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, 2012
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 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, 2012**
Common	14,268,055

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

ICU Medical, Inc.

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PART I - FINANCIAL INFORMATION
Item1. Financial Statements (Unaudited)

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

	June 30, 2012	December 31, 2011
	(unaudited)	(1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 121,560	$ 99,590
Investment securities	71,931	60,395
Cash, cash equivalents and investment securities	193,491	159,985
Accounts receivable, net of allowance for doubtful accounts of $1,121 at June 30, 2012 and $1,293 at December 31, 2011	43,839	43,571
Inventories	36,535	40,423
Prepaid income taxes	9,257	5,589
Prepaid expenses and other current assets	5,849	6,759
Deferred income taxes	4,467	4,081
Total current assets	293,438	260,408
PROPERTY AND EQUIPMENT, net	82,175	83,048
GOODWILL	1,478	1,478
INTANGIBLE ASSETS, net	10,749	11,419
DEFERRED INCOME TAXES	4,751	4,759
	$ 392,591	$ 361,112
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 12,277	$ 13,251
Accrued liabilities	17,548	16,059
Total current liabilities	29,825	29,310
DEFERRED INCOME TAXES	7,160	7,144
INCOME TAX LIABILITY	4,081	4,081
COMMITMENTS AND CONTINGENCIES		
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 14,855 shares at June 30, 2012 and December 31, 2011, outstanding 14,247 shares June 30, 2012 and 13,871 shares at December 31, 2011	1,486	1,486
Additional paid-in capital	60,200	56,796
Treasury stock, at cost — 608 shares at June 30, 2012 and 984 shares at December 31, 2011	(22,537)	(35,348)
Retained earnings	317,627	300,877
Accumulated other comprehensive loss	(5,251)	(3,234)
Total stockholders' equity	351,525	320,577
	$ 392,591	$ 361,112

(1) December 31, 2011 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,	
	2012	2011	2012	2011
REVENUES:				
Net sales	$ 77,139	$ 77,661	$ 152,522	$ 148,999
Other	142	135	270	268
TOTAL REVENUE	77,281	77,796	152,792	149,267
COST OF GOODS SOLD	38,199	41,595	78,745	78,440
Gross profit	39,082	36,201	74,047	70,827
OPERATING EXPENSES:				
Selling, general and administrative	22,806	19,730	43,696	42,593
Research and development	2,729	2,491	5,422	4,543
Legal settlement	—	—	—	(2,500)
Total operating expenses	25,535	22,221	49,118	44,636
Income from operations	13,547	13,980	24,929	26,191
OTHER INCOME	145	431	280	834
Income before income taxes	13,692	14,411	25,209	27,025
PROVISION FOR INCOME TAXES	(4,543)	(4,918)	(8,459)	(9,459)
NET INCOME	$ 9,149	$ 9,493	$ 16,750	$ 17,566
NET INCOME PER SHARE				
Basic	$ 0.65	$ 0.69	$ 1.19	$ 1.28
Diluted	$ 0.63	$ 0.67	$ 1.16	$ 1.24
WEIGHTED AVERAGE NUMBER OF SHARES				
Basic	14,179	13,852	14,067	13,772
Diluted	14,620	14,257	14,484	14,166

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,	
	2012	2011	2012	2011
Net income	$ 9,149	$ 9,493	$ 16,750	$ 17,566
Other comprehensive income, net of tax of $(682) and $(47) for the three months ended June 30, 2012 and 2011, respectively and $(387) and $129 for the six months ended June 30, 2012 and 2011, respectively:				
Foreign currency translation adjustment	(4,104)	1,207	(2,017)	5,076
Comprehensive income	$ 5,045	$ 10,700	$ 14,733	$ 22,642

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,	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 16,750	$ 17,566
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,533	9,052
Provision for doubtful accounts	(152)	437
Provision for warranty and returns	247	—
Stock compensation	3,042	1,979
Loss (gain) on disposal of property and equipment	27	(56)
Bond premium amortization	985	399
Cash provided (used) by changes in operating assets and liabilities		
Accounts receivable	(850)	3,908
Inventories	3,707	(4,025)
Prepaid expenses and other assets	821	(1,373)
Accounts payable	(608)	1,286
Accrued liabilities	1,582	(599)
Deferred revenue	—	(254)
Prepaid and deferred income taxes	(3,612)	(2,857)
Net cash provided by operating activities	31,472	25,463
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,222)	(9,755)
Proceeds from sale of asset	10	—
Intangible asset additions	(620)	—
Proceeds from insurance	—	2,781
Purchases of investment securities	(53,966)	(32,236)
Proceeds from sale of investment securities	41,062	12,900
Net cash used by investing activities	(21,736)	(26,310)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	9,333	4,572
Proceeds from employee stock purchase plan	1,081	909
Tax benefits from exercise of stock options	2,758	2,717
Net cash provided by financing activities	13,172	8,198
Effect of exchange rate changes on cash	(938)	1,167
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,970	8,518
CASH AND CASH EQUIVALENTS, beginning of period	99,590	78,850
CASH AND CASH EQUIVALENTS, end of period	$ 121,560	$ 87,368
NON-CASH INVESTING ACTIVITIES		
Accrued liabilities for property and equipment	$ 77	$ 262

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

ICU Medical, Inc.
Notes to Condensed Consolidated Financial Statements
Three Months Ended June 30, 2012 and 2011
(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 Annual Report on Form 10-K of ICU Medical, Inc., a Delaware corporation (the "Company"), filed with the SEC for the year ended December 31, 2011.

The Company operates in one business segment engaged in the development, manufacturing and sale of innovative medical devices used in infusion therapy, oncology and critical care applications. The Company's devices are sold directly or to distributors and medical product manufacturers throughout the United States and internationally. All subsidiaries are wholly owned and are included in the consolidated financial statements. All intercompany balances and transactions have been eliminated.

Note 2: New Accounting Pronouncements:

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update number 2011-05, Comprehensive Income (Topic 220) — Presentation of Comprehensive Income ("ASU 2011-05"), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. In December 2011, the FASB issued ASU No. 2011-12, Comprehensive Income (Topic 220) – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05 ("ASU 2011-12"), which defers the effective date of those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments. The adoption of ASU 2011-05 and ASU 2011-12 results in a change in how the Company presents the components of comprehensive income.

