FORM 10-Q

ICU MEDICAL INC/DE - ICUI

Filed: July 24, 2009 (period: June 30, 2009)

Quarterly report which provides a continuing view of a company's financial position

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

FORM 10-Q

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

For the quarterly period ended: June 30, 2009

or

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

For the transition period from: to

Commission File No.: 0-19974

ICU MEDICAL, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**33-0022692**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
951 Calle Amanecer, San Clemente, California	**92673**
(Address of principal executive offices)	(Zip Code)

(949) 366-2183
(Registrant's telephone number including area code)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	**Outstanding at July 10, 2009**
Common	14,781,344

ICU Medical, Inc.

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ICU Medical, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Amounts in thousands, except per share data)

	June 30, 2009 (unaudited)	December 31, 2008 (1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 62,586	$ 55,696
Investment securities	82,067	56,093
Cash, cash equivalents and investment securities	144,653	111,789
Accounts receivable, net of allowance for doubtful accounts of $235 at June 30, 2009 and $320 at December 31, 2008	27,498	38,423
Inventories	24,752	17,930
Prepaid income taxes	428	4,544
Prepaid expenses and other current assets	5,566	3,471
Deferred income taxes — current portion	3,281	3,231
Total current assets	206,178	179,388
PROPERTY AND EQUIPMENT, net	70,482	69,897
PROPERTY HELD FOR SALE	940	940
RESTRICTED CASH	57	6,014
INVESTMENT SECURITIES — non-current portion	—	11,350
GOODWILL	1,478	—
INTANGIBLE ASSETS, net	14,868	10,780
DEFERRED INCOME TAXES — non-current portion	3,855	3,855
INCOME TAXES RECEIVABLE — non-current portion	1,210	1,210
	$ 299,068	$ 283,434
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 9,570	$ 7,879
Accrued liabilities	11,243	14,081
Total current liabilities	20,813	21,960
COMMITMENTS AND CONTINGENCIES	—	—
DEFERRED INCOME TAXES — non-current portion	5,383	4,007
INCOME TAXES PAYABLE — non-current portion	4,436	4,436
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $1.00 par value Authorized—500 shares; issued and outstanding— none	—	—
Common stock, $0.10 par value — Authorized—80,000 shares; Issued 14,784 shares at June 30, 2009 and December 31, 2008, outstanding 14,781 shares at June 30, 2009 and 14,731 shares at December 31, 2008	1,478	1,478
Additional paid-in capital	52,040	50,970
Treasury stock, at cost - 2 and 53 shares at June 30, 2009 and December 31, 2008	(85)	(1,623)
Retained earnings	214,107	201,304
Accumulated other comprehensive income	896	902
Total stockholders' equity	268,436	253,031
	$ 299,068	$ 283,434

(1) December 31, 2008 balances were derived from audited consolidated financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

ICU Medical, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(Amounts in thousands, except per share data)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
REVENUES:				
Net sales	$ 53,282	$ 48,382	$ 107,477	$ 92,053
Other	117	210	257	1,193
TOTAL REVENUE	53,399	48,592	107,734	93,246
COST OF GOODS SOLD	27,610	27,788	55,379	54,671
Gross profit	25,789	20,804	52,355	38,575
OPERATING EXPENSES:				
Selling, general and administrative	16,503	13,685	31,615	26,793
Research and development	617	1,452	1,355	3,471
Total operating expenses, net	17,120	15,137	32,970	30,264
Income from operations	8,669	5,667	19,385	8,311
OTHER INCOME	305	1,139	623	2,695
Income before income taxes	8,974	6,806	20,008	11,006
PROVISION FOR INCOME TAXES	(3,233)	(2,034)	(7,205)	(3,336)
NET INCOME	$ 5,741	$ 4,772	$ 12,803	$ 7,670
NET INCOME PER SHARE				
Basic	$ 0.39	$ 0.34	$ 0.87	$ 0.55
Diluted	$ 0.38	$ 0.33	$ 0.85	$ 0.53
WEIGHTED AVERAGE NUMBER OF SHARES				
Basic	14,780	13,966	14,758	13,859
Diluted	15,071	14,381	14,975	14,388

The accompanying notes are an integral part of these condensed consolidated financial statements.

ICU Medical, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Amounts in thousands)
(unaudited)

	Six months ended June 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,803	$ 7,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,337	7,028
Provision for doubtful accounts	(84)	(282)
Stock compensation	1,242	882
Loss on disposal of property and equipment	20	—
Cash provided (used) by changes in operating assets and liabilities, net of assets acquired		
Accounts receivable	11,182	(2,890)
Inventories	(4,668)	(969)
Prepaid expenses and other assets	(2,635)	565
Accounts payable	1,547	(1,252)
Accrued liabilities	(3,789)	1,037
Prepaid and deferred income taxes	3,682	(813)
Net cash provided by operating activities	26,637	10,976
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,852)	(7,122)
Business acquisition, net of cash acquired	(5,663)	—
Change in restricted cash	5,958	—
Proceeds from finance loan repayments	—	48
Purchases of investment securities	(55,047)	(12,357)
Proceeds from sale of investment securities	40,423	70,685
Net cash provided (used) by investing activities	(21,181)	51,254
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	1,255	4,602
Proceeds from employee stock purchase plan	623	744
Tax benefits from exercise of stock options	48	3,849
Purchase of treasury stock	(560)	—
Net cash provided by financing activities	1,366	9,195
Effect of exchange rate changes on cash	68	309
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,890	71,734
CASH AND CASH EQUIVALENTS, beginning of period	55,696	7,873
CASH AND CASH EQUIVALENTS, end of period	$ 62,586	$ 79,607

The accompanying notes are an integral part of these condensed consolidated financial statements.

ICU Medical, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Amounts in thousands)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net income	$ 5,741	$ 4,772	$ 12,803	$ 7,670
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on investments	—	347	—	(288)
Foreign currency translation adjustment	881	(214)	(6)	522
Comprehensive income	$ 6,622	$ 4,905	$ 12,797	$ 7,904

The accompanying notes are an integral part of these condensed consolidated financial statements.

ICU Medical, Inc.
Notes to Condensed Consolidated Financial Statements
June 30, 2009
(Amounts in tables in thousands, except per share data)
(unaudited)

Note 1: Basis of Presentation:

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and reflect all adjustments, consisting of only normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the consolidated results for the interim periods presented. Results for the interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2008.

ICU Medical, Inc. (the "Company"), a Delaware corporation, operates principally in one business segment engaged in the development, manufacturing and marketing of disposable medical devices. The Company's devices are sold principally to distributors and medical product manufacturers throughout the United States and internationally. All subsidiaries are wholly or majority owned and included in the consolidated financial statements. All intercompany balances and transactions have been eliminated.

Note 2: New Accounting Pronouncements:

In April 2009, the Financial Accounting Standards Board ("FASB") issued FSP SFAS 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies", to amend the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination under SFAS 141(R). Under the new guidance, assets acquired and liabilities assumed in a business combination that arise from contingencies should be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies using existing guidance. The Company adopted FAS 141(R) and FSP SFAS 141(R)-1 on January 1, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

In April 2009, the FASB issued FSP SFAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" which provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, "Fair Value Measurements", when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. The Company adopted this pronouncement on April 1, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

In April 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments", to amend the other-than-temporary impairment guidance in debt securities to be based on intent and not more likely than not that the Company would be required to sell the security before recovery and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. The Company adopted this pronouncement on April 1, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

In May 2009, the FASB issued SFAS 165, "Subsequent Events", to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Company adopted this pronouncement for the quarter ended June 30, 2009. The adoption did not have an effect on the Company's financial position or results of operations.

Note 3: Restricted Cash / Intangible Assets

In February 2009, the Company acquired a small manufacturing and distribution company based in Germany for approximately $5.7 million, which was reflected as restricted cash of $6.0 million at December 31, 2008. The Company recorded $5.7 million in intangible assets, which includes $3.8 million for customer contracts, $0.4 million for trademarks, $1.5 million of goodwill and a deferred tax liability of $1.4 million, due to the non-tax deductibility of the intangible assets.

Note 4: Fair Value Measurement:

The Company's investment securities, which are considered "available for sale" and trading consist principally of corporate preferred stocks, certificates of deposit and federal-tax-exempt state and municipal government debt. The Company has $2.3 million of its investment securities as Level 1 assets, which are certificates of deposit with quoted prices in active markets. The Company has $77.4 million of its investment securities as Level 2 assets, which are pre-refunded municipal securities and have observable inputs. The Company has $2.4 million invested in "auction rate securities" as Level 3 assets due to the unobservable inputs caused by the lack of liquidity in the recent auctions. The valuation of these securities was based on quotes received from our brokers which was derived from their internal models combined with internally developed discount factors. In determining a discount factor for each auction rate security, the model weights various factors, including assessments of credit quality, duration, insurance wraps, discount rates, overall capital market liquidity and comparable securities, if any. They are carried at fair value.

The following table provides the assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2009:

	Fair value measurements at June 30, 2009 using			
	Total carrying value at June 30, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available for sale securities	$ 79,642	$ 2,274	$ 77,368	$ —
Trading securities	2,425	—	—	2,425
	$ 82,067	$ 2,274	$ 77,368	$ 2,425

The following tables summarize the change in the fair values for Level 3 items for the quarter ended June 30, 2009:

Level 3 changes in fair value (pre-tax):

	Three months ended June 30, 2009	Six months ended June 30, 2009
Beginning balance	$ 12,100	$ 15,925
Transfer into Level 3	—	—
Sales	(9,675)	(13,500)
Unrealized holding gain, included in other comprehensive income	—	—
Ending balance	$ 2,425	$ 2,425

The Company has agreements in place with Morgan Stanley & Co. ("Morgan") and UBS AG ("UBS") that permit the Company to require Morgan and UBS to purchase the Company's auction rate securities at par value plus accrued interest. As of June 30, 2009, the Company has $2.4 million in auction rate securities. There was less than $0.1 million increase in the market values of the Company's auction rate securities in the quarter ended June 30, 2009.

