendment to the License Agreement attached hereto as Exhibit B.

4. ROYALTY AGREEMENT. The Royalty Agreement shall be amended effective as of the date of this Mutual Release & Noncompetition Agreement (i) to rescind the Third Amendment to the Royalty Agreement dated February 25, 1998, (ii) to return the 150,000 shares of Common Stock of the Company issued to Rasmusson in escrow pursuant to said Third Amendment, which shares shall thereupon be cancelled by the Company, (iii) to provide for a

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termination date of the Royalty Agreement at 11:59 p.m. on August 31, 2001, and (iv) to revise the Royalty schedule, all as more particularly set forth in the Fourth Amendment to the Royalty Agreement attached hereto as Exhibit C.

5. STOCK OPTION EXERCISE AND LOAN AGREEMENTS. The Stock Option Exercise and Loan Agreements, one for 20,364 shares of Common Stock of the Company and the other for 200,000 shares of Common Stock of the Company, both dated January 15, 1998, are hereby rescinded. The Secured Promissory Notes ("Notes"), one in the amount of \$30,546 and the other in the amount of \$200,000, and the accompanying Instruments Security Agreements for each of the respective Notes, all dated January 15, 1998 are hereby rescinded, including accrual of interest. Rasmusson shall have no obligations under said documents other than to execute Assignments Separate from Certificate with respect to said shares of Common Stock in the form attached hereto as Exhibit D, whereupon said certificates shall be returned to and cancelled by the Company.

6. DEFERRED NON-QUALIFIED STOCK OPTION. The Deferred Non-Qualified Stock Option granted by the Company to Rasmusson on October 1, 1997 for 100,000 shares of Common Stock of the Company is hereby terminated.

7. REMAINING NON-QUALIFIED STOCK OPTIONS. The Non-Qualified Stock Option granted by the Company to Rasmusson on August 17, 1995 for 80,364 shares of Common Stock of the Company shall be amended as of the date of the Mutual Release & Noncompetition Agreement with respect to the remaining option for 20,364 shares of Common Stock to provide that the option must be exercised on or before March 31, 1999 by payment in cash or by execution of an interest-free promissory note in the amount of the price secured by the payments

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due to Rasmusson from the Company, all as more particularly set forth in the First Amendment to the Non-Qualified Stock Option Agreement attached hereto as Exhibit E.

The Current Non-Qualified Stock Option granted by the Company to Rasmusson on October 1, 1997 for 100,000 shares of Common Stock of the Company shall be amended as of the date of this Mutual Release & Noncompetition Agreement to provide that the option must be exercised on or before March 31, 1999 by payment in cash or by execution of an interest-free promissory note in the amount of the option price secured by the payments due to Rasmusson from the Company, all as more particularly set forth in the First Amendment to the Current Non-Qualified Stock Option Agreement attached hereto as Exhibit F.

8. TRANSITION PERIOD. During the period not to exceed three months beginning on the date of the termination of Rasmusson's employment with the Company on September 1, 1998 and ending on November 30, 1998 (the "Termination Period"), Rasmusson shall be available to the Company on an as reasonably-requested basis to assist the Company with its management transition and such requested services shall be consistent in scope and concept with Rasmusson's duties and responsibilities while he was employed by the Company; however, such services shall not be deemed to be consulting services as described in Section 2 hereof, and such transition services shall be billed separately. Rasmusson shall be paid a daily fee of \$1,079 for an 8-hour day in which he performs such transition services for the Company, at Company's request. It is anticipated that Rasmusson will be requested to work 4 to 5 days a week for the first few weeks, 3 to 4 days a week for the next few weeks and 1 to 2 days a week thereafter. Rasmusson shall submit a statement to the Company for the number of whole days worked no less often than once a month and no more often than once every two weeks. Rasmusson shall be paid within five business days after the Company's receipt of such statement. If Rasmusson

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moves out of his residence in Andover prior to the expiration of the Transition Period, then the Company shall reimburse Rasmusson for room and board in an amount not to exceed \$150.00 per day. Rasmusson shall report to and take direction from the CEO in performing such services.