Note 3: Fair Value Measurement:

The Company's investment securities, which are carried at fair value and are considered available-for-sale, consist principally of certificates of deposit, corporate bonds, federal tax-exempt state and municipal government debt and sovereign bonds. As of June 30, 2012, the Company has $6.8 million of its investment securities as Level 1 assets, which are certificates of deposit with quoted prices in active markets and $65.2 million of its investment securities as Level 2 assets, which are pre-refunded municipal securities, non-pre-refunded municipal securities, corporate bonds and sovereign bonds and have observable market based inputs such as quoted prices, interest rates and yield curves. The Company had no Level 3 investments for the three and six months ended June 30, 2012 and June 30, 2011. The following table provides the assets and liabilities carried at fair value measured on a recurring basis.

	Fair value measurements at June 30, 2012 using			
	Total carrying value at June 30, 2012	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	$ 71,931	$ 6,760	$ 65,171	$ —
	$ 71,931	$ 6,760	$ 65,171	$ —

	Fair value measurements at December 31, 2011 using			
	Total carrying value at December 31, 2011	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	$ 60,395	$ 5,459	$ 54,936	$ —
	$ 60,395	$ 5,459	$ 54,936	$ —

Note 4: Investment Securities:

The Company's investment securities consist of certificates of deposit, corporate bonds, federal tax-exempt state and municipal government bonds and sovereign bonds. All investment securities are considered available-for-sale and are "investment grade", carried at fair value and there have been no gains or losses on their disposal. Unrealized gains and losses on available-for-sale securities, net of tax, are included in accumulated other comprehensive income in the shareholders' equity section of the Company's balance sheets. The Company had no gross unrealized gains or losses on available-for-sale securities at June 30, 2012 or December 31, 2011. The scheduled maturities of the debt securities are between 2012 and 2043 and are all callable within one year. The investment securities consist of the following at June 30, 2012 and December 31, 2011:

	June 30, 2012	December 31, 2011
Federal tax-exempt debt securities	$ 33,295	$ 39,745
Corporate bonds	30,622	13,263
Sovereign bonds	1,254	1,928
Certificates of deposit	6,760	5,459
	$ 71,931	$ 60,395

Note 5: Inventories:

Inventories consisted of the following:

	June 30, 2012	December 31, 2011
Raw material	$ 20,651	$ 25,227
Work in process	3,526	2,901
Finished goods	12,358	12,295
Total	$ 36,535	$ 40,423

Note 6: Property and Equipment:

Property and equipment consisted of the following:

	June 30, 2012	December 31, 2011
Machinery and equipment	$ 76,845	$ 73,390
Land, building and building improvements	60,174	60,334
Molds	26,062	24,133
Computer equipment and software	17,922	17,518
Furniture and fixtures	2,559	2,298
Construction in progress	5,997	5,277
Total property and equipment, cost	189,559	182,950
Accumulated depreciation	(107,384)	(99,902)
Net property and equipment	$ 82,175	$ 83,048

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 and restricted stock units(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 5,000 and 7,000 for the three months ended June 30, 2012 and 2011, respectively, and 3,000 and 145,000 for the six months ended June 30, 2012 and 2011, 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,	
	2012	2011	2012	2011
Net income	$ 9,149	$ 9,493	$ 16,750	$ 17,566
Weighted average number of common shares outstanding (for basic calculation)	14,179	13,852	14,067	13,772
Dilutive securities	441	405	417	394
Weighted average common and common equivalent shares outstanding (for diluted calculation)	14,620	14,257	14,484	14,166
EPS — basic	$ 0.65	$ 0.69	$ 1.19	$ 1.28
EPS — diluted	$ 0.63	$ 0.67	$ 1.16	$ 1.24

Note 8: Major Customer:

The Company had revenues equal to 10% or more of total revenues from one customer, Hospira, Inc. Such revenues were 38% and 40% of total revenue for the three months ended June 30, 2012 and 2011, respectively and 40% and 41% of total revenue for the six months ended June 30, 2012 and 2011, respectively. As of June 30, 2012 and December 31, 2011, the Company had accounts receivable from Hospira of 27% and 36% of consolidated accounts receivable, respectively.

Note 9: Income Taxes:

Income taxes were accrued at an estimated annual effective tax rate of 34% and 35% in the first half of 2012 and 2011, respectively. 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 and deductions for domestic production activities.

Note 10:Legal Settlement:

In February 2011, the Company reached a settlement in its litigation against a law firm that formerly represented the Company in patent litigation matters, representing reimbursement of legal fees previously paid to the firm. Under the terms of the settlement, the Company received $2.5 million and this amount is included as a credit in operating expenses on the Condensed Consolidated Statement of Income for the six months ended June 30, 2011.

Note 11: Commitments and Contingencies:

The Company is from time to time involved in various legal proceedings, most of which are routine litigation, in the normal course of business. In the opinion of management, the resolution of the 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. The Company has never incurred, nor does it presently expect to incur, any liability for indemnification.

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 innovative medical devices used in infusion therapy, oncology and critical care applications. Our products improve patient outcomes by helping to prevent bloodstream infections and protect healthcare workers from exposure to needlestick injuries and hazardous drugs. Our critical care devices are used for monitoring continuous cardiac output, oxygen saturation and other key parameters used to diagnose and treat critical care patients. Our product lines include custom infusion and monitoring systems, closed systems the preparation and delivery of hazardous drugs, needlefree infusion connectors, catheters and cardiac monitoring systems.

Business Overview

In the early 1990's, we launched the CLAVE, an innovative one-piece, needlefree infusion connection device. The CLAVE is a worldwide leader in connector products. The CLAVE's unique design ensures compliance with needlefree policies because of its passive technology which cannot accept a needle. Our CLAVE products accounted for 36% of our revenues in 2011.

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 infusion 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.

One of our strategies has been to acquire new product lines. For example, in August 2009, we purchased the commercial rights and physical assets of Hospira's critical care product line, which resulted in our control over all aspects of the critical care product line, including production, sales, marketing, customer contracting and distribution. We had previously manufactured for sale, exclusively to Hospira, the critical care products. Pursuant to the prior arrangements, Hospira retained commercial responsibility for the products that we manufactured, including sales to end customers, marketing, pricing, distribution, customer contracts, customer service and billing, and we had little ability to directly influence Hospira's sales and marketing efforts, and our sales under this arrangement were subject to fluctuations over which we had little control. The purchase of Hospira's critical care line has resulted in an increase in direct sales and sales to independent distributors but a decrease in sales to Hospira. There is no assurance that we will be successful in finding future acquisition opportunities or integrating new product lines into our existing business.