Note 5: Inventories:

Inventories consisted of the following:

	June 30, 2009	December 31, 2008
Raw material	$ 17,259	$ 12,531
Work in process	2,723	2,577
Finished goods	4,770	2,822
Total	$ 24,752	$ 17,930

Note 6: Property and Equipment:

Property and equipment consisted of the following:

	June 30, 2009	December 31, 2008
Machinery and equipment	$ 51,369	$ 50,337
Land, building and building improvements	48,877	48,715
Molds	18,820	16,791
Computer equipment and software	11,901	9,890
Furniture and fixtures	1,889	1,983
Construction in progress	4,268	3,479
Total property and equipment, cost	137,124	131,195
Accumulated depreciation	(66,642)	(61,298)
Net property and equipment	$ 70,482	$ 69,897

Note 7: Net Income Per Share:

Net income per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average number of common shares outstanding plus dilutive securities. Dilutive securities are outstanding common stock options (excluding stock options with an exercise price in excess of the average market value for the period), less the number of shares that could have been purchased with the proceeds from the exercise of the options, using the treasury stock method. Options that are anti-dilutive because their exercise price exceeded the average market price of the common stock for the period approximated 267,000 and 1,815,000 for the three months ended June 30, 2009 and 2008, respectively and 679,000 and 1,604,000 for the six months ended June 30, 2009 and 2008, respectively.

The following table presents the calculation of net earnings per common share ("EPS") — basic and diluted

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net income	$ 5,741	$ 4,772	$ 12,803	$ 7,670
Weighted average number of common shares outstanding (for basic calculation)	14,780	13,966	14,758	13,859
Dilutive securities	291	415	217	529
Weighted average common and common equivalent shares outstanding (for diluted calculation)	15,071	14,381	14,975	14,388
EPS — basic	$ 0.39	$ 0.34	$ 0.87	$ 0.55
EPS — diluted	$ 0.38	$ 0.33	$ 0.85	$ 0.53

Note 8: Income Taxes:

Income taxes were accrued at an estimated annual effective tax rate of 36.0% in the first half of 2009 compared to 30.3% in the first half of 2008. The effective tax rate differs from that computed at the federal statutory rate of 35% principally because of the effect of foreign and state income taxes, tax credits, tax exempt income and deductions for domestic production activities.

Note 9: Major Customer:

The Company had revenues equal to 10% or more of total revenues from one customer, Hospira, Inc. Such revenues were 63% and 67% of total revenue for the three months ended June 30, 2009 and 2008, respectively and 67% and 66% for the six months ended June 30, 2009 and 2008, respectively. As of June 30, 2009 and December 31, 2008, the Company had accounts receivable from Hospira of 59% and 66%, of consolidated accounts receivable, respectively.

Note 10: Commitments and Contingencies:

In an action filed July 6, 2006 entitled Medegen MMS, Inc. v. ICU Medical, Inc. filed in the United States District Court for the Central District of California, Medegen alleged that ICU Medical infringed one of its patents by offering for sale and selling the CLC2000 and TEGO. Medegen sought monetary damages and injunctive relief. In March 2007, Medegen withdrew its action as to the TEGO. On June 21, 2007, the Court issued an order interpreting certain terms and phrases of Medegen's patent in a manner that we believe supported our position. On September 14, 2007, the Court issued an order granting our summary judgment motion of non-infringement and On October 19, 2007, entered judgment of non-infringement, dismissing Medegen's case with prejudice. On October 19, 2007, the Court also dismissed, without prejudice, our counterclaims that the asserted patent is invalid and unenforceable due to inequitable conduct by Medegen before the United States Patent and Trademark Office. Medegen has appealed the Court's claim construction and summary judgment orders. By decision issued in November 2008, the Federal Circuit reversed the order granting summary judgment and remanded the case to the District Court. The Company intends to defend itself against Medegen's claims in this action. The outcome of this action is uncertain, therefore no accrual has been recorded.

The Company is from time to time involved in various other legal proceedings, most of which are routine litigation, in the normal course of business. In the opinion of management, the resolution of the other legal proceedings in which the Company is involved will not likely have a material adverse impact on the Company's financial position or results of operations.

In the normal course of business, the Company has agreed to indemnify officers and directors of the Company to the maximum extent permitted under Delaware law and to indemnify customers as to certain intellectual property matters related to sales of the Company's products. There is no maximum limit on the indemnification that may be required under these agreements. Although we can provide no assurances, the Company has never incurred, nor do we expect to incur, any liability for indemnification. Except for indemnification agreements, the Company does not have any "off balance sheet arrangements".

Pursuant to the Asset Purchase Agreement with Hospira, the Company has agreed to indemnify Hospira and its affiliates from certain liabilities arising out of (i) inaccuracies of the Company's representations and breaches of the Company's warranties; (ii) defaults of our covenants or obligations; (iii) certain assumed obligations and (iv) use of the acquired assets after the date of closing. Most of Hospira's rights to indemnification will terminate eighteen months after the closing of the transaction, except for liabilities arising out of certain provisions of the asset purchase agreement and liabilities for which notice was previously provided. Notwithstanding the foregoing, the Company is not obligated to indemnify Hospira for any liabilities for which Hospira is obligated to indemnify the Company or the Company's affiliates under the MCDA. Although the Company can provide no assurances, the Company does not expect to incur material liability arising out of the indemnification provision of the asset purchase agreement.

Note 11: Subsequent Event:

The Company has evaluated subsequent events through July 22, 2009, which is the date the financial statements were available to be issued.

On July 8, 2009, the Company signed a definitive asset purchase agreement with Hospira to purchase the commercial rights and physical assets of Hospira's critical care product line, which are primarily inventory. The purchase price is estimated at $35.0 million. The final purchase price will be adjusted to reflect the final net book value of the assets included in the asset purchase agreement. The transaction is subject to customary closing conditions. While the Company can provide no assurances, the Company expects the transaction to close in the third quarter of 2009.

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

We are a leader in the development, manufacture and sale of proprietary, disposable medical connection systems for use in vascular therapy applications. Our devices are designed to protect patients from catheter related bloodstream infections and healthcare workers from exposure to diseases through accidental needlesticks or hazardous drugs. We are also a leader in the production of custom infusion sets and we incorporate our proprietary products into many of those custom infusion sets. In addition, we are a significant manufacturer of critical care medical devices, including catheters, angiography kits and cardiac monitoring systems.

Critical Accounting Policies

In our Annual Report on Form 10-K for the year ended December 31, 2008, we identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements. We have not changed these policies from those previously disclosed in our Annual Report.

New Accounting Pronouncements

In April 2009, the FASB issued FSP SFAS 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies", to amend the provisions related to the initial recognition and measurement, subsequent measurement and disclosure of assets and liabilities arising from contingencies in a business combination under SFAS 141(R). Under the new guidance, assets acquired and liabilities assumed in a business combination that arise from contingencies should be recognized at fair value on the acquisition date if fair value can be determined during the measurement period. If fair value cannot be determined, companies should typically account for the acquired contingencies using existing guidance. We adopted FAS 141(R) and FSP SFAS 141(R)-1 on January 1, 2009. The adoption did not have a material effect on our financial position or results of operations.

In April 2009, the FASB issued FSP SFAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" which provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, "Fair Value Measurements", when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. We adopted this pronouncement on April 1, 2009. The adoption did not have a material effect on our financial position or results of operations.

In April 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments", to amend the other-than-temporary impairment guidance in debt securities to be based on intent and not more likely than not that the Company would be required to sell the security before recovery and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. We adopted this pronouncement on April 1, 2009. The adoption did not have a material effect on our financial position or results of operations.

In May 2009, the FASB issued SFAS 165, "Subsequent Events", to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. We adopted this pronouncement for our quarter ended June 30, 2009. The adoption did not have an effect on our financial position or results of operations.

We have implemented all new accounting pronouncements that are in effect and that may impact our consolidated financial statements and do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our consolidated financial statements.

Business Overview

Until the late 1990s, our primary emphasis in product development, sales and marketing was disposable medical connectors for use in I.V. therapy, and our principal product was the CLAVE. In the late 1990s, we commenced a transition from a product-centered company to an innovative, fast, efficient, low-cost manufacturer of custom infusion sets, using processes that we believe can be readily applied to a variety of disposable medical devices. This strategy has enabled us to capture revenue on the entire I.V. delivery system, and not just a component of the system. We have furthered this effort to include all of our proprietary devices beyond the CLAVE.

We believe the success of the CLAVE has motivated, and will continue to motivate others to develop one-piece, swabbable, needleless connectors that may incorporate many of the same functional and physical characteristics as the CLAVE. We are aware of a number of such products. We have patents covering the technology embodied in the CLAVE and intend to enforce those patents as appropriate. If we are not successful in enforcing our patents, competition from such products could adversely affect our market share and prices for our CLAVE products. Although overall pricing has been stable recently, the average price of our CLAVE products may decline in the future. There is no assurance that our current or future products will be able to successfully compete with products developed by others.

We are reducing our dependence on our current proprietary products by introducing new products and systems and acquiring product lines. Under one of our Hospira Agreements, we manufacture custom infusion sets for sale by Hospira and jointly promote the products under the name SetSource. In 2005, we acquired Hospira's Salt Lake City manufacturing facility and entered into an agreement with Hospira to produce their critical care products, including invasive monitoring, angiography products and certain other products they had manufactured at that facility. In July 2009, we entered into a definitive asset purchase agreement to acquire the commercial rights and physical assets from Hospira's critical care product line, which, when the transaction closes, will provide us with the ability to control all aspects of our critical care product line. We also contract with group purchasing organizations and independent dealer networks for inclusion of our non-critical care CLAVE and custom products in the product offerings of those entities. We are expanding our custom products business through increased sales to medical product manufacturers, independent distributors and direct sales to the end users of our product. These expansions include our 2008 agreement with Premier and an agreement extension with MedAssets. Both organizations are U.S. healthcare purchasing networks. Custom products, which include custom infusion, custom oncology and custom critical care products, accounted for approximately $37.0 million or 34% of total revenue in the first half of 2009 and $70.2 million or 34% of total revenue in 2008. We expect continued increases in sales of custom

infusion sets and custom oncology products. As part of this effort, we have recently introduced a number of new products: the TEGO for use in dialyses, the Orbit 90 diabetes set, and a line of oncology products including the Spiros male luer connector device, the Genie vial access device, custom I.V sets and ancillary products specifically designed for chemotherapy. There is no assurance that we will be successful in finding future acquisition opportunities or integrating these new product lines into our existing business.