9. PAYMENT FOR UNUSED VACATION. Company agrees to pay Rasmusson for his unused and accrued vacation existing as of and paid on September 1, 1998. The amount paid to Rasmusson for his unused and accrued vacation shall be determined by multiplying the number of such unused and accrued vacation days by \$1,079.00.

10. MEDICAL AND DENTAL INSURANCE COVERAGE. Company agrees to pay for and maintain medical and dental coverage provided under Company's group medical and dental plan whether as continuation coverage or conversion to individual coverage, as provided under the terms of the plans as amended from time to time, at the same percentage of the total cost for such benefits and on the same terms that the Company provided to Rasmusson and his eligible dependents immediately prior to his termination, until Rasmusson reaches the age of 65, on April 3, 2008, so long as he is retired and not eligible for medical coverage from another employer or, if married, through his spouse's employer. Currently, the Company pays its portion of approximately \$105.40 a month for Rasmusson as a single person, and Rasmusson shall continue to pay his portion of approximately \$28.00 per month. If during the term of coverage as set forth herein Rasmusson is or becomes married, then the Company's portion shall be the percentage of the premium the Company would pay for a married employee at such time, and Rasmusson's portion shall be the remainder.

11. SPLIT-DOLLAR LIFE INSURANCE. The Company shall terminate the one million dollar split-dollar life insurance policy contracted for on Rasmusson's life through New England Financial, Policy No. YO 23910 and Rasmusson shall not be required to pay any premium with

respect to said policy in calendar year 1998 or thereafter. Any cash value on such policy shall accrue to the Company. With respect to the two \$500,000 split-dollar life insurance policies on Rasmusson's life contracted for through New England Financial, Policy Nos. 8681808 and 8731790, those two policies shall be maintained by the Company for so long as Rasmusson pays and maintains his portion of the monthly premiums on said policies in a timely manner, currently in the approximate annual amount of \$1,800. If the Company fails to maintain payments and/or terminates either or both of said policies or if the policies cancel or terminate for any reason other than Rasmusson's death, Rasmusson shall receive all of the cash value and/or termination value, including Rasmusson's and the Company's shares, respectively, with respect to said policies pursuant to the records of New England Financial. Upon Rasmusson's death, the benefits under said maintained policies shall be

paid out according to the terms of said policies.

12. ESOP SHARES. Rasmusson shall, pursuant to the ESOP Plan, as amended, maintain the ESOP shares attributable to him prior to the current plan year as part of the Company's Employee Stock Ownership Plan, which currently amount to approximately 10,869 shares. In consideration of the transfer of the 18 1/2 foot Alumacraft boat, 175 horse and 9.9 horse Mercury motors, electronics and accessories, and Spartan Trailer to Rasmusson by or through the Company, Rasmusson hereby releases and waives any right, title and/or interest in and to the ESOP shares attributable or that would have been attributable to Rasmusson in the current plan year.

13. RASMUSSON'S RELEASE OF COMPANY. For good and valuable consideration, but not limited to, the mutual agreements set forth in this Agreement, the receipt and sufficiency of which consideration Rasmusson expressly acknowledges, Rasmusson, for himself and for each of his heirs, executors, administrators, insurers, employers, attorneys, agents, successors, and

assigns, hereby releases and forever discharges Company, and each of its parent and subsidiary corporations, affiliates, predecessors, successors, assigns, insurers, indemnitors, directors, officers, attorneys, employees, agents and representatives, of and from any and all past and present claims, demands, liabilities, judgments, and causes of action, at law or in equity, known or unknown, asserted or unasserted, liquidated or unliquidated, absolute or contingent, accrued or not accrued, which Rasmusson ever had, presently has, claims to have, or claims to have had against Company and its directors as of the effective date of this Agreement, including, without limitation, any claims for payment of wages and commissions; claims for discrimination under the Age Discrimination in Employment Act (the "ADEA"), Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Minnesota Human Rights Act or other federal, state or local civil rights laws based on age or any other protected status; claims for breach of contract; breach of fiduciary duty; fraud or misrepresentation; unpaid wages and benefits; unpaid sick or vacation pay; defamation; intentional or negligent infliction of emotional distress; breach of a covenant of good faith and fair dealing; promissory estoppel; negligence; hostile work environment; wrongful termination of employment; any other claims for unlawful employment practices; or under any other theory, whether legal or equitable, that arose prior to the effective date of this Agreement. Notwithstanding the foregoing, this release specifically excludes any claims Rasmusson may have against the Company for violations of federal and state securities laws as determined by a court of competent jurisdiction and excludes any and all claims or demands Rasmusson may have against the Company or Outdoors for the indemnification of any claims made under Minn. Stat. Section 302A.521 or Minn. Stat. Section 181.970. This exception to