Another strategy for reducing our dependence on our current proprietary products has been to introduce new products. In 2007 and 2008, we introduced a line of oncology products including the Spiros male lure connector device, the Genie vial access device and ancillary products specifically designed for chemotherapy. In 2011, we introduced Neutron, a needlefree catheter patency device and Diana, a hazardous drug compounding system. We can provide no assurance that we will be able to successfully manufacture, market and sell these new products.

We are also expanding our business through increased sales to medical product manufacturers, independent distributors and through direct sales to the end users of our product. These expansions include our 2008 agreement with Premier, the extension of the term of our agreement with MedAssets, our 2011 agreement with Novation covering all of our critical care products and the growth of our internal sales and marketing group. Each of these organizations is a U.S. healthcare purchasing network. We also potentially face substantial increases in competition in our CLAVE business. Therefore, we are focusing on increasing product development, acquisition, sales and marketing efforts to custom infusion systems, oncology products, critical care products and other products that lend themselves to customization and new products in the U.S. and international markets.

Our products are used in hospitals and alternate medical sites in more than 50 countries throughout the world. We categorize our products into three main product lines: Infusion Therapy, Critical Care and Oncology. Products outside of our main product lines are grouped under the heading titled "Other" below. Our primary products include:

Infusion Therapy

- Needlefree connector products
  - CLAVE
  - MicroCLAVE/ MicroCLAVE Clear
  - Y-CLAVE
  - Anti-Microbial CLAVE
  - Anti-Microbial MicroCLAVE

- Neutron
- Custom infusion sets

Critical Care

- Hemodynamic monitoring systems
  - Transpac disposable pressure transducers
  - SAFESET closed needlefree blood conservation systems
  - Custom monitoring systems
- Catheters
  - Advanced sensor catheters
  - Pulmonary artery thermodilution catheters
  - Multi-lumen central venous catheters
- Custom angiography and interventional radiology kits

Oncology

- Vial and bag access devices
- Genie closed vial access device
- Spiros closed male luer
- Custom preparation and administration sets and accessories
- Diana - hazardous drug compounding system

Other

- TEGO needlefree hemodialysis connector
- Lopez enteral valve

Our largest customer is Hospira. Hospira accounted for 40%, 42% and 44% of our worldwide revenues in the first half of 2012 and the years ended 2011 and 2010, respectively. Our relationship with Hospira has been and will continue to be important for our growth. We currently manufacture custom I.V. sets for sale by Hospira and jointly promote the products under the name SetSource. Additionally, as discussed above, prior to our acquisition of its critical care line, we previously manufactured Hospira's critical care products. We expect revenues from sales of CLAVE products, custom infusion sets and new products to Hospira to remain a significant percentage of our revenues. Hospira has a significant share of the I.V. set market in the U.S. and provides us access to that market, and we expect that Hospira will continue to be important to our growth for CLAVE, custom infusion sets and our other products worldwide.

Revenues for the first half of 2012 and the years ended 2011 and 2010 were $152.8 million, $302.2 million and $283.0 million, respectively. We currently sell substantially all of our products to medical product manufacturers, independent distributors and through direct sales to the end user. Most of our independent distributors handle the full line of our infusion administration products. We sell our I.V. administration and oncology products under two agreements with Hospira. Under a 1995 agreement, Hospira purchases CLAVE products, principally bulk, non-sterile connectors, oncology products and the CLC2000. Pursuant to 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 2018. We sell invasive monitoring and angiography products 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 believe that achievement of our growth objectives worldwide will require increased efforts by us in sales and marketing and product development; however, 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 additional 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 market segment and its major product groups as a percentage of total revenues:

	Three months ended June 30,		Six months ended June 30,		Fiscal year ended	
Product line	**2012**	**2011**	**2012**	**2011**	**2011**	**2010**
CLAVE products	35%	34%	36%	34%	36%	35%
Custom infusion therapy	27%	25%	26%	25%	25%	27%
Other infusion therapy	5%	5%	5%	5%	5%	4%
Infusion therapy	**67%**	**64%**	**67%**	**64%**	**66%**	**66%**
Critical care	**20%**	**21%**	**19%**	**22%**	**20%**	**23%**
Oncology	**9%**	**9%**	**9%**	**8%**	**8%**	**6%**
TEGO	3%	2%	3%	2%	3%	2%
Other products/other revenue	1%	4%	2%	4%	3%	3%
Other	**4%**	**6%**	**5%**	**6%**	**6%**	**5%**
	100%	**100%**	**100%**	**100%**	**100%**	**100%**

We have an ongoing effort 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 2010 and early 2011, we expanded our production facility in Mexico. In late 2010, we completed construction of an assembly plant in Slovakia that serves our European product distribution. We may establish additional production facilities outside the U.S. There is no assurance that we will achieve success in establishing manufacturing facilities outside the U.S.

We distribute products through three distribution channels. Product revenues for each distribution channel as a percentage of total channel product revenue were as follows:

	Three months ended June 30,		Six months ended June 30,		Fiscal year ended	
Channel	**2012**	**2011**	**2012**	**2011**	**2011**	**2010**
Medical product manufacturers	37%	36%	38%	38%	40%	42%
Domestic distributors/direct sales	36%	33%	35%	34%	36%	35%
International customers	27%	31%	27%	28%	24%	23%
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.

Seasonality/Quarterly Results

The healthcare business in the United States is subject to quarterly fluctuations due to frequency of illness during the seasons, elective procedures, and over the last few years, the economy. In Europe, the healthcare business generally slows down in the summer months due to vacations resulting in fewer elective surgeries. Also in Europe, hospitals' budgets tend to finish at the end of the year which may cause fewer purchases in the last three months of the year as hospitals await their new budgets in January. 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. Our expenses often do not fluctuate in the same manner as net sales, which may cause fluctuations in operating income that are disproportionate to fluctuations in our revenue.

Quarter-to-Quarter Comparisons

We present income statement data in Part I, Item 1 - Financial Statements. The following table shows, for the three and six months ended June 30, 2012 and 2011 and the year ended December 31, 2011, the percentages of each income statement caption in relation to total revenues.

	Percentage of revenues				
	Three months ended June 30,		Six months ended June 30,		Fiscal year
	2012	2011	2012	2011	2011
Total revenues	100%	100%	100%	100 %	100 %
Gross margin	51%	47%	48%	47 %	47 %
Selling, general and administrative expenses	29%	26%	28%	28 %	28 %
Research and development expenses	4%	3%	4%	3 %	3 %
Legal settlement	—%	—%	—%	(2)%	(1)%
Gain on sale of assets	—%	—%	—%	— %	(5)%
Total operating expenses	33%	29%	32%	29 %	25 %
Income from operations	18%	18%	16%	18 %	22 %
Other income	—%	—%	—%	— %	— %
Income before income taxes	18%	18%	16%	18 %	22 %
Income taxes	6%	6%	5%	6 %	7 %
Net income	12%	12%	11%	12 %	15 %

Quarter Ended June 30, 2012 Compared to the Quarter Ended June 30, 2011

Revenues were $77.3 million in the second quarter of 2012, compared to $77.8 million in the second quarter of 2011.