Custom products and new products will be of increasing importance to us in future years. We expect continued growth in 2009 in our CLAVE products in the U.S., but at a modest growth rate. We also potentially face substantial increases in competition in our CLAVE business. Growth for all of our products outside the U.S., to date, has been relatively modest. Therefore, we are directing increasing product development, acquisition, sales and marketing efforts to custom products and other products that lend themselves to customization and new products in the U.S. and international markets.

In 2005, we acquired Hospira's Salt Lake City manufacturing facility, related capital equipment and entered into the Manufacturing Commercialization Development Agreement ("MCDA") under which we produced for sale, exclusively to Hospira, substantially all the products, primarily critical care, that Hospira had manufactured at that facility. Under this agreement, Hospira retained commercial responsibility for the products we produced, including sales, marketing, pricing, distribution, customer contracts, customer service and billing. The U.S. market for most of the critical care products that we sell to Hospira has been declining in recent years. Under the MCDA, we manufactured the products and Hospira was responsible for sales to end customers, and we had little ability to directly influence Hospira's sales and marketing efforts, and our sales under the MCDA were subject to fluctuations over which we had little control. On July 8, 2009, we signed a definitive purchase agreement with Hospira to acquire the commercial rights and physical assets of their critical care product line, which are primarily inventory. This purchase will provide us with complete control over worldwide commercial responsibility for the critical care products including sales, marketing, customer contracting and distribution. The transaction is subject to customary closing conditions. Under the MCDA, we were also committed to fund certain critical care research and to provide sales specialist support. Both obligations under the MCDA will cease upon the closing of the asset purchase transaction with Hospira. While we can provide no assurances, we anticipate closing this asset purchase in the third quarter of 2009.

Our largest customer is Hospira. Our relationship with Hospira has been and will continue to be of singular importance to our growth. In the first half of 2009 and years ended 2008, 2007 and 2006, our revenues from worldwide sales to Hospira were 67%, 69%, 73% and 77%, respectively, of total revenues. Although we can provide no assurances, we expect this percentage will decrease once we complete the purchase of Hospira's critical care product line. Hospira has a significant share of the I.V. set market in the U.S., and provides us access to that market. We expect that Hospira will be important to our growth for CLAVE, custom products, and our other products worldwide.

In February 2009, we acquired a small manufacturing and distribution company based in Germany for $5.7 million. The products and distribution from this company are in the oncology and neonatal markets.

We believe that achievement of our growth objectives worldwide will require increased efforts by us in sales and marketing and product development in these markets.

There is no assurance that we will be successful in implementing our growth strategy. The custom products market is small, when compared to the larger market of standard products, and we could encounter customer resistance to custom products. Further, we could encounter increased competition as other companies see opportunity in this market. Product development or acquisition efforts may not succeed, and even if we do develop or acquire products, there is no assurance that we will achieve profitable sales of such products. An adverse change in our relationship with Hospira, or a deterioration of Hospira's position in the market, could have an adverse effect on us. Increased expenditures for sales and marketing and product acquisition and development may not yield desired results when expected, or at all. While we have taken steps to control these risks, there are certain risks that may be outside of our control, and there is no assurance that steps we have taken will succeed.

The following table sets forth, for the periods indicated, total revenues by product as a percentage of total revenues:

	Three months ended June 30,		Six months ended June 30,		Fiscal Year Ended	
Product Line	**2009**	**2008**	**2009**	**2008**	**2008**	**2007**
CLAVE	40%	38%	39%	39%	39%	38%
Custom products	34%	35%	34%	34%	34%	31%
Critical care	16%	18%	17%	18%	18%	23%
Other products	10%	9%	10%	8%	8%	7%
License, royalty and revenue share	0%	0%	0%	1%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

We sell our I.V. administration products to independent distributors, direct sales and through agreements with Hospira and certain other medical product manufacturers. Most independent distributors handle the full line of our I.V. administration products. We sell our invasive monitoring, angiography and I.V. administration products through three agreements with Hospira (the "Hospira Agreements"). Under a 1995 agreement, Hospira purchases CLAVE products, principally bulk, non-sterile connectors and the CLC2000. Under a 2001 agreement, we sell custom infusion sets to Hospira under a program referred to as SetSource. Our 1995 and 2001 agreements with Hospira provide Hospira with conditional exclusive and nonexclusive rights to distribute all existing ICU Medical products worldwide with terms that extend to 2014. Under the MCDA, we sell Hospira invasive monitoring, angiography and other products which they formerly manufactured at the Salt Lake City facility. Upon completing the purchase of Hospira's critical care product line, which is expected to occur in the third quarter of 2009, we will sell invasive monitoring and angiography to independent distributors and through direct sales. We also sell certain other products to a number of other medical product manufacturers.

We believe that as healthcare providers continue to either consolidate or join major buying organizations, the success of our products will depend, in part, on our ability, either independently or through strategic relationships such as our Hospira relationship, to secure long-term contracts with large healthcare providers and major buying organizations. As a result of this marketing and distribution strategy we derive most of our revenues from a relatively small number of distributors and manufacturers. The loss of a strategic relationship with a customer or a decline in demand for a manufacturing customer's products could have a material adverse effect on our operating results.

We have an ongoing program to increase systems capabilities, improve manufacturing efficiency, reduce labor costs, reduce time needed to produce an order, and minimize investment in inventory. These include the use of automated assembly equipment for new and existing products and use of larger molds and molding machines. In 2006, we centralized our proprietary molding in Salt Lake City and expanded our production facility in Mexico which took over the majority of our manual assembly previously done in Salt Lake City. In 2007, we began a significant initiative to improve production processes, called the "ICU Production System" or "IPS", which we believe will enable us to further improve our manufacturing efficiency. We started IPS in our Mexico facility in 2007 and in our Salt Lake City facility in 2008. These efforts are ongoing in both facilities and will continue in the second half of 2009. In July 2009, we purchased land in Slovakia. We have plans to build an assembly plant in Slovakia that will serve our European product distribution. We expect this plant to be operational in the second half of 2010. We may establish additional production facilities outside the U.S. There is no assurance as to the benefits of IPS or our success in establishing manufacturing facilities outside the U.S.

We distribute products through three distribution channels. Product revenues for each distribution channel were as follows:

	Three months ended June 30,		Six months ended June 30,		Fiscal Year Ended	
Channel	**2009**	**2008**	**2009**	**2008**	**2008**	**2007**
Medical product manufacturers	61%	66%	64%	67%	67%	71%
Domestic distributors/direct	20%	19%	17%	18%	18%	16%
International customers	19%	15%	19%	15%	15%	13%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Sales to international customers do not include bulk CLAVE products sold to Hospira in the U.S. but used in I.V. products manufactured by Hospira and exported. Those sales are included in sales to medical product manufacturers. Other sales to Hospira for destinations outside the U.S. are included in sales to international customers.

Quarter-to-quarter and six month-to-six month comparisons: We present summarized income statement data in Item 1- Financial Statements. The following table shows, for the year ended December 31, 2008 and the three and six months ended June 30, 2009 and 2008, the percentages of each income statement caption in relation to total revenues.

	Fiscal Year	Three months ended June 30,		Six months ended June 30,	
	2008	2009	2008	2009	2008
Revenue					
Net sales	99%	100%	100%	100%	99%
Other	1%	—%	—%	—%	1%
Total revenues	100%	100%	100%	100%	100%
Gross profit	44%	48%	43%	49%	41%
Selling, general and administrative expenses	26%	31%	28%	30%	29%
Research and development expenses	2%	1%	3%	1%	3%
Total operating expenses	28%	32%	31%	31%	32%
Income from operations	16%	16%	12%	18%	9%
Other income	2%	1%	2%	1%	3%
Income before income taxes	18%	17%	14%	19%	12%
Income taxes	6%	6%	4%	7%	4%
Net income	12%	11%	10%	12%	8%

Quarterly results: The healthcare business in the United States is subject to seasonal fluctuations, and activity tends to diminish somewhat in the summer months of June, July and August, when illness is less frequent than in winter months and patients tend to postpone elective procedures. This may cause seasonal fluctuations in our business. In addition, we can experience fluctuations in net sales as a result of variations in the ordering patterns of our largest customers, which may be driven more by production scheduling and their inventory levels, and less by seasonality. The current challenging economic environment has not had a meaningful impact on our business in the operating results reported in this report, however, towards the end of the first quarter of 2009, some of our customers stated their intent to take a more conservative stance on inventory levels. Through the end of the second quarter of 2009, this has not caused a significant impact to our earnings. Our expenses often do not fluctuate consistently with net sales, which may cause fluctuations in operating income that are disproportionate to fluctuations in our revenue.

Quarter Ended June 30, 2009 Compared to the Quarter Ended June 30, 2008

Revenues were $53.4 million in the second quarter of 2009, compared to $48.6 million in the second quarter of 2008.

Distribution channels: Net U.S. sales to Hospira in the second quarter of 2009 were $31.8 million, compared to net sales of $30.9 million in the second quarter of 2008. The $0.9 million increase was primarily from a $2.5 million increase in CLAVE sales, offset by a $0.7 million decrease in critical care product sales and a $0.5 million decrease custom product sales. The increase in CLAVE sales was from higher unit sales due to increased market share through Hospira. The decrease in critical care product sales was due to lower unit sales for certain critical care products. The decrease in custom products was primarily due to lower unit sales in custom critical care and custom oncology products, partially offset by higher unit sales in custom infusion sets from the conversion by certain of our customers from a competitor's standard sets to our custom systems. Excluding critical care products, we expect minimal growth in sales to Hospira in 2009 as Hospira take a more conservative stance in their inventory levels. As a result of our July 8, 2009 definitive asset purchase agreement with Hospira for their critical care product line, we will defer revenue recognition on all critical care sales made to Hospira from July 8, 2009 until the transaction is closed. Revenue on these shipments will be recognized when the inventory is sold to the end customer. After the transaction is closed, we expect our critical care sales will be made to independent distributors and through direct sales, domestically and internationally. There is no assurance that these expectations will be realized.