Rasmusson's release is intended to fully and completely preserve and protect Rasmusson's rights

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to indemnification to the extent provided to him under Minnesota or Federal law, whether such claims are raised by shareholders, employees, governmental agencies, or any other person or entity.

14. COMPANY'S RELEASE OF RASMUSSON. For good and valuable consideration, including, but not limited to, the mutual agreements set forth in this Agreement, the receipt and sufficiency of which consideration the Company and Outdoors expressly acknowledge, the Company and Outdoors, for themselves and for each of their respective subsidiaries, parents, affiliates, predecessors, successors, assigns, insurers, indemnitors, directors, attorneys, officers, agents and representatives, hereby release and forever discharge Rasmusson his heirs, executors, administrators, insurers, employers, attorneys, agents, successors, and assigns of and from any and all past and present claims, demands, liabilities, judgments, and causes of action, at law or in equity, known or unknown, asserted or unasserted, liquidated or unliquidated, absolute or contingent, accrued or not accrued, direct, indirect, or derivative, which the Company and/or Outdoors ever had, presently have, claim to have, or claim to have had against Rasmusson as of the date this Agreement is executed, but excluding any claims the Company may have against Rasmusson for violations of federal and state securities laws as determined by a court of competent jurisdiction and excluding eligibility issues under Minn. Stat. Section 302A.251, subd. 4; however, until such time that a court of competent jurisdiction has determined that Rasmusson has violated federal and/or state securities laws, the Company shall hold Rasmusson harmless and indemnify and defend Rasmusson, subject to the Company's claim for reimbursement for any and all costs, fees and expenses attributable to Rasmusson in the event of a determination of violations by a court of competent jurisdiction. The Company hereby indemnifies and holds Rasmusson harmless from and against any and all claims by employees of the Company and

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Outdoors arising prior to the effective date of this Agreement; however, such indemnification and hold harmless obligation shall not apply to claims against Rasmusson for acts or failure to act which are outside the scope of Rasmusson's authority as an officer and/or director of the Company and/or Outdoors.

15. NON-DISPARAGEMENT AGREEMENT. Both Rasmusson and the Company agree that they shall make no defamatory (untrue) statements concerning each other to any person, firm, entity, or governmental entity. Any statement made,

given or communicated to any governmental or regulatory entity must immediately be communicated to the other party thereto. Any truthful statement made, given or communicated to any governmental entity shall not be deemed to be disparaging.

16. CONFIDENTIALITY. Rasmusson and the Company agree not to disclose the terms of this Agreement to any person who is not a director, officer, or attorney of the parties; provided, however, that the terms of this Agreement may be disclosed as necessary to satisfy any ordinary tax and accounting reporting requirements or any regulatory requirement, including, but not limited to, the requirements of the SEC, NASD or IRS, or if under oath or subpoena; however, Rasmusson may disclose the general terms and conditions of this Agreement to a prospective employer or consulting client with prior written notice if possible, if not then within twenty-four (24) hours after such disclosure, to the Company and after obtaining an agreement of confidentiality with respect to such information from the prospective employer or client, substantially in the form attached as Exhibit G.