Domestic sales: Net domestic sales in the second quarter of 2012 were $56.5 million, compared to net domestic sales of $53.7 million in second quarter of 2011, an increase of 5%. Net domestic sales to Hospira accounted for 48% and 51% of our domestic sales in the second quarters of 2012 and 2011, respectively. Domestic sales to distributors, through direct sales, through other OEM and other revenue account for the balance of domestic sales, making up 52% and 49% in the second quarters of 2012 and 2011, respectively.

Net domestic sales to Hospira were $27.2 million in the second quarters of 2012 and 2011. Infusion therapy sales decreased $0.3 million in second quarter of 2012 from the second quarter of 2011. Oncology sales increased $0.2 million in the second quarter of 2012 from the second quarter of 2011. The decrease in infusion therapy was from $0.7 million in lower CLAVE product unit sales and $0.3 million in lower other infusion therapy unit sales, partially offset by $0.7 million in higher custom infusion set sales. The increase in oncology sales was from higher unit sales from increased market share through Hospira. We expect modest increases in U.S. sales to Hospira in 2012 compared to 2011, primarily from higher infusion therapy and oncology sales, although there is no assurance that these expectations will be realized.

Net other domestic sales (excluding Hospira) in the second quarter of 2012 were $29.2 million, an increase of $2.8 million, or 11%, from the second quarter of 2011. Infusion therapy sales increased $2.5 million, or 22%, from the second quarter of 2011, which was primarily from a $1.8 million increase in CLAVE product sales and a $0.5 million increase in custom infusion set sales. The increased CLAVE and custom infusion set sales were primarily due to increased unit sales. Oncology sales increased $0.5 million, or 51%, from the second quarter of 2011. The increased oncology sales were due to increased unit sales from increased market share and demographic growth. Critical care sales decreased $0.2 million, or 2%, from the second quarter of 2011. The critical care decrease was primarily from increased competition in this market that resulted in lower average sales prices on certain items. We expect modest increases in other domestic sales (excluding Hospira) in 2012 compared to 2011, primarily from higher infusion therapy and oncology sales, although there is no assurance that these

expectations will be realized.

International sales: Net sales to international customers were $20.7 million in the second quarter of 2012, a decrease of $3.3 million, or 14%, from the second quarter of 2011. Infusion therapy sales decreased $0.2 million, or 2%, from the second quarter of 2011. Oncology sales decreased $1.0 million from the second quarter of 2011. Critical care sales decreased $0.6 million from the second quarter of 2011. Other product sales decreased $1.3 million from the second quarter of 2011. The decreases in infusion therapy, oncology and critical care were primarily from Europe's soft economy and the weakened Euro to the U.S. dollar. The decrease in other product sales is primarily due to our sales of our former diabetes product line, Orbit, which was sold in November 2011, and consequently there were no sales of this product line in the second quarter of 2012.

Geographically, our international sales were primarily in Europe and the Pacific Rim. The decrease in international sales was primarily attributable to decreased sales in Europe. Our second quarter of 2012 international sales were negatively impacted by an estimated $1.3 million due to the decrease in the exchange rate of the Euro to the U.S. dollar compared to the second quarter of 2011. We expect moderate increases in international sales from higher infusion therapy and oncology sales, partially offset by lower critical care sales, although there is no assurance that these expectations will be realized.

Sales by market segment and other revenue: Net infusion therapy sales were $51.5 million in the second quarter of 2012, an increase of $2.0 million, or 4%, from the second quarter of 2011. The increases in infusion therapy were primarily from $0.9 million in higher CLAVE product sales and $1.4 million in increased custom infusion set sales. The increase in CLAVE product sales was from higher domestic sales to distributors and through direct sales. The increase in custom infusion set sales was primarily from higher domestic sales to Hospira, to distributors and through direct sales. We expect modest increases in infusion therapy sales in 2012 compared to 2011, primarily from higher sales in CLAVE products and custom infusion set sales. There is no assurance that these expectations will be realized.

Net critical care sales were $15.7 million in the second quarter of 2012, a decrease of $0.8 million, or 5%, from the second quarter of 2011. The decrease was from lower domestic and international sales from increased competition and from unfavorable exchange rates on sales denominated in Euros. We experienced lower unit sales in certain products and decreased our domestic critical care prices in the middle of 2011 to retain existing customers and attract new customers. The unfavorable exchange rates on the Euro to the U.S. dollar contributed to $0.3 million of the decrease in sales. We expect critical care sales to decrease in 2012 compared to 2011 because of our price decreases and increased competition, although there is no assurance that these expectations will be realized.

Net oncology sales were $7.1 million in the second quarter of 2012, a decrease of $0.2 million, or 3%, from the second quarter of 2011. The decrease was from lower international sales primarily due to the soft economy in Europe and from unfavorable exchange rates on sales in Euros. The unfavorable exchange rates on the Euro to the U.S. dollar contributed to $0.3 million of the decrease in sales. We expect significant growth in oncology sales in 2012 compared to 2011, although there is no assurance that these expectations will be realized.

Net other product sales were $2.9 million in the second quarter of 2012, a decrease of $1.5 million, or 34%, from the second quarter of 2011. The decrease is primarily from the sale of our former diabetes product line, Orbit, which was sold in November 2011, and consequently there were no sales of this product line in the second quarter of 2012. Orbit sales in the second quarter of 2011 were $1.2 million. Excluding Orbit, we expect a modest decrease in our other product sales in 2012 compared to 2011, although there is no assurance that these expectations will be realized.

Other revenue consists of license, royalty and revenue share income and was approximately $0.1 million in the second quarters of 2012 and 2011.

Gross margins for the second quarters of 2012 and 2011 were 51% and 47%, respectively. Favorable exchange rates on the Mexican Peso contributed to more than one percentage point of the gross margin increase. The remaining increase is primarily from product mix and manufacturing efficiencies.