Net sales to domestic distributors/direct in the second quarter of 2009 (including Canada) were $10.7 million compared to $9.3 million in the second quarter of 2008, an increase of 15%. The increase was primarily from increased oncology and TEGO sales, both newer product lines and increased custom product sales. The increase in custom product sales was primarily in increased unit volume sales in custom infusion sets. We continue to expect increases in domestic distributor sales in 2009 compared to 2008, principally from growth in custom products and new product sales, although there is no assurance that these expectations will be realized.

Net sales to international customers (excluding Canada) were $9.9 million in the second quarter of 2009, compared with $7.3 million in the second quarter of 2008. The increased sales were primarily from new product sales of $2.2 million and increased CLAVE sales of $0.3 million. We acquired a small company in Germany in the middle of the first quarter of 2009. Sales from this acquisition were approximately $1.2 million in the second quarter of 2009. Our international growth in other new product sales includes custom and non-custom oncology products, TEGO used in dialysis and Orbit 90 diabetes sets. The CLAVE increase is from

increased unit volume due to increased market share and demographic growth. The majority of the increase was attributable to increased sales in Europe. We expect increases in international customer sales in 2009, primarily from increased custom product sales and oncology product sales and additional sales of our new products from our recent acquisition, although there is no assurance that these expectations will be realized.

Product and other revenue: Net sales of CLAVE products increased from $18.4 million in the second quarter of 2008 to $21.3 million in the second quarter of 2009, an increase of $2.9 million or 16%. This increase was primarily from increased sales to Hospira from increased market share and demographic growth. We continue to expect increases in CLAVE product sales in 2009 compared to 2008, although there is no assurance that these expectations will be realized.

Net sales of custom products, which include custom infusion, custom oncology products and custom critical care products, were $18.1 million in the second quarter of 2009 compared to $17.0 million in the second quarter of 2008. This increase was primarily comprised of increased sales of custom infusion sets of $1.5 million, partially offset by lower custom critical care sales of $0.5 million. The unit growth in custom infusion sets was primarily due to the conversion by certain of our customers from a competitor's standard sets to our custom systems. The lower custom critical care sales are due to lower unit volumes. We expect increases in custom infusion set sales and new custom oncology sales in 2009 compared to 2008. We expect lower custom critical care sales in 2009 compared to 2008 because of lower unit sales in the first half of 2009 compared to the first half of 2008 and because of the deferral of revenue on critical care sales to Hospira from July 8, 2009 until the closing of the asset purchase of Hospira's critical care product line. Revenue on these shipments will be recognized when the inventory is sold to the end customer after we close the asset purchase.

Critical care product sales were $8.3 million in the second quarter of 2009 compared to $9.0 million in the second quarter of 2008. This decrease was due to lower unit sales of certain critical care products. We expect lower critical care sales in 2009 compared to 2008 because of the deferral of revenue on critical care sales to Hospira from July 8, 2009 until the closing of the purchase of Hospira's critical care product line and expected lower unit volumes. Revenue on these shipments will be recognized when the inventory is sold to the end customer after we close the asset purchase.

Since we will defer all custom and non-custom critical care sales to Hospira from July 8, 2009 until the closing of the asset purchase with Hospira, we expect the greatest impact in lower revenue from critical care sales to occur in the third quarter of 2009. Revenue on these shipments will be recognized when the inventory is sold to the end customer after we close the asset purchase. The asset purchase is expected to close in the third quarter of 2009. Upon the closing of the asset purchase, we will be responsible for all aspects of the critical care line, including sales, marketing, customer contracting and distribution and we expect that we will begin distribution of critical care products directly to existing customers. We anticipate entering into a transition services agreement with Hospira to facilitate the transition. We can provide no assurances, however, that we will be successful in maintaining relationships with major buying organizations fostered by Hospira or that customers will purchase products from us, with the same or similar terms. Any failure on our part to adequately market and sell the critical care line will have an adverse effect on our financial results. Our total custom and non-custom critical care sales in the second quarter of 2009 were $10.0 million and in the third quarter of 2008 were $13.7 million. We can provide no assurance that the asset purchase will not be delayed or that the asset purchase will close at all.

Our new oncology product sales, including custom oncology, were $3.1 million in the second quarter of 2009 compared to $2.4 million in the second quarter of 2008.

Other revenue consists of license, royalty and revenue share income and was approximately $0.1 million in the second quarter of 2009 and $0.2 million in the second quarter of 2008. We may receive other license fees or royalties in the future for the use of our technology. There is no assurance as to amounts or timing of any future payments, or whether such payments will be received.

Gross margins for the second quarters of 2009 and 2008 were 48% and 43%, respectively. Favorable exchange rates and lower transportation costs contributed two percent and one percent, respectively, to the five percent increase in our gross margin. The balance of the margin change was from favorable product mix and improved manufacturing efficiencies at our Mexico facility.

We estimate our gross margin in 2009 will approximate 46-47%. There is no assurance that these expectations will be realized.

Selling, general and administrative expenses **("SG&A")** were $16.5 million and 31% of revenues in the second quarter of 2009, compared with $13.7 million and 28% of revenues in the second quarter of 2008. The increase was primarily from increased legal expenses of $1.4 million and increased compensation and benefits of $0.8 million. The increase in legal expenses is primarily from higher patent litigation costs. The increase in compensation and benefits is primarily from 14 new hires in sales, which include the addition of personnel from our acquisition in Germany, and higher salary costs. We expect SG&A in 2009 to be approximately 29-30% of revenue with the increase principally from the addition of sales personnel, increased travel related expenses, increased compensation and stock compensation expense and higher legal expenses from ongoing litigation. There is no assurance that these expectations will be realized.

Research and development expenses **("R&D")** were $0.6 million and one percent of revenue in the second quarter of 2009 compared to $1.5 million and three percent of revenue in the second quarter of 2008. The decrease is primarily due to our increased focus on our core projects that started in the latter half of 2008 and MedScanSonics ceasing operations in 2008. We expect R&D in 2009 to be one to two percent of revenue, although there is no assurance that these expectations will be realized.

Other income decreased $0.8 million to $0.3 million in the second quarter of 2009 compared to $1.1 million in the second quarter of 2008. Other income in the second quarter of 2009 is primarily comprised of interest income. Other income in the second quarter of 2008 includes $0.7 million of interest income and $0.4 million from a payment under a settlement agreement. The decrease in interest income was due to lower interest rates.

Income taxes were accrued at an estimated annual effective tax rate of 36% in the second quarter of 2009 compared to 30% in the second quarter of 2008. The 2008 rate differed from the statutory corporate rate of 35% principally because of the effect of foreign and state income taxes, tax credits, tax exempt income and deductions for domestic production activities. We expect our effective tax rate to be approximately 36% in 2009.

Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008

Revenues were $107.7 million in the first half of 2009, compared to $93.2 million in the first half of 2008.

Distribution channels: Net U.S. sales to Hospira in the first half of 2009 were $66.6 million, compared to net sales of $59.7 million in the first half of 2008. The $6.9 million increase was primarily from a $5.1 million increase in CLAVE sales, $1.5 million increase in critical care sales and $0.6 million increase in custom product sales. The increase in CLAVE sales was primarily from higher unit sales due to increased market share through Hospira. The increase in critical care product sales was due to higher unit sales for certain critical care products. The increase in custom products was comprised of higher unit sales in custom infusion sets from the conversion by certain of our customers from a competitor's standard sets to our custom systems, partially offset by lower unit sales in custom critical care and custom oncology products.

Net sales to domestic distributors/direct in the first half of 2009 (including Canada) were $18.9 million compared to $17.0 million in the first half of 2008, an increase of 12%. The increase was primarily from oncology and TEGO sales, both newer product lines and increased custom product sales. The increase in custom product sales was primarily in increased unit volume sales in custom infusion sets.

Net sales to international customers (excluding Canada) were $20.1 million in the first half of 2009, compared with $13.5 million in the first half of 2008. The increased sales were primarily from new product sales of $5.8 million and increased CLAVE sales of $0.8 million. We acquired a small company in Germany in the middle of the first quarter of 2009. Sales from this acquisition were approximately $1.9 million in the first half of 2009. Our international growth in other new product sales includes custom and non-custom oncology products, TEGO used in dialysis and Orbit 90 diabetes sets. The CLAVE increase is from increased unit volume due to increased market share and demographic growth. The majority of the increase was attributable to increased sales in Europe.

Product and other revenue: Net sales of CLAVE products increased from $36.7 million in the first half of 2008 to $42.5 million in the first half of 2009, an increase of $5.8 million or 16%. This increase was primarily from increased sales to Hospira from increased market share and demographic growth.

Net sales of custom products, which include custom infusion, custom oncology products and custom critical care products, were $37.0 million in the first half of 2009 compared to $31.8 million in the first half of 2008. This increase was primarily comprised of increased sales of custom infusion sets and custom oncology products of $2.9 million and $2.8 million, respectively, partially offset by lower custom critical care sales of $0.5 million. The unit growth in custom infusion sets was primarily due to the conversion by certain of our customers from a competitor's standard sets to our custom systems. The increased sales in custom oncology was because it is a new product line. The lower custom critical care sales are due to lower unit volumes.

Critical care product sales were $17.9 million in the first half of 2009 compared to $16.4 million in the first half of 2008. This increase was due to higher unit sales of certain critical care products.

Our new oncology product sales, including custom oncology, were $7.4 million in the first half of 2009 compared to $3.7 million in the first half of 2008.

Other revenue consists of license, royalty and revenue share income and was approximately $0.3 million in the first half of 2009 and $1.2 million in the first half of 2008. The decrease from 2008 was due to an exclusivity payment we received in 2008 that did not recur in 2009. We may receive other license fees or royalties in the future for the use of our technology. There is no assurance as to amounts or timing of any future payments, or whether such payments will be received.

Gross margins for the first half of 2009 and 2008 were 49% and 41%, respectively. Favorable exchange rates and lower transportation costs contributed two percent and one percent, respectively, to the eight percent increase in our gross margin. The balance of the margin change was from favorable product mix and improved manufacturing efficiencies at our Mexico facility.

Selling, general and administrative expenses **("SG&A")** were $31.6 million and 30% of revenues in the first half of 2009, compared with $26.8 million and 29% of revenues in the first half of 2008. The increase was primarily from increased legal expenses of $2.8 million and increased compensation and benefits of $1.2 million. The increase in legal expenses is primarily from higher patent litigation costs. The increase in compensation and benefits is primarily from 14 new hires in sales, which include the addition of personnel from our acquisition in Germany, and higher salary costs.