17. MAINTENANCE OF OTHER AGREEMENTS. The Company and Rasmusson agree that the Royalty Sharing Agreement dated November 21, 1995 ("Royalty Sharing Agreement") between and among the Company, Rasmusson, Outdoors and Haase, and the Consulting and

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Royalty Sharing Agreement effective October 9, 1996 between and among Outdoors, Rasmusson and Ralph Jon Fritz, as amended, shall remain in full force and effect according to their terms, and that no party hereto is waiving or releasing any claims under either of these agreements. The breach by Rasmusson of any of the maintained agreements shall not be deemed to be a breach of this Agreement, and such breach shall be governed by the terms and conditions of the agreement under which the breach arises.

18. RASMUSSON NONRELIANCE. Rasmusson warrants and represents that he has consulted with his attorneys regarding the effect of this Agreement, and that he has executed this Agreement fully aware of its content, purpose and effect, based upon his sole judgment, belief and knowledge, and upon advice of his own attorneys, and that he is not relying on representations or statements made by the Company or by anyone representing the Company, other than those specifically set forth in this Agreement.

19. COMPANY NONRELIANCE. The Company warrants and represents that it has consulted with its attorneys regarding the effect of this Agreement, and that it has executed this Agreement fully aware of its content, purpose and effect, based upon its sole judgment, belief and knowledge, and upon advice of its own attorneys, and that it is not relying on representations or statements made by Rasmusson or by anyone representing Rasmusson, other than those specifically set forth in this Agreement.

20. NO ADMISSION OF LIABILITY. Each of the parties to this Agreement agree that neither its content nor its or his entry into this Agreement is to be construed as an admission of liability by it or him, and that each of them expressly denies any such liability.

21. GOVERNING LAW. The parties of this Agreement agree that the interpretation and effect of this Agreement shall be governed by the laws of the State of Minnesota.

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22. JURISDICTION. The parties to this Agreement hereby consent to the jurisdiction of the District Court, Fourth Judicial District, County of Anoka, State of Minnesota, for the enforcement of any and all provisions of this Agreement, both now or in the future.

23. INTERPRETATION. Should any of the provisions of this Agreement require judicial interpretation, it is agreed that the court interpreting or construing the same shall not apply a presumption that the terms of this Agreement shall be more strictly construed against one or more parties hereto by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document, it being acknowledged and agreed that all of the parties and their attorneys have participated in the preparation and review of this Agreement.

24. COMPLETE AGREEMENT. The parties to this Agreement each agree that this Agreement, including the exhibits hereto, contains the entire agreement between them, and supersedes all prior or contemporaneous agreements and understandings, oral or written, between the parties hereto as of the date hereof regarding the matters described herein.

25. MODIFICATIONS AND WAIVERS. No term or provision of this Agreement may be varied, changed, modified, waived or terminated orally, but only by an instrument in writing signed by the party against whom the enforcement of the variation, change, modification, waiver or termination is sought. The waiver by any party hereto of any breach of any provision of this Agreement shall not constitute or operate as a waiver of any other breach of such provisions or of any other provision hereof, nor shall any failure to enforce any provision hereof operate as a waiver at such time or at any future time of such provision or of any other provision hereof.

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26. NOTICE. Any notice required or permitted hereunder shall be in writing and shall be deemed to have been given, if mailed, registered or certified, postage prepaid, on the date posted, or if personally delivered, when addressed and delivered to the address indicated below:

TO RASMUSSON:

Mr. Larry A. Rasmusson
1485 - 139th Lane N.W.
Andover, MN 55304

WITH COPY TO:

(ATTORNEY FOR LARRY A. RASMUSSON)

TO OXBORO:

Chairman of the Board of Directors
Oxboro Medical International, Inc.
13828 Lincoln Street N.E.
Ham Lake, MN 55304

WITH COPY TO:

Thomas Judd
Moss & Barnett, P.A.
4800 Norwest Center
Minneapolis, MN 55402

27. COMPANY AUTHORITY. The Company represents and warrants that the undersigned representative is duly authorized to execute this Agreement on its behalf and to bind it to the terms of this Agreement.

28. EXECUTION IN COUNTERPARTS. This Agreement may be signed in any number of counterparts, with the same effect as if the signature thereto were upon the same instrument. Complete sets of counterparts shall be lodged with and delivered to each party to this Agreement.