Selling, general and administrative expenses **("SG&A")** were $22.8 million, or 29% of revenues, in the second quarter of 2012, compared with $19.7 million, or 26%, of revenues in second quarter of 2011. The $3.1 million increase was primarily comprised $0.5 million higher sales and marketing compensation and benefits, $0.7 million higher promotion costs, $0.7 million increased stock compensation expense, $0.5 million higher legal costs and $0.5 million in higher IT consulting and outside services costs. The increase in sales and marketing compensation and benefits is primarily the result of the expansion of our sales and marketing workforce by 9 employees. We expect SG&A expenses in 2012 to be approximately 27.0% of revenue, although there is no assurance that these expectations will be realized.

Research and development expenses **("R&D")** were $2.7 million, or 4% of revenue, in the second quarter of 2012 compared to $2.5 million, or 3%, of revenue in the second quarter of 2011. The increase in R&D expenses was primarily from higher project related R&D expenses supporting all our infusion therapy, critical care and oncology market segments and increased compensation and benefits expenses from an increased workforce. Our R&D projects focus on filling in product line gaps and product enhancements for our product line target markets and creating additional market opportunities. We expect R&D expenses in 2012 to be approximately 3.3% of revenue, although there is no assurance that these expectations will be realized.

Other income was $0.1 million in the second quarter of 2012 and $0.4 million in the second quarter of 2011.

Income taxes were accrued at an estimated annual effective tax rate of 33% in the second quarter of 2012 compared to 34% in the second quarter of 2011. The rate differed from the statutory corporate rate of 35% principally because of the effect of foreign and state income taxes, tax credits and deductions for domestic production activities. While we can provide no assurances, we expect our effective tax rate to be approximately 34% in 2012.

Six Months Ended June 30, 2012 Compared to the Six Months Ended June 30, 2011

Revenues were $152.8 million in the first half of 2012, compared to $149.3 million in the first half of 2011.

Domestic sales: Net domestic sales in the first half of 2012 were $112.2 million, compared to net domestic sales of $107.7 million in the first half of 2011, an increase of 4%. Net domestic sales to Hospira accounted for 50% and 51% of our domestic sales in the first halves of 2012 and 2011, respectively. Domestic sales to distributors, through direct sales, through other OEM and other revenue account for the balance of domestic sales, making up 50% and 49% in the first half of each of 2012 and 2011, respectively.

Net domestic sales to Hospira in the first half of 2012 were $56.0 million, an increase of $1.1 million, or 2%, from the first half of 2011. The increase was primarily from higher infusion therapy unit sales which increased $0.9 million from the first half of 2011. The increase in infusion therapy was primarily from $0.9 million in higher CLAVE product unit sales and $0.9 million in higher custom infusion set unit sales, partially offset by lower other infusion therapy unit sales. The increase in CLAVE and custom infusion set sales product sales was from higher unit sales due to conversion of products sold for needlefree connectors and increased market share through Hospira.

Net other domestic sales (excluding Hospira) in the first half of 2012 were $55.9 million, an increase of $3.4 million, or 6%, from the first half of 2011. Infusion therapy sales increased $4.0 million, or 18%, from the first half of 2011, which was primarily from a $2.5 million increase in CLAVE product sales and a $1.4 million increase in custom infusion set sales. The increased CLAVE and custom infusion set sales were primarily due to increased unit sales. Critical care sales decreased $1.6 million, or 7%, from the first half of 2011. The critical care decrease was primarily from increased competition in this market that resulted in lower average sales prices and lower unit sales on certain items. Oncology sales increased $0.9 million or 44% from the first half of 2011 due to higher unit sales.

International sales: Net sales to international customers were $40.6 million in the first half of 2012, a decrease of $0.9 million, or 2%, from the first half of 2011. Infusion therapy sales increased $1.5 million, or 7%, from the first half of 2011, which was primarily from a $0.7 million increase in CLAVE product sales and a $0.5 million increase in custom infusion set sales. Oncology sales increased $0.2 million from the first half of 2011. Critical care sales decreased $1.4 million from the first half of 2011. Other product sales decreased $1.3 million. The increases in infusion therapy and oncology sales were from increased unit sales due to increased market share and demographic growth. The decrease in critical care sales was primarily from increased competition in this market. The decrease in other product sales is primarily from the sale of the Orbit diabetes product line.

Geographically, our international sales were primarily in Europe and the Pacific Rim. The decrease in international sales was primarily from lower sales in Europe which were partially affected by the weak Euro, partially offset by increased sales in the Pacific Rim and Canada. Our first half of 2012 international sales were negatively impacted by an estimated $1.8 million due to the decrease in the exchange rate of the Euro to the U.S. dollar compared to the first half of 2011.

Sales by market segment and other revenue: Net infusion therapy sales were $102.4 million in the first half of 2012, an increase of $6.4 million, or 7%, from the first half of 2011. The increases in infusion therapy were primarily from $4.1 million in higher CLAVE product sales and $2.7 million in increased custom infusion set sales. The increase in CLAVE product sales and custom infusion set sales was from higher sales in all channels.

Net critical care sales were $29.4 million in the first half of 2012, a decrease of $3.1 million, or 10%, from the first half of 2011. The decrease was from lower domestic and international sales from increased competition. We experienced lower unit sales in certain products and decreased our domestic critical care prices in the middle of 2011 to retain existing customers and attract new customers.

Net oncology sales were $13.5 million in the first half of 2012, an increase of $1.3 million, or 10%, from the first half of 2011. The increase was primarily from higher domestic sales to distributors and through direct sales.

Net other product sales were $7.2 million in the first half of 2012, a decrease of $1.1 million, or 13%, from the first half of 2011. The decrease is primarily from the sale of our former diabetes product line, Orbit, which was sold in November 2011 and consequently there were no Orbit sales after the first quarter of 2012.

Other revenue consists of license, royalty and revenue share income and was approximately $0.3 million in first halves of 2012 and 2011.

Gross margins for the first halves of 2012 and 2011 were 48% and 47%, respectively. The increase is primarily from favorable exchange rates on the Mexican Peso.

Selling, general and administrative expenses **("SG&A")** were $43.7 million, or 28% of revenues, in the first half of 2012, compared with $42.6 million, or 28% of revenues, in the first half of 2011. The 2011 expense includes a one-time expense for the Long-Term Retention Plan ("LTRP") of $2.0 million. Our sales and marketing compensation and benefits increased by $0.6 million, promotion costs increased by $1.0 million, IT consulting and outside services costs increased by $0.6 million and our stock compensation expense increased by $0.9 million. The increase in sales and marketing compensation and benefits is primarily the result of the expansion of our sales and marketing workforce by 16 employees. These increases were partially offset by $0.6 million in lower bad debt expense

Research and development expenses **("R&D")** were $5.4 million, or 4% of revenue, in the first half of 2012 compared to $4.5 million, or 3% of revenue. in the first half of 2011. The increase in R&D expenses was primarily from $0.9 million of higher project related R&D expenses supporting all our infusion therapy, critical care and oncology market segments, partially offset by lower compensation expense. Our R&D projects focus on filling in product line gaps and product enhancements for our product line target markets and creating additional market opportunities. The 2011 compensation expense includes $0.3 million in one-time expense for the LTRP payout.