Research and development expenses **("R&D")** were $1.4 million and one percent of revenue in the first half of 2009 compared to $3.5 million and four percent of revenue in the first half of 2008. The decrease is primarily due to our increased focus on our core projects that started in the latter half of 2008 and MedScanSonics ceasing operations in 2008.

Other income decreased $2.1 million to $0.6 million in the first half of 2009 compared to $2.7 million in the first half of 2008. Other income in the first half of 2009 is primarily comprised of interest income. Other income in the first half of 2008 includes $1.7 million of interest income and $1.0 million from a payment under a settlement agreement. The decrease in interest income was due to lower interest rates.

Income taxes were accrued at an estimated annual effective tax rate of 36% in the first half of 2009 compared to 30% in the first half of 2008. The 2008 rate differed from the statutory corporate rate of 35% principally because of the effect of foreign and state income taxes, tax credits, tax exempt income and deductions for domestic production activities.

Liquidity and Capital Resources

During the first half of 2009, our cash, cash equivalents and investment securities increased by $21.5 million.

Operating Activities*:* Our cash provided by operating activities tends to increase over time because of our positive operating results. However, our cash position is subject to fluctuations, principally from the impact of integrating new locations from acquisitions, changes in net income, accounts receivable, inventories and the timing of tax payments.

During the first half of 2009, our cash provided by operations was $26.6 million, which was mainly comprised of net income of $12.8 million, depreciation and amortization of $7.3 million, stock compensation expense of $1.2 million, offset by changes in our operating assets and liabilities. The $11.2 million decrease in accounts receivable and $4.7 million increase in inventory were the largest contributors to the change in our operating assets and liabilities. The decrease was primarily due to cash collection on sales from the fourth quarter of 2008. The increase in inventory was primarily due to increases in safety stock and additional investments related to our manufacturing process improvement initiative.

Investing Activities: During the first half of 2009, cash used by investing activities was $21.2 million. This was primarily comprised of net investment purchases of $14.6 million and cash paid for purchases of property and equipment of $6.9 million which were primarily for equipment and mold additions.

We estimate that our capital expenditures in 2009 will approximate $17.0 million, including an estimated $4.0 million to purchase land and begin construction of a manufacturing plant for our custom products in Slovakia. Amounts of spending are estimates and actual spending may substantially differ from those amounts.

In July 2009, we signed a definitive asset purchase agreement with Hospira to acquire the commercial rights and physical assets of Hospira's critical care line. This purchase price is estimated at $35.0 million which we intend to pay for using cash and cash equivalents. The final purchase price will be adjusted to reflect the final net book value of the assets included in the asset purchase agreement. We anticipate closing this transaction in the third quarter of 2009.

Financing Activities: Our cash provided by financing activities was $1.4 million in the first half of 2009. Cash provided by stock options and the employee stock purchase plan, including tax benefits, was $1.9 million from the sale of 67,118 shares. The tax benefits from the exercise of stock options fluctuates based principally on when employees choose to exercise their vested stock options.

In July 2008, we announced a program to purchase up to $40.0 million of our common stock. We purchased $5.9 million in 2008 and $ 0.6 million in the first quarter of 2009. We did not make any purchases in the second quarter. Additional share repurchases may be made as we deem appropriate and based upon prevailing market and business conditions.

We have a substantial cash and investment security position generated from profitable operations and stock sales, principally from the exercise of employee stock options. We maintain this position to fund our growth, meet increasing working capital requirements, fund capital expenditures, and to take advantage of acquisition opportunities that may arise. Our primary investment goal is principal preservation, as further described below in Part I, Item 3. Quantitative and Qualitative Disclosures about Market Risk of this Quarterly Report on Form 10-Q.

We believe that our existing cash, cash equivalents and investment securities along with funds expected to be generated from future operations will provide us with sufficient funds to finance our current operations for the next twelve months. In the event that we experience illiquidity in our investment securities, downturns or cyclical fluctuations in our business that are more severe or longer than anticipated or if we fail to achieve anticipated revenue and expense levels, we may need to obtain or seek alternative sources of capital or financing, and we can provide no assurances that the terms of such capital or financing will be available to us on favorable terms, if at all.

Off Balance Sheet Arrangements

In the normal course of business, we have agreed to indemnify our officers and directors to the maximum extent permitted under Delaware law and to indemnify customers as to certain intellectual property matters related to sales of our products. There is no maximum limit on the indemnification that may be required under these agreements. Although we can provide no assurances, we have never incurred, nor do we expect to incur, any liability for indemnification. Except for indemnification agreements, we do not have any “off balance sheet arrangements”.

Pursuant to the Asset Purchase Agreement with Hospira, we have agreed to indemnify Hospira and its affiliates from certain liabilities arising out of (i) inaccuracies of our representations and breaches of our warranties; (ii) defaults of our covenants or obligations; (iii) certain assumed obligations and (iv) use of the acquired assets after the date of closing. Most of Hospira’s rights to indemnification will terminate eighteen months after the closing of the transaction, except for liabilities arising out of certain provisions of the asset purchase agreement and liabilities for which notice was previously provided. Notwithstanding the foregoing, we are not obligated to indemnify Hospira for any liabilities for which Hospira is obligated to indemnify us or our affiliates under the MCDA. Although we can provide no assurances, we do not expect to incur material liability arising out of the indemnification provision of the asset purchase agreement.

Contractual Obligations

We have contractual obligations, at June 30, 2009, of approximately the amounts set forth in the table below. These amounts exclude purchase orders for goods and services for current delivery. The majority of our purchase orders are blanket purchase orders that represent an estimated forecast of goods and services. We do not have a commitment liability on the blanket purchase orders. Since we do not have the ability to separate out blanket purchase orders from non-blanket purchase orders for goods and services for current delivery, these amounts are excluded from the table below. The commitments under the MCDA are those to fund certain research and development to improve critical care products and develop new products for sale to Hospira and to provide sales specialists focused on critical care. If the Hospira critical care asset purchase closes as we expect it will, the obligations under the MCDA will terminate. We have excluded from the table below, the FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes,” an interpretation of FASB Statement no. 109 (“FIN 48”) noncurrent liability of $4.4 million due to the high degree of uncertainty regarding the timing of future cash outflows associated with the FIN 48 liabilities.

	2009 (in thousands)
MCDA	$ 7,568
Property and equipment	3,100
Total	$ 10,668

Forward Looking Statements

Various portions of this Quarterly Report on Form 10-Q, including this Management’s Discussion and Analysis, describe trends in our business and finances that we perceive and state some of our expectations and beliefs about our future. These statements about the future are “forward looking statements,” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and we identify them by using words such as “believe,” “expect,”

"estimate," "plan," "will," "continue," "could," "may," and by similar expressions and statements about aims, goals and plans. The forward looking statements are based on the best information currently available to us and assumptions that we believe are reasonable, but we do not intend the statements to be representations as to future results. They include, without limitation, statements about:

- future operating results and various elements of operating results, including future expenditures on sales and marketing and product development, future sales and unit volumes of products, future license, royalty and revenue share income, production costs, gross margins, litigation expense, SG&A, R&D expense, future costs of expanding our business, income, losses, cash flow, changes in working capital items such as receivables and inventory, selling prices, and income taxes;

- factors affecting operating results, such as shipments to specific customers, reduced dependence on current proprietary products, expansion in international markets, selling prices, future increases or decreases in sales of certain products and in certain markets and distribution channels, increases in systems capabilities, introduction and sales of new products, planned increases in marketing, warranty claims, rebates, product returns, bad debt expense, inventory requirements, manufacturing efficiencies and cost savings, unit manufacturing costs; establishment of production facilities outside the U.S., plans and timing of the establishment of a plant in Slovakia, adequacy of production capacity, results of R&D, initiatives to improve the ICU Production System, asset impairment losses, relocation of manufacturing facilities and personnel, planned increases in the number of personnel, effect of expansion of manufacturing facilities on production efficiencies and resolution of production inefficiencies, business seasonality and fluctuations in quarterly results, customer ordering patterns and the effects of new accounting pronouncements; and

- new or extended contracts with manufacturers and buying organizations, dependence on a small number of customers, effect of the acquisition of Hospira's Salt Lake City manufacturing facility and the manufacture of products for Hospira under the MCDA, cost savings and use of our systems and procedures under the MCDA, expected timing of the closing and the effects of the purchase of Hospira's critical care product line; the outcome of our strategic initiatives, regulatory approvals and compliance, outcome of litigation, competitive and market factors, including continuing development of competing products by other manufacturers, consolidation of the healthcare provider market and downward pressure on selling prices; future purchases of treasury stock; working capital requirements, liquidity and realizable value of our investment securities, outcome of future auctions of auction rate securities, future investment alternatives, foreign currency denominated financial instruments, capital expenditures; acquisitions of other businesses or product lines, indemnification liabilities and contractual liabilities.

Forward-looking statements involve certain risks and uncertainties, which may cause actual results to differ materially from those discussed in each such statement. First, one should consider the factors and risks described in the statements themselves or otherwise discussed herein. Those factors are uncertain, and if one or more of them turn out differently than we currently expect, our operating results may differ materially from our current expectations.

Second, one should read the forward looking statements in conjunction with the Risk Factors discussed in Item 1A of our Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2008, in Part II, Item 1A of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 and our other reports and registration statements filed with the SEC. Also, actual future operating results are subject to other important factors and risks that we cannot predict or control, including without limitation, the following:

- general economic and business conditions, both in the U.S. and internationally;
    - outcome of litigation;
    - fluctuations in foreign exchange rates;
    - increases in labor costs or competition for skilled workers;
    - unexpected delays or complications in the closing of the purchase of Hospira's critical care product line;
- the effect of price and safety considerations on the healthcare industry;
- competitive factors, such as product innovation, new technologies, marketing and distribution strength and price erosion;
- unanticipated market shifts and trends;
- the impact of legislation affecting government reimbursement of healthcare costs;
- changes by our major customers and independent distributors in their strategies that might affect their efforts to market our products;
- unanticipated production problems; and
- the availability of patent protection and the cost of enforcing and of defending patent claims.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date hereof. We assume no obligation to update the statements or to announce publicly the result of any revision to any of the statements contained herein to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We had a portfolio of corporate preferred stocks, federal-tax exempt state and municipal government debt securities and certificates of deposit of $82.1 million as of June 30, 2009. The securities are all "investment grade". As of June 30, 2009, $77.4 million of our investment securities were invested in pre-refunded municipal securities, $2.4 million were invested in "auction rate securities" and $2.3 million were certificates of deposit. The pre-refunded municipal securities are fully escrowed by U.S. government Treasury bills with low market risk. For most of the auction rate securities, dividend and interest rates reset at auction at fourteen to thirty-five day intervals. For the quarter ended June 30, 2009, we had less than $0.1 million in increases in the market values of the auction rate securities.