29. RASMUSSON RESCISSION RIGHTS. Mr. Rasmusson understands that he has been given a period of 21 days to review and consider this Agreement before signing it. Mr.

Rasmusson further understands that he may use as much or as little of this 21-day periods Mr. Rasmusson wishes prior to signing it. Rasmusson may rescind this Agreement within fifteen (15) calendar days after his execution of this Agreement. To be effective, the rescission must be in writing, and delivered to the Company by hand or mail within the 15-day period. If delivered by mail, the rescission must be (1) postmarked within the 15-day period; (2) properly addressed to the persons set forth in paragraph 28 above; and (3) sent by certified mail, return receipt requested. If Rasmusson exercises his right of rescission, he agrees to return to the

30. NON-RELEASE OF FUTURE CLAIMS. This Agreement does not waive or release any rights or claims that Rasmusson may have under the Minnesota Human Rights Act or the Age Discrimination in Employment Act, or any of the Company's benefit plans, which arise after Rasmusson signs this Agreement, or which arise out of acts occurring after he signs this Agreement.

Larry A. Rasmusson

Its Chairman of the Board

Its Chairman of the Board

OXBORO MEDICAL INTERNATIONAL, INC.
NONQUALIFIED STOCK OPTION AGREEMENT

January 28, 1998

Dear Mr. Garin:

At the direction of the Board of Directors of Oxboro Medical International, Inc. (the "Company"), you are hereby notified that the Board has granted to you a Stock Option ("Option") to purchase 40,000 shares of Common Stock ("Stock") of the Company at a price of \$1.25 per share. The date of grant of this Option is the date of this notice, and it is the determination of the Board of Directors that on this date the fair market value of the Company's Common Stock does not exceed \$1.25 per share.

You are not required to exercise this Option. This Option must be exercised, if at all and to the extent exercised, on or before January 29, 2003.

Your Option is in all respects limited and conditioned by the following:

a. Your Option is immediately exercisable in full.

b. The purchase price of any Stock purchased pursuant to exercise of this Option may be paid in cash or by certified or cashier's check or by delivery to the Company of shares of Stock owned by you for at least six months prior to delivery in an amount equal in fair market value to the purchase price of the shares of Stock being purchased pursuant to this Option. In addition, such purchase price may be paid by a loan from the Company upon such terms as the Board of Directors may establish from time to time.

c. Your Option may be exercised by you, but only by you, at any time during your lifetime prior to six (6) months after the date of the termination of your service as a member of the Board of Directors of the Company, but only to the extent you were entitled to exercise your Option at the date of such termination and only if your Option has not expired. In no event will your Option be exercisable after the expiration of five (5) years from the date such Option is granted.

d. In the event of your death while you are a director of the Company, your Option may be exercised at any time within six (6) months following the date of your death by your estate or by a person who acquired the right to exercise your Option by will or the laws of descent and distribution. In either case, such Option may be exercised only to the extent you were entitled to exercise the Option at the time of your death. In the event of your death within ninety (90) days after termination of your service as a director, then the Option may be exercised at any time within three (3)

months following the date of your death by your estate or by a person who acquired the right to exercise your Option by will or by the laws of descent and distribution, but only to the extent you were entitled to exercise the Option at the time of such termination.

e. You may not transfer, sell, pledge, assign, or otherwise dispose of your Option, other than at death by will or the laws of descent and distribution, and your Option during your lifetime is exercisable only by you.

f. The shares of Stock you may acquire upon exercise of your Option are subject to restrictions against transfer.

g. Unless a registration statement under the Securities Act of 1933 (and applicable state securities laws) is in effect with respect to this Option or Stock to be purchased pursuant to this Option, you agree with, and represent to, the Company that you are acquiring the Option and Stock for the purpose of investment and not with a view to transfer, sell, or otherwise dispose of the Option or Stock, except as may be permitted under applicable securities laws. The Company may require an opinion of counsel satisfactory to it prior to the transfer of any Stock to or by you to assure at all times that such transaction will be in compliance with applicable federal and state securities laws.