Legal settlement income of $2.5 million was received in the first half of 2011 and is recorded in operating expenses. The payment was the result of a settlement of litigation against a law firm that formerly represented us in patent litigation.

Other income was $0.3 million in the first half of 2012 and $0.8 million in the first half of 2011.

Income taxes were accrued at an estimated annual effective tax rate of 34% in the first half of 2012 compared to 35% in the first half of 2011. The rate differed from the statutory corporate rate of 35% principally because of the effect of foreign and state income taxes, tax credits and deductions for domestic production activities.

Liquidity and Capital Resources

During the first half of 2012, our cash, cash equivalents and investment securities increased by $33.5 million from $160.0 million at December 31, 2011 to $193.5 million at June 30, 2012.

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

Our cash provided by operations was $31.5 million in the first half of 2012. Net income plus adjustments for non-cash net expenses contributed $30.4 million to cash provided by operations. The favorable net change in operating assets and liabilities contributed an additional $1.1 million to cash provided by operations. The $3.7 million decrease in inventory was the largest contributor to the favorable change in operating assets and liabilities.

Investing Activities: Our cash used by investing activities was $21.7 million in the first half of 2012, which was primarily comprised of net investment purchases of $12.9 million and $8.2 million in capital purchases. Our property, plant and

equipment purchases were primarily comprised of machinery, equipment and mold additions in our United States plant.

While we can provide no assurances, we estimate that our capital expenditures in 2012 will approximate $13.0 million to $18.0 million, which is primarily for investments in molds, machinery and equipment in our manufacturing operations in the United States and investments in information technology that benefit world-wide operations. We expect to use our cash and investments to fund our capital purchases. Amounts of spending are estimates and actual spending may substantially differ from those amounts.

Financing Activities: Our cash provided by financing activities was $13.2 million in the first half of 2012. This was from cash provided by the exercise of stock options and shares purchased by our employees under the employee stock purchase plan, resulting in 375,809 shares issued to our employees and directors. The tax benefits from the exercise of stock options was $2.8 million in the first half of 2012, which fluctuates based principally on when employees choose to exercise their vested stock options.

In July 2010, our Board of Directors approved a share purchase plan to purchase up to $40.0 million of our common stock. We have purchased $11.9 million of our stock pursuant to this plan, leaving a balance of $28.1 million available for future purchases. There were no purchases under this plan in the first half of 2012. This plan has no expiration date. We may purchase additional shares in future quarters and expect we would use our cash and investments to fund the share purchases.

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 capital preservation, as further described in Part 1, Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As of June 30, 2012, we have $13.3 million of cash and cash equivalents held by our foreign subsidiaries, the majority of which is related to repayment of intercompany obligations and is available to fund domestic operations and obligations.

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 material liability for indemnification.

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 have terminated, 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 Manufacturing, Commercialization and Development Agreement with Hospira, Inc. dated May 1, 2005. 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, 2012, of approximately the amount set forth in the table below. This amount excludes inventory related purchase orders for goods and services for current delivery. The majority of our inventory 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 inventory related goods and services for current delivery, amounts related to such

purchase orders are excluded from the table below. We have excluded from the table below pursuant to ASC 740-10-25 (formerly FIN 48), an interpretation of ASC 740-10 (formerly SFAS 109), a non-current income tax liability of $4.1 million due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities.

	(in thousands)					
Contractual Obligations	**Total**	**2012**	**2013**	**2014**	**2015**	**2016**
Operating leases	$ 882	$ 167	$ 315	$ 186	$ 151	$ 63
Warehouse service agreements	1,414	601	536	277	—	—
Purchase obligations	13,095	13,095	—	—	—	—
	$ 15,391	$ 13,863	$ 851	$ 463	$ 151	$ 63

Critical Accounting Policies

In our Annual Report on Form 10-K for the year ended December 31, 2011, 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

See Note 2 to Part I, Item 1. Financial Statements.

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 growth; 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; expected increases or decreases in sales; deferred revenue; future license, royalty and revenue share income; production costs; gross margins; litigation expense; SG&A and R&D expenses; future costs of expanding our business; income; losses; cash flow; capital expenditures; source and sufficiency of funds for capital purchases and operations; tax rates; 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 and use of foreign currency, selling prices; foreign exchange rate fluctuations, economic conditions in European and other international markets; 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 efforts; inventory requirements; manufacturing efficiencies and cost savings; unit manufacturing costs; establishment of production facilities outside the U.S.; planned capital purchases for manufacturing operations and investments in information technology; adequacy of production capacity; results of R&D; relocation of manufacturing facilities and personnel; planned growth of our sales and marketing group; 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
- expansion of our custom products business; expectations regarding revenues from our custom infusion sets, custom critical care and custom oncology products and the importance of these products in the future; potential customer resistance to custom products; our focus on increasing product development, acquisition, sales and marketing efforts to custom products and similar products; new or extended contracts with manufacturers and buying organizations; dependence on a small number of customers; future sales to and revenues from Hospira and the importance of Hospira to our growth and our positioning with respect to new

product introductions and market share; growth of our CLAVE products in future years; the outcome of our strategic initiatives; outcome of litigation; competitive and market factors, including continuing development of competing products by other manufacturers; consolidation of the healthcare provider market; our dependence on securing long-term contracts with large healthcare providers and major buying organizations; working capital requirements; liquidity and realizable value of our investment securities; future investment alternatives; our expectations regarding liquidity and capital resources over the next twelve months; future share repurchases; 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, investors should read the forward looking statements in conjunction with the Risk Factors discussed in Part I, Item 1A of our Annual Report on Form 10-K with the SEC for the year ended December 31, 2011 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, in the U.S., Europe and other international locations;
- unexpected changes in our arrangements with Hospira or our other large customers;
- outcome of litigation;
- fluctuations in foreign exchange rates and other risks of doing business internationally;
- increases in labor costs or competition for skilled workers;
- increases in costs or availability of the raw materials need to manufacture our products;
- 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;
- the successful development and marketing of new products;
- 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;
- the effects of additional governmental regulations;
- unanticipated production problems; and
- the availability of patent protection and the cost of enforcing and of defending patent claims.