Up until early February 2008, the market for our auction rate securities was highly liquid. However, as a result of liquidity issues in the global credit and capital markets, auctions for all of our auction rate securities failed beginning in February 2008 when sell orders exceeded buy orders. The failures of these auctions do not affect the value of the collateral underlying the auction rate securities, and we continue to earn and receive interest on our auction rate securities at pre-determined formula with spreads tied to particular interest rate indexes. Liquidity has been substantially impaired since February 2008 and accordingly we have substantially reduced our position in these types of investments since that time. We have further mitigated liquidity concerns by acquiring put options on our auction rate securities from Morgan Stanley & Co. and UBS AG. The put options are enforceable, non-transferrable rights and agreement to purchase our existing auction rate securities at par value plus accrued interest. We intend to continue our investment objectives of avoiding credit and market risk in the future. During the second quarter of 2009, we reduced our holdings of auction rate securities from $11.7 million as of March 31, 2009 to $2.4 million as of June 30, 2009.

Our future earnings are subject to potential increase or decrease because of changes in short-term interest rates. Generally, each one-percentage point change in the discount rate will cause our overall yield to change by two-thirds to three-quarters of a percentage point, depending upon the relative mix of federal-tax-exempt securities, commercial paper and corporate preferred stocks in our portfolio and market conditions specific to the securities in which we invest. A two-thirds to three-quarters of a percentage point change in our earnings on investment securities would create a change of approximately $0.5 million to investment income based on the investment securities balance at December 31, 2008.

Foreign currency exchange risk for financial instruments on our balance sheet, which consist of cash, accounts receivable and accounts payable, is not significant to our financial statements. Sales from the U.S. and Mexico to foreign distributors are all denominated in U.S. dollars. We have manufacturing, sales and distribution facilities in several countries and we conduct business transactions denominated in various foreign currencies, principally the Euro and Mexican Peso. A 10% change in the conversion of the Mexican Peso to the U.S. dollar from the average exchange rate we experienced in 2008 and our manufacturing spending from 2008 would impact our cost of goods sold by approximately $1.8 million. Cash and receivables in those countries have been insignificant and are generally offset by accounts payable and accruals in the same foreign currency, except for our European operations, where our net Euro asset position at June 30, 2009 and 2008 were approximately €11.5 million and €6.1 million, respectively. We expect that in the future, with the growth of our European distribution operation, that net Euro denominated instruments will continue to increase. We currently do not hedge our foreign currency exposures.

Our exposure to commodity price changes relates primarily to certain manufacturing operations that use resin. We manage our exposure to changes in those prices through our procurement and supply chain management practices and the effect of price changes has not been material to date. We are not dependent upon any single source for any of our principal raw materials and we believe all such materials and products are readily available. Based on our average price for resin in fiscal year 2008, a 10% increase to the price of resin would result in approximately a $0.6 million change in material cost.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our principal executive officer and principal financial officer have concluded, based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), as of the end of the period covered by this Report, that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

There was no change in our internal control over financial reporting during the quarter ended June 30, 2009 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

As previously reported, in an action filed June 16, 2004 entitled ICU Medical, Inc. v. Alaris Medical Systems, Inc. in the United States District Court for the Central District of California, we alleged that Alaris infringes on several of our patents through the manufacture and sale of its SmartSite and SmartSite Plus Needle-Free Valves and Systems. As previously reported, in a series of decisions, the District Court dismissed our claims, including our request for a preliminary injunction, and awarded Alaris $5.0 million in fees and costs, plus post-judgment interest. On March 13, 2009, the Federal Circuit affirmed the District Court's decision. We paid the award of attorneys' fees, costs and interest in the total sum of $5.5 million, in the second quarter of 2009.

We are from time to time involved in various other legal proceedings, either as a defendant or plaintiff, most of which are routine litigation in the normal course of business. We believe that the resolution of the legal proceedings in which we are involved will not have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors.

In evaluating an investment in our common stock, investors should consider carefully, among other things, the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2008, as well as the information contained in this Quarterly Report and our other reports and registration statements filed with the SEC. Except for the risk factor set forth below, there have been no material changes in the risk factors as previously disclosed under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K with the SEC for the year ended December 31, 2008.

Unexpected changes in our arrangements with Hospira or unexpected difficulties in connection with the purchase of Hospira's critical care product line may cause a decline in our sales could result in a significant reduction in our sales and profits.

We depend on Hospira for a high percentage of our sales. The table below shows our total revenue and percentage of total revenue attributable to various types of customers for the first six months of 2009 and years ended December 31, 2008 and 2007 (dollars in millions):

	Six months ended June 30, 2009		Years Ended December 31, 2008		2007	
Hospira (U.S.)	$ 66.6	62%	$ 132.6	65%	$ 129.7	69%
Other manufacturers	1.9	2%	3.7	2%	2.7	1%
Domestic distributors/direct sales	18.9	18%	35.9	17%	29.5	16%
International customers	20.0	18%	30.8	15%	23.7	13%
Other revenue	0.3	0%	1.7	1%	2.5	1%

Our principal agreements with Hospira are the MCDA, a strategic supply and distribution agreement for most of our other medical devices in the domestic and international markets and an agreement to sell Hospira custom infusion systems. The MCDA is scheduled to expire in 2025 and the latter two agreements are scheduled to expire in 2014. Upon the closing of our planned asset purchase of Hospira's critical care product line, the commitments under the MCDA to fund certain research and development to improve critical care products and develop new products for sale to Hospira and to provide sales specialists focused on critical care will be terminated.

The U.S. market for critical care products has been declining in recent years and our sales of critical care products to Hospira declined in 2008 compared to 2007. We expect further declines in 2009. If the market for critical care products continues to decline or if we have significant decreases in our prices to Hospira under the MCDA that are not offset by increased sales volume, our critical care product sales could continue to decline, resulting in a substantial reduction to our sales and profits.

Under the terms of our agreements with Hospira, including the MCDA, we are dependent on the marketing and sales efforts of Hospira for a large percentage of our sales, and Hospira determines the prices at which the products that we sell to Hospira will be sold to its customers. Hospira has conditional exclusive rights to sell CLAVE and our other products as well as custom infusion systems under the SetSource program in many of its major accounts, and exclusive rights to sell products we produce under the MCDA. If Hospira is unable to maintain its position in the marketplace, our sales and operations could be adversely affected.

In 2004, Hospira substantially reduced its purchases of CLAVE products because it was reducing its inventories of our products. This caused a significant reduction in our sales and led to a net loss in the third and fourth quarters of 2004. If the steps we have taken to monitor and control the amount of Hospira's inventory of CLAVE products to avoid future inventory reductions are not successful we could experience sharp fluctuations in sales of CLAVE products to Hospira in the future.

Our ability to maintain and increase our market penetration depends on the success of our arrangement with Hospira and Hospira's arrangements with major buying organizations and its ability to renew such arrangements, as to which there is no assurance. Our business could be materially adversely affected if Hospira terminates its arrangement with us, negotiates lower prices, sells more competing products, whether manufactured by themselves or others, or otherwise alters the nature of its relationship with us. Although we believe that Hospira views us as a source of innovative and profitable products, there is no assurance that our relationship with Hospira will continue in its current form.

In contrast to our dependence on Hospira, our principal competitors in the market for protective I.V. connection systems are much larger companies that dominate the market for I.V. products and have broad product lines and large internal distribution networks. In many cases, these competitors are able to establish exclusive relationships with large hospitals, hospital chains, major buying organizations and home healthcare providers to supply substantially all of their requirements for I.V. products. In addition, we believe that there is a trend among individual hospitals and alternate site healthcare providers to consolidate into or join large major buying organizations with a view to standardizing and obtaining price advantages on disposable medical products. These factors may limit our ability to gain market share through our independent dealer network, resulting in continued concentration of sales to and dependence on Hospira.

On July 8, 2009, we entered into a definitive asset purchase agreement with Hospira to acquire the commercial and physical assets of Hospira's critical care line, which are primarily inventory. This asset purchase is expected to close in the third quarter of 2009. We can provide no assurance that the asset purchase will not be delayed or that the asset purchase will close at all. Upon the closing of the asset purchase, we will be responsible for all aspects of the critical care line, including sales, marketing, customer contracting and distribution. In connection with the closing of the asset purchase, our rights and obligations under the MCDA will be released. We anticipate entering into a transition services agreement with Hospira to facilitate the transition, but we can provide no assurances that the transition will occur without delays or disruptions. Any delay or disruption in the transition may reduce or eliminate the expected benefits from the transaction.

Upon the closing of the asset purchase, we expect that we will begin distribution of critical care products directly to existing customers. We can provide no assurances, however, that we will be successful in maintaining relationships with major buying organizations fostered by Hospira. Even if we can maintain such relationships, we can provide no assurances that customers will purchase products from us, with the same or similar terms. Furthermore, we can provide no assurances that we will be as successful as Hospira in marketing the critical care product line. Any failure on our part to adequately market and sell the critical care line will have an adverse effect on our financial results.

Although we expect the transaction, once closed, will reduce the percentage of our revenues attributable to Hospira, we expect that Hospira will continue to be one of our most important customers, particularly with respect to our CLAVE products and custom infusion systems. With respect to these products, we remain dependent on our continued relationship with Hospira as well as Hospira's position in the marketplace. While we do not anticipate changes in our sales to Hospira of these products, we can provide no assurances that our relationship will not change, resulting in adverse effects on sales and operations.