As a condition to the issuance of shares of Stock under this Option, you agree to remit to the Company at the time of any exercise of this Option any taxes required to be withheld by the Company under federal, state, or local law as a result of your exercise of this Option. At your option, such taxes may be paid by delivery to the Company of shares of Stock already owned by you or withholding of shares issuable upon exercise of this Option, in either case in an amount equal in fair market value to the taxes owed.

OXBORO MEDICAL INTERNATIONAL, INC.

By /s/ Larry A. Rasmusson

Larry A. Rasmusson
Its Chief Executive Officer

ACCEPTANCE

I hereby accept the terms and provisions of the above Nonqualified Stock Option Agreement and agree to be bound by its terms. I also agree to accept as binding, conclusive, and final all decisions or interpretations of the Company's Board of Directors upon any questions arising under the Option.

Dated effective Jan. 28, 1998.

/s/ Robert S. Garin

Robert S. Garin

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NOTICE OF EXERCISE OF STOCK OPTION

AND RECORD OF STOCK TRANSFER

I hereby exercise the Stock Option granted by Oxboro Medical International, Inc., effective January 28, 1998, subject to all terms and provisions thereof, and notify you of my desire to purchase _____ shares of Common Stock of the Company (the "Shares"), offered to me pursuant to said Option. Enclosed is my check in the sum of \$_____ in full payment for the Shares.

[This paragraph is applicable if the Shares are not registered under the Securities Act of 1933.] I hereby represent that the Shares are being acquired by me as an investment and not with a view to, or for resale in connection with, the distribution of any shares of the Company. I understand that the Shares are not registered under the Securities Act of 1933, as amended (the "Act"), or applicable state securities laws, that the Shares may not be sold or otherwise transferred except pursuant to an effective registration statement under the Act and said laws unless the Company has received an opinion of counsel satisfactory to it that such transfer or disposition does not require registration under the Act or said laws and, for any sales under Rule 144 of the Act, such evidence as it shall request for compliance with that rule or applicable state securities laws, and that the certificate representing the Shares may contain a legend referring to such restrictions.

I agree that I am responsible for any taxes payable as a result of the exercise of the option or the sale of the shares issued upon such exercise. I agree that if the Company is required to withhold any taxes as a result of my exercise of the option, I will remit any required amount to the Company as a condition to the issuance to me of the Shares.

Dated: _____, 19__.

Optionee's Signature

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RECEIPT

RECEIPT is hereby acknowledged of the delivery to me by Oxboro Medical International, Inc., on _____, 19__, of stock certificate no. _____ for _____ shares of Common Stock purchased by me pursuant to the terms and conditions of a stock option granted to me effective January 28, 1998.

Optionee

OXBORO MEDICAL INTERNATIONAL, INC.
NONQUALIFIED STOCK OPTION AGREEMENT

March 20, 1998

Dear Mr. Sayer:

At the direction of the Board of Directors of Oxboro Medical International, Inc. (the "Company"), you are hereby notified that the Board has granted to you a Stock Option ("Option") to purchase 40,000 shares of Common Stock ("Stock") of the Company at a price of \$2.00 per share. The date of grant of this Option is the date of this notice, and it is the determination of the Board of Directors that on this date the fair market value of the Company's Common Stock does not exceed \$2.00 per share.

You are not required to exercise this Option. This Option must be exercised, if at all and to the extent exercised, on or before March 21, 2003.

Your Option is in all respects limited and conditioned by the following:

a. Your Option is immediately exercisable in full.

b. The purchase price of any Stock purchased pursuant to exercise of this Option may be paid in cash or by certified or cashier's check or by delivery to the Company of shares of Stock owned by you for at least six months prior to delivery in an amount equal in fair market value to the purchase price of the shares of Stock being purchased pursuant to this Option. In addition, such purchase price may be paid by a loan from the Company upon such terms as the Board of Directors may establish from time to time.

c. Your Option may be exercised by you, but only by you, at any time during your lifetime prior to six (6) months after the date of the termination of your service as a member of the Board of Directors of the Company, but only to the extent you were entitled to exercise your Option at the date of such termination and only if your Option has not expired. In no event will your Option be exercisable after the expiration of five (5) years from the date such Option is granted.