The forward-looking statements in this report are subject to additional risks and uncertainties, including those detailed from time to time in our other filings with the Securities and Exchange Commission. These forward-looking statements are made only as of the date hereof and, except as required by law, we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We had a portfolio of federal tax-exempt state and municipal government bonds, corporate bonds, sovereign bonds and certificates of deposit of $71.9 million as of June 30, 2012. The securities are all “investment grade”, comprised of $30.8

million of pre-refunded municipal securities, $2.5 million of non-pre-refunded municipal securities, $30.6 million in corporate bonds, $1.3 million in sovereign bonds and $6.8 million of certificates of deposit. The pre-refunded municipal securities are fully escrowed by U.S. government Treasury bills with low market risk.

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 in our portfolio and market conditions specific to the securities in which we invest. Two-thirds to three-quarters of a percentage point change in our earnings on investment securities would create a change of approximately $0.4 million to investment income based on the investment securities balance at June 30, 2012.

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 2011 and our manufacturing spending from 2011 would have impacted our cost of goods sold by approximately $2.1 million. Cash and receivables in those countries have been insignificant and are generally offset by accounts payable in the same foreign currency, except for our European operations, where our net Euro asset position at June 30, 2012 and 2011 were approximately €15.7 million and €13.3 million, respectively. A 10% change in the conversion of the Euro to the U.S. dollar for our cash and investments, accounts receivable, accounts payable and accrued liabilities from the June 30, 2012 spot rate would impact our consolidated amounts on these balance sheet items by approximately $2.2 million or less than 1% of these net assets. We expect that in the future, with the growth of our European distribution operation, 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. Based on our average price for resin in fiscal year 2011 and 2010, a 10% increase to the price of resin would have resulted in approximately a $0.9 million change and $0.7 million change in material cost, respectively.

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, 2012 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

We have not been required to pay any penalty to the IRS for failing to make disclosures required with respect to certain transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose.

In an action filed July 27, 2007 entitled ICU Medical, Inc. v. RyMed Technologies, Inc. in the United States District Court for the District of Delaware (the "District Court"), ICU Medical, Inc. (“ICU”) alleged that RyMed Technologies, Inc. (“RyMed”) infringes certain ICU patents through the manufacture and sale of its original and current InVision-Plus valves. ICU seeks monetary damages and injunctive relief and continues to vigorously pursue this matter.

A jury trial commenced on December 13, 2010. On December 17, 2010, the jury returned a verdict that: (1) RyMed's original device literally infringed ICU's U.S. Patent No. 5,685,866 ('866 Patent) and ICU's U.S. Patent No. 5,873,862 ('862 Patent); (2) RyMed's current device infringes the '862 Patent both literally and under the doctrine of equivalents; (3) RyMed's current device infringes the '866 Patent under the doctrine of equivalents; (4) RyMed has engaged in contributory infringement and induced infringement of ICU's '862 Patent; and (5) ICU's '866 and '862 Patents are valid.

On May 11, 2012, a bench trial was held on RyMed's prosecution history estoppel defense. The parties are engaged in post-trial briefing. Once the Court rules on this defense, a further trial will be scheduled to determine the damages, if any, owing by RyMed to ICU Medical.

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, 2011, as well as the information contained in this Quarterly Report and our other reports and registration statements filed with the SEC. 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, 2011.

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

In July 2010, our Board of Directors approved a common stock purchase plan to purchase $40.0 million of our common stock. This plan has no expiration date. We are not obligated to make any purchases under our stock purchase program. Subject to applicable state and federal corporate and securities laws, purchases under a stock purchase program may be made at such times and in such amounts as we deem appropriate. Purchases made under our stock purchase program can be discontinued at any time we feel additional purchases are not warranted.

The following is a summary of our stock repurchasing activity during the second quarter of 2012:

Period	Shares purchased	Average price paid per share	Shares purchased as part of a publicly announced program	Approximate dollar value that may yet be purchased under the program
04/01/2012 — 04/30/2012	—	$ —	—	$ 28,089,000
05/01/2012 — 05/31/2012	—	—	—	28,089,000
06/01/2012 — 06/30/2012	—	—	—	28,089,000
Second quarter of 2012 total	—	$ —	—	$ 28,089,000

Item 6. Exhibits

Exhibit 10.1	ICU Medical, Inc. Amended 2011 Stock Incentive Plan
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.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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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 20, 2012

Scott E. Lamb
Chief Financial Officer
(Principal Financial Officer)

Exhibit Index

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ICU MEDICAL, INC.

AMENDED 2011 STOCK INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are to attract and retain the best available personnel, to provide additional incentives to Employees, Directors and Consultants and to promote the success of the Company's business.

2. Definitions. The following definitions shall apply as used herein and in the individual Award Agreements except as defined otherwise in an individual Award Agreement. In the event a term is separately defined in an individual Award Agreement, such definition shall supersede the definition contained in this Section 2.

(a) "Administrator" means the Board or any of the Committees appointed to administer the Plan.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(c) "Applicable Laws" means the legal requirements relating to the Plan and the Awards under applicable provisions of federal securities laws, state corporate and securities laws, the Code, the rules of any applicable stock exchange or national market system, and the rules of any non-U.S. jurisdiction applicable to Awards granted to residents therein.

(d) "Assumed" means that pursuant to a Corporate Transaction either (i) the Award is expressly affirmed by the Company or (ii) the contractual obligations represented by the Award are expressly assumed (and not simply by operation of law) by the successor entity or its Parent in connection with the Corporate Transaction with appropriate adjustments to the number and type of securities of the successor entity or its Parent subject to the Award and the exercise or purchase price thereof which at least preserves the compensation element of the Award existing at the time of the Corporate Transaction as determined in accordance with the instruments evidencing the agreement to assume the Award.

(e) "Award" means the grant of an Option, SAR, Dividend Equivalent Right, Restricted Stock, Restricted Stock Unit or other right or benefit under the Plan.

(f) "Award Agreement" means the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto.

(g) "Board" means the Board of Directors of the Company.

(h) "Cause" means, with respect to the termination by the Company or a Related Entity of the Grantee's Continuous Service, that such termination is for "Cause" as such term (or word of like import) is expressly defined in a then-effective written agreement between the Grantee and the Company or such Related Entity, or in the absence of such then-effective written agreement and definition, is based on, in the determination of the Administrator, the Grantee's: (i) performance of any act or failure to perform any act in bad faith and to the detriment of the Company or a Related Entity; (ii) dishonesty, intentional misconduct or material breach of any agreement with the Company or a Related Entity; or (iii) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person; provided, however, that with regard to any agreement that defines "Cause" on the occurrence of or in connection with a Corporate Transaction or a Change in Control, such definition of "Cause" shall not apply until a Corporate Transaction or a Change in Control actually occurs.

(i) "Change in Control" means a change in ownership or control of the Company effected through either of the following transactions:

(i) the direct or indirect acquisition by any person or related group of persons (other than an acquisition from or by the Company or by a Company-sponsored employee benefit plan or by a person that directly or indirectly controls, is controlled by, or is under common control with, the Company) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders which a majority of the Continuing Directors who are not Affiliates or Associates of the offeror do not recommend such stockholders accept, or

(ii) a change in the composition of the Board over a period of twelve (12) months or less such that a majority of the Board members (rounded up to the next whole number) ceases, by reason of one or more contested

elections for Board membership, to be comprised of individuals who are Continuing Directors.

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Committee" means any committee composed of members of the Board appointed by the Board to administer the Plan.

(l) "Common Stock" means the common stock of the Company.

(m) "Company" means ICU Medical, Inc., a Delaware corporation, or any successor entity that adopts the Plan in connection with a Corporate Transaction.

(n) "Consultant" means any person (other than an Employee or a Director, solely with respect to rendering services in such person's capacity as a Director) who is engaged by the Company or any Related Entity to render consulting or advisory services to the Company or such Related Entity.

(o) "Continuing Directors" means members of the Board who either (i) have been Board members continuously for a period of at least twelve (12) months or (ii) have been Board members for less than twelve (12) months and were elected or nominated for election as Board members by at least a majority of the Board members described in clause (i) who were still in office at the time such election or nomination was approved by the Board.

(p) "Continuous Service" means that the provision of services to the Company or a Related Entity in any capacity of Employee, Director or Consultant is not interrupted or terminated. In jurisdictions requiring notice in advance of an effective termination as an Employee, Director or Consultant, Continuous Service shall be deemed terminated upon the actual cessation of providing services to the Company or a Related Entity notwithstanding any required notice period that must be fulfilled before a termination as an Employee, Director or Consultant can be effective under Applicable Laws. A Grantee's Continuous Service shall be deemed to have terminated either upon an actual termination of Continuous Service or upon the entity for which the Grantee provides services ceasing to be a Related Entity. Continuous Service shall not be considered interrupted in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Related Entity, or any successor, in any capacity of Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or a Related Entity in any capacity of Employee, Director or Consultant (except as otherwise provided in the Award Agreement). Notwithstanding the foregoing, except as otherwise determined by the Administrator, in the event of any spin-off of a Related Entity, service as an Employee, Director or Consultant for such Related Entity following such spin-off shall be deemed to be Continuous Service for purposes of the Plan and any Award under the Plan. An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave. For purposes of each Incentive Stock Option granted under the Plan, if such leave exceeds three (3) months, and reemployment upon expiration of such leave is not guaranteed by statute or contract, then the Incentive Stock Option shall be treated as a Non-Qualified Stock Option on the day three (3) months and one (1) day following the expiration of such three (3) month period.

(q) "Corporate Transaction" means any of the following transactions, provided, however, that the Administrator shall determine under parts (iv) and (v) whether multiple transactions are related, and its determination shall be final, binding and conclusive:

(i) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;

(ii) the sale, transfer or other disposition of all or substantially all of the assets of the Company;

(iii) the complete liquidation or dissolution of the Company;

(iv) any reverse merger or series of related transactions culminating in a reverse merger (including, but not limited to, a tender offer followed by a reverse merger) in which the Company is the surviving entity but (A) the shares of Common Stock outstanding immediately prior to such merger are converted or exchanged by virtue of the merger into other property, whether in the form of securities, cash or otherwise, or (B) in which securities possessing more than forty percent (40%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger or the initial transaction culminating in such merger, but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction; or

(v) acquisition in a single or series of related transactions by any person or related group of persons (other than the Company or by a Company-sponsored employee benefit plan) of beneficial ownership (within the meaning of Rule 13d-3 of the Exchange Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities but excluding any such transaction or series of related transactions that the Administrator determines shall not be a Corporate Transaction.

(r) "Covered Employee" means an Employee who is a "covered employee" under Section 162(m)(3) of the Code.

(s) "Director" means a member of the Board or the board of directors of any Related Entity.

(t) "Disability" means as defined under the long-term disability policy of the Company or the Related Entity to which the Grantee provides services regardless of whether the Grantee is covered by such policy. If the Company or the Related Entity to which the Grantee provides service does not have a long-term disability plan in place, "Disability" means that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Administrator in its discretion.

(u) "Dividend Equivalent Right" means a right entitling the Grantee to compensation measured by dividends paid with respect to Common Stock.

(v) "Employee" means any person, including an Officer or Director, who is in the employ of the Company or any Related Entity, subject to the control and direction of the Company or any Related Entity as to both the work to be performed and the manner and method of performance. The payment of a director's fee by the Company or a Related Entity shall not be sufficient to constitute "employment" by the Company.

(w) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(x) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) If the Common Stock is listed on one or more established stock exchanges or national market systems, including without limitation The NASDAQ Global Select Market, The NASDAQ Global Market or The NASDAQ Capital Market of The NASDAQ Stock Market LLC, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Common Stock is listed (as determined by the Administrator) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted on an automated quotation system (including the OTC Bulletin Board) or by a recognized securities dealer, its Fair Market Value shall be the closing sales price for such stock as quoted on such system or by such securities dealer on the date of determination, but if selling prices are not reported, the Fair Market Value of a share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or, if no such prices were reported on that date, on the last date such prices were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Common Stock of the type described in (i) and (ii), above, the Fair Market Value thereof shall be determined by the Administrator in good faith.

(y) "Grantee" means an Employee, Director or Consultant who receives an Award under the Plan.

(z) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(aa) "Non-Qualified Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(ab) "Officer" means a person who is an officer of the Company or a Related Entity within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(ac) "Option" means an option to purchase Shares pursuant to an Award Agreement granted under the Plan.

(ad) "Parent" means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(ae) "Performance-Based Compensation" means compensation qualifying as "performance-based compensation" under Section 162(m) of the Code.

(af) "Plan" means this 2011 Stock Incentive Plan.

(ag) "Related Entity" means any Parent or Subsidiary of the Company.

(ah) "Replaced" means that pursuant to a Corporate Transaction the Award is replaced with a comparable stock award or a cash incentive program of the Company, the successor entity (if applicable) or Parent of either of them which preserves the compensation element of such Award existing at the time of the Corporate Transaction and provides for subsequent