We are increasingly dependent on manufacturing in Mexico and could be adversely affected by any economic, social or political disruptions

We continue to expand our production in Mexico. Any political or economic disruption in Mexico or a change in the local economy could have an adverse effect on our operations. In 2008, production costs in Mexico were approximately $58.2 million. Most of the material we use in manufacturing is imported into Mexico, and substantially all the production in Mexico is exported. We depend on our ability to move goods across the border quickly. Any disruption in the free flow of goods across the border could have an adverse effect on our business.

As of December 31, 2008, we employed 1,165 people in our plant in Ensenada, Mexico and we expect this number to increase during 2009. Business activity in the Ensenada area has expanded significantly, providing increased employment opportunities. This could have an adverse effect on our ability to hire or retain necessary personnel and result in an increase in labor rates. We continue to take steps to compete for labor through attractive employment conditions and benefits, but there is no assurance that these steps will continue to be successful or that we will not face increasing labor costs in the future.

Additionally, recent political and social instability resulting from increased violence in certain areas of Mexico have raised concerns about the safety of our personnel. These concerns may hinder our ability to send domestic personnel abroad and to hire and retain local personnel. Such concerns may require us to increase security for personnel traveling to our Mexico facility or to conduct more operations from the United States rather than Mexico, which may negatively impact our operations and result in higher costs and inefficiencies.

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

Inapplicable

Item 3. Default Upon Senior Securities

Inapplicable

Item 4. Submission of Matters to a Vote of Security Holders

The following is a description of matters submitted to a vote of our stockholders at our Annual Meeting of Stockholders held on May 15, 2009:

A) Jack W. Brown and Richard H. Sherman, M.D. were elected as directors to hold office until the 2012 Annual Meeting. Votes cast for and withheld with respect to the nominees were as follows:

	Votes For	Votes Withheld
Jack W. Brown	11,758,534	1,144,384
Richard H. Sherman, M.D.	11,016,301	1,886,617

The terms of the following directors were continued after the Annual Meeting: George A. Lopez, M.D., John J. Connors, Michael T. Kovalchik, III, M.D., Joseph R. Saucedo and Robert S. Swinney, M.D.

B) A proposal to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2009:

For	Against	Abstain
12,898,735	1,287	2,896

Item 5. Other Information

None

Item 6. Exhibits

Exhibit 3.1	Registrant's Bylaws, as amended
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Signature

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

ICU Medical, Inc.

(Registrant)

/s/ Scott E. Lamb Date: July 24, 2009
Scott E. Lamb
Chief Financial Officer
(Principal Financial Officer)

Exhibit Index

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Exhibit 3.1

BYLAWS

OF

ICU MEDICAL, INC.

ARTICLE I

Offices

Section 1.1 Registered Office. The registered office shall be established and maintained with Corporation Trust Company, Corporation Trusts Center, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware. The Corporation Trust Company shall be the registered agent of this corporation in charge thereof.

Section 1.2 Other Offices. The corporation may have other offices, either within or without the State of Delaware, at such place or places as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

Meetings of Stockholders

Section 2.1 Annual Meetings. An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. any other proper business may be transacted at the annual meeting.

Section 2.2 Special Meetings. Special meetings of the stockholders of the corporation for any purpose or purposes may be called at any time by the Board of Directors, the Chairman of the Board, or the President of the corporation, but such special meetings may not be called by any other person or persons.

Section 2.3 Notice of Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at this or her address as it appears on the records of the corporation.

Section 2.4 Adjournments. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need to be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.5 Quorum. At each meeting of stockholders except where otherwise provided by law or the Certificate of Incorporation or these Bylaws, the holders of a majority of the outstanding shares of stock entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum. In the absence of a quorum, the stockholders so present, may, by majority vote, adjourn the meeting from time to time in the manner provided in Section 2.4 of these Bylaws until a quorum shall attend. Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of any corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 2.6 Organization. Meetings of stockholders shall be presided over by the Chairman of the Board, if any, or in his or her absence by the President, or in his or her absence by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Director, or in the absence of such designation, by a chairman chosen at the meeting. The secretary shall act as secretary of the meeting, by in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 2.7 Voting; Proxies. Each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by him or her which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the corporation. At all meetings of stockholders for the election of directors a plurality of the votes cast shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law or by the Certificate of Incorporation or these Bylaws, be decided by the vote of the holders of a majority of the outstanding shares of stock entitled to vote thereon present in person or by proxy at the meeting, except that procedural matters relating to the conduct of a meeting shall be determined by a plurality of the votes cast at the meeting with respect to such matter.

Section 2.8 Fixing Date for Determination of Stockholders of Record. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if the notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 2.9 List of Stockholders Entitled to Vote. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. Upon the willful neglect or refusal of the directors to produce such a lit at any meeting for the election of directors, they shall be ineligible for election to any office at such meeting. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders referred to in this Section or the books of the corporation, or to vote in person or by proxy it any meeting of stockholders.

Section 2.10 Business Conducted at Meetings of Stockholders; Stockholder Proposals. To be properly brought before any meeting of stockholders, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board or Directors or (c) otherwise properly brought before the meeting by a stockholder. In addition, for business to be properly brought before an

meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of Corporation. To be timely, a stockholders, notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than 50 days nor more than 75 days prior to the meeting; provided, however, that in the event less than 60 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting: (i) a brief description of the business desired to be brought and the reasons for conducting such business at the meeting, (ii) the name and record address of the stockholder proposing such business and any other stockholder known by such stockholder to be supporting such proposal, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder and by any other stockholders known by such stockholder to be supporting such proposal, and (iv) any material or financial interest of the stockholder in such business.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any meeting of the stockholders except in accordance with the procedures set forth in this Section 2.10. The Chairman of the Board of Directors or other presiding officer shall, if the facts warrant, determine and declare at any meeting of the stockholders that business was not properly brought before the meeting in accordance with the provisions of this Section 2.10, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

ARTICLE III

Board of Directors

Section 3.1 General Powers. The property, affairs and business of the Corporation shall be managed under the direction of its Board of Directors, which may exercise all of the owners of the Corporation, except such as are by law or by the Certificate of Incorporation or by these Bylaws expressly conferred upon or reserved to the stockholders.

Section 3.2; Number and Term of Office Removal. The number of director of the Corporation shall be fixed from time to time by these Bylaws but in no event shall be less than three. Until these Bylaws are further amended, the number of directors shall be seven. The directors shall be divided into classes in the manner provided in the Certificate of Incorporation.

Section 3.3 Election of Directors.

(a) At each meeting of the stockholders for the election of director, the directors to be elected at such meeting shall be elected by a plurality of votes given at such election.

(b) Nomination of persons for election to the Board of Directors, other than these made by or at the direction of the Board of Directors or by any nominating committee or person appointed by the Board of Directors, shall be made by a stockholder only if timely written notice of such nomination or nominations has been given to the Secretary of the Corporation. To be timely, such notice shall be delivered to or mailed and received at the principal executive offices of the Corporation not less than 50 days nor more than 75 days prior to the annual meeting; provided, however, that in the event that less than 60 days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. Each such notice to the Secretary shall set forth: (I) the name and address of record of the stockholder who intend to make the nomination or nominations; (ii) the class and number of shares of capital stock of the Corporation that are beneficially owned by the stockholder and a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iii) the name, age, business address and residence address, and principal occupation or employment of each nominee; (iv) the class and number of shares of capital stock of the Corporation that are beneficially owned by each nominee; (v) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons pursuant to which the nomination or nominations are to be made by the stockholder; (vi) such other information regarding each nominee as would be required to be disclosed and included in a proxy statement pursuant to the proxy rules than in effect promulgated by the Securities and Exchange Commission under Section 14 of the Securities Exchange Act of 1934, as amended; and (vii) the consent of each nominee to serve as a director of the Corporation if so elected. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation.

The Board of Directors may reject any nomination by a stockholder not timely made or otherwise not in accordance with the terms of paragraph (b) of this Section 3.3. If the Board of Directors reasonably determines that the information provided in the stockholder's notice does not satisfy the informational requirements of this paragraph (b) in any material respect, the Secretary of the corporation shall promptly notify such stockholder of the deficiency in writing. The stockholder shall have an opportunity to cure the deficiency by providing additional information to the Secretary within such period of time, not to exceed ten days from the date such deficiency notice is given to the stockholder, as the Board of directors shall reasonably determine. If the deficiency is not cured within such period, or if the Board of Directors reasonably determines that the additional information provided by the stockholder, together with information previously provided, does not satisfy the requirements of this paragraph (b)

in any material respect, then the Board of Directors may reject such stockholder's nomination. The Secretary of the Corporation shall notify a stockholder in writing whether his nomination has been made in accordance with the requirements of this paragraph (b).

Section 3.4 Vacancies. Any vacancy occurring in the Board of Directors for any cause other than by reason of an increase in the number of directors may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum, or by the stockholders. Any vacancy occurring by reason of an increase in the number of directors may be filled by action of a majority of the entire Board of Director or by the stockholders. A director elected by the Board of Directors to fill a vacancy shall be elected to hold office until expiration of the term for which he was elected and until his successor shall have been elected and shall have qualified. A director elected by the stockholders to fill a vacancy shall be elected to hold office until the expiration of the term for which he was elected and until his successor shall have been elected and shall have qualified. The provisions of this Section 3.4 shall not apply to directors governed by Section 3.12 of this ARTICLE III.

Section 3.5 Resignations. A director may resign at any time by giving written notice to the Board of Directors or to the Secretary. Such resignation shall take effect at the time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.6 Regular Meetings. Regular meetings of the Board of directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine, and if so determined notices thereof need not be given.

Section 3.7 Special Meetings; Notice. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the Chairman of the Board, if any, by the President or by any two directors. Two day's notice of special meeting shall be given by the person or persons calling the meeting. Notice may be given in writing by mail, telegram, telex, facsimile or personal delivery, or orally in person or by telephone.

Section 3.8 Telephonic Meetings Permitted. Members of the Board of Directors, or any committee designated by the Board of directors, may participate in a meeting of such Board of committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting.

Section 3.9 Quorum; Vote Required for Action. At all meetings of the Board of Directors, a majority of the whole Board of directors shall constitute a quorum for the transaction of business. The vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except in cases in which the Certificate of Incorporation or these Bylaws require the vote of a greater number.

Section 3.10 Organization. Meetings of the Board of Directors shall be presided over by the Chairman of the Board, if any, or in his or her absence by the President, or in their absence by a chairman chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 3.11 Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Director or committee.

Section 3.12 Directors Elected by Special Class or Series. To the extent that any holder of any class or series of stock other than Common Stock issued by the Corporation shall have the separate right, voting as a class or series, to elect directors, the directors elected by such class or series shall be deemed to constitute an additional class or directors and shall have a term of office for one year or such other period as may be designated by the provisions of such class or series providing such separate voting right to the holders of such class or series of stock, and any such class of directors shall be in addition to the classes otherwise provided for in the Certificate of Incorporation. Any directors so elected shall be subject to removal in such manner as may be provided by law or by the Certificate of Incorporation of this Corporation.

ARTICLE IV

Committees

Section 4.1 Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designated one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such

committee shall have power or authority in reference to amending the Certificate of Incorporation of the corporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of dissolution, or amending these Bylaws; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend or authorize the issuance of stock.

Section 4.2 Committee Rules. Unless the Board of Directors otherwise provides, each committee designated by the Board may make, alter and repeal rules for the conduct of its business. In the absence of such rule each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to ARTICLE III of these Bylaws.

ARTICLE V

Officers

Section 5.1 Executive Officers; Election; Qualification; Term of Office; Removal; Vacancies. The Board of Directors shall choose a President and Secretary, and it may, if it so determines, choose a Chairman of the Board from among its members. The Board of Directors may also choose one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 5.2 Other Officers and Agents. The Board of Directors may appoint such other officers and agents as it may deem advisable, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determine from time to time by the Board of Directors.

Section 5.3 Chairman. The Chairman of the Board of Directors, if there be one, shall preside at all meetings of the stockholders, if present thereat, and shall preside at all meetings of the Board of Directors, if present thereat, and he or she shall have and perform, such other duties as from time to time may be assigned to him or her by the Board of Directors. If there is no President, the Chairman of the Board of Directors shall in addition be the chief executive officer of the corporation and shall have the powers and duties prescribed in Section 5.4.

Section 5.4 President. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board of Directors, if there be such an officer, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have the general powers and duties of supervision and management as generally pertain to the office of chief executive and as are usually vested in the chief executive officer of a corporation, including general supervision, direction and control of the business and the officers of the corporation. The President shall have and perform such other powers and duties as may be assigned to him or her by the Board of Directors or the Chairman. In addition, the President shall, in the absence of the Chairman, preside at all meetings of the stockholders if present thereat, and, in the absence of the Chairman of the Board of Directors, at all meetings of the Board of Directors.

Section 5.5 Vice President. Each Vice President shall have such powers and shall have and perform such duties as shall be assigned to him or her by the Board of Directors. In the absence or disability of the President, the Vice Presidents, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of , and be subject to all the restrictions upon the President.

Section 5.6 Treasurer. The Treasurer shall be the Chief Financial Officer of the corporation and have the custody of the corporate funds and securities and shall keep full and accurate account of receipts and disbursement in books belonging to the corporation. He or she shall deposit all monies and other valuables in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the Board of Directors or the President, shall render to the President and Board of Directors at the regular meetings of the Board of Directors, or whenever they may request it, an account of all his or her transaction as Treasurer and of the financial condition of the corporation and shall have and perform such other powers and duties as may from time to time be assigned to him or her by the Board of Directors.

Section 5.7 Secretary. The Secretary shall give, or cause to be given notice of all meetings of stockholders and directors, and all other notices required by law or by these Bylaws. He or she shall record, or cause to be recorded, minutes of the meetings of the stockholders, the Board of directors and committees of the Board of Directors in minute books to be kept by him or her for that purpose, and shall perform such other duties as may be assigned to him or her by the Board of Directors. He or she shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, a share register or duplicate share register showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificate issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation. He or she shall have the custody of the seal of the corporation and shall affix the same to all instruments requiring it, when authorized by the Board of Directors or the President, and attest the same.

Section 5.8 Assistant Treasurers and Assistant Secretaries. Assistant Treasurers and Assistant Secretaries, if any, shall be elected and shall have such powers and shall perform such duties as shall be assigned to them, respectively, by the Board of Directors.

ARTICLE VI

Stock

Section 6.1 Certificates. Every holder of stock represented by certificates and, upon request, every holder of uncertificated shares, if any, shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the corporation, representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

Section 6.2 Transfer of Shares. The shares of stock of the corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives, and upon such transfer the old certificates shall be surrendered to the corporation by the delivery thereof to the person in charge of the stock transferred books and ledgers, or to such other person as the Board of Directors may designate, by whom they shall be cancelled, and new certificates shall thereupon be issued. A record shall be made of each transfer.

Section 6.3 Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The corporation may issued a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost , stolen or destroyed certificate, or his or her legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged lost, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VII

Indemnification of Directors and Officers

Section 7.1 Right Indemnification. The corporation (a) shall indemnify and hold harmless each person who was or is a party to or involved in, or who was or is threatened to be made a party to or involved in any action, suite, or proceeding, whether civil, criminal, administrative or investigative ("proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was serving at the request of the corporation as a director, officer, or employee of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, in each case, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, to the fullest extent authorized by Delaware Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said Law permitted the corporation to provide prior to such amendment) against all expenses, liability, loss (including attorneys' fees, judgments fines, ERISA excise taxes, or penalties), amounts paid or to be paid in settlement and amounts expended in seeing indemnification granted to such person under applicable law, these Bylaws or any agreement with the corporation reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit or his or her heirs, executors, and administrators; provided, however, that, except as provided in Section 7.2 of this ARTICLE VII, the corporation shall indemnify any such person seeking indemnity in connection with an action, suit, or proceeding (or part thereof) initiated by such person only if such action, suit, or proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The corporation shall pay to any person having a right to indemnification under this Section 7.1 and may pay to any person who may be indemnified under this Section 7.1 expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law then so requires, the payment of such expenses incurred by a director or officer of the corporation in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to any employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this Section or otherwise.

Section 7.2 Right to Sue. The right of any person having a right to indemnification under Section 7.1 of this ARTICLE VII shall be a contract right. If a claim for indemnification by a person having a right to indemnification under Section 7.1 is not paid in full by the corporation within twenty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against

the corporation to recover the unpaid amount of the claim and, if such suit is not frivolous or brought in bad faith, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for such expenses incurred in defending any proceeding in advance to its final disposition where the required undertaking, if any, has been tendered to this corporation) that the claimant has not met the standards of conduct which make it permissible under Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct et forth in the Delaware Corporation Law, nor an actual determination by the corporation (including its board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct.

Section 7.3 Not-Exclusivity of Rights. The rights conferred on any person in Section 7.1 and 7.2 shall not be exclusive of any other right which such persons may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, these Bylaws, agreement, vote of stockholder or disinterested directors, or otherwise.

Section 7.4 Insurance. The corporation shall maintain insurance to the extent reasonably available, at its expense, to protect itself and any such director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 7.5 Effect of Amendment. Any amendment, repeal or modification of any provision of this ARTICLE VII which reduces or eliminates the rights of any director, officer, employee or agent under this ARTICLE VII shall apply only to acts, omissions events or occurrences that take place after the effectiveness of such amendment, repeal or modification, regardless of when any action, suit or proceeding is commenced, and shall not affect the rights of any director, officer, employee or agent with respect to acts, omissions, events or occurrences that take place prior to the effectiveness of such amendment, repeal or modification.

ARTICLE VIII

Miscellaneous

Section 8.1 Fiscal Year. The fiscal year of the corporation shall be determined by resolution of the Board of Directors.

Section 8.2 Seal. The corporate seal shall have the name of the corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 8.3 Waiver of Notice of Meetings of Stockholders, Directors and Committees. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver or notice.

Section 8.4 Interested Directors. Any director or officer individually, or any partnership of which any director officer may be a member, or any corporation or association of which any director or officer may be an officer, director, trustee, employee or stockholder, may be party to, or my be pecuniarily or otherwise interested in, any contract or transaction of the corporation, and in the absence of fraud no contract or other transaction shall be thereby affected or invalidated. Any director of the corporation who is so interested, or who is also a director, officer, trustee, employee or stockholder of such other corporate or association or a member of such partnership which is so interested, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the corporation which shall authorize any such contract or transaction, and may vote thereat to authorize any such contraction or transaction, with like force and effect as if he were not such director, officer, trustee, employee or stockholder of such other corporation or association or not so interested or a member or a partnership so interested; provided that in case a director, or a partnership, corporation or association of which a director is a member, officer, director, trustee or employee is so interested, such fact shall be disclosed or shall have been known to the Board of Directors or a majority thereof. This paragraph shall not be construed to invalidate any such contract or transaction which would other wise be valid under the common and statutory law applicable thereto.

Section 8.5 Form of Records. Any records maintained by the corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphotographs, or any other information storage device, provided that the records so kept can be converted into clearly legible form within a reasonable time. The corporation shall so covert any records so kept upon the request of any person entitled to inspect the same.

Section 8.6 Amendment of Bylaws. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors is expressly authorized and empowered to adopt, amend, alter, change, rescind and repeal the bylaws of the corporation in whole or in part. Except where the Certificate of

Incorporation of the corporation requires a higher vote, the bylaws of the corporation may also be adopted, amended, altered, changed, rescind or repealed in whole or in part at any annual or special meeting of the stockholders by the affirmative vote of two-thirds of the shares of the corporation of outstanding and entitled to vote thereon.

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Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, George A. Lopez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICU Medical, Inc.:

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

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

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

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

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

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

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

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

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

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

Date: July 24, 2009

/s/ George A. Lopez, M.D.
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott E. Lamb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICU Medical, Inc.:

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

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

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

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

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

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

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

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

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

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

Date: July 24, 2009

/s/ Scott E. Lamb
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of ICU Medical, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George A. Lopez, Chief Executive Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

July 24, 2009

/s/ George A. Lopez, M.D.
George A. Lopez, M.D.

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

In connection with the Quarterly Report of ICU Medical, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott E. Lamb, Chief Financial Officer, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

July 24, 2009

/s/ Scott E. Lamb
Scott E. Lamb