d. In the event of your death while you are a director of the Company, your Option may be exercised at any time within six (6) months following the date of your death by your estate or by a person who acquired the right to exercise your Option by will or the laws of descent and distribution. In either case, such Option may be exercised only to the extent you were entitled to exercise the Option at the time of your death. In the event of your death within ninety (90) days after termination of your service as a director, then the Option may be exercised at any time within three (3) months following the date of your death by your estate or by a person who

acquired the right to exercise your Option by will or by the laws of descent and distribution, but only to the extent you were entitled to exercise the Option at the time of such termination.

e. You may not transfer, sell, pledge, assign, or otherwise dispose of your Option, other than at death by will or the laws of descent and distribution, and your Option during your lifetime is exercisable only by you.

f. The shares of Stock you may acquire upon exercise of your Option are subject to restrictions against transfer.

g. Unless a registration statement under the Securities Act of 1933 (and applicable state securities laws) is in effect with respect to this Option or Stock to be purchased pursuant to this Option, you agree with, and represent to, the Company that you are acquiring the Option and Stock for the purpose of investment and not with a view to transfer, sell, or otherwise dispose of the Option or Stock, except as may be permitted under applicable securities laws. The Company may require an opinion of counsel satisfactory to it prior to the transfer of any Stock to or by you to assure at all times that such transaction will be in compliance with applicable federal and state securities laws.

As a condition to the issuance of shares of Stock under this Option, you agree to remit to the Company at the time of any exercise of this Option any taxes required to be withheld by the Company under federal, state, or local law as a result of your exercise of this Option. At your option, such taxes may be paid by delivery to the Company of shares of Stock already owned by you or withholding of shares issuable upon exercise of this Option, in either case in an amount equal in fair market value to the taxes owed.

OXBORO MEDICAL INTERNATIONAL, INC.

By /s/ Larry A. Rasmusson

Larry A. Rasmusson
Its Chief Executive Officer

ACCEPTANCE

I hereby accept the terms and provisions of the above Nonqualified Stock Option Agreement and agree to be bound by its terms. I also agree to accept as binding, conclusive, and final all decisions or interpretations of the Company's Board of Directors upon any questions arising under the Option.

Dated effective Feb. 20, 1998.

/s/ John Sayer

John Sayer

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NOTICE OF EXERCISE OF STOCK OPTION
AND RECORD OF STOCK TRANSFER

I hereby exercise the Stock Option granted by Oxboro Medical International, Inc., effective March 20, 1998, subject to all terms and provisions thereof, and notify you of my desire to purchase _____ shares of Common Stock of the Company (the "Shares"), offered to me pursuant to said Option. Enclosed is my check in the sum of \$_____ in full payment for the Shares.

[This paragraph is applicable if the Shares are not registered under the Securities Act of 1933.] I hereby represent that the Shares are being acquired by me as an investment and not with a view to, or for resale in connection with, the distribution of any shares of the Company. I understand that the Shares are not registered under the Securities Act of 1933, as amended (the "Act"), or applicable state securities laws, that the Shares may not be sold or otherwise transferred except pursuant to an effective registration statement under the Act and said laws unless the Company has received an opinion of counsel satisfactory to it that such transfer or disposition does not require registration under the Act or said laws and, for any sales under Rule 144 of the Act, such evidence as it shall request for compliance with that rule or applicable state securities laws, and that the certificate representing the Shares may contain a legend referring to such restrictions.

I agree that I am responsible for any taxes payable as a result of the exercise of the option or the sale of the shares issued upon such exercise. I agree that if the Company is required to withhold any taxes as a result of my exercise of the option, I will remit any required amount to the Company as a condition to the issuance to me of the Shares.

Dated: _____, 19__.

Optionee's Signature

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RECEIPT

RECEIPT is hereby acknowledged of the delivery to me by Oxboro Medical International, Inc., on _____, 19__, of stock certificate no. _____ for _____ shares of Common Stock purchased by me pursuant to the terms and conditions of a stock option granted to me effective March 20, 1998.

Optionee

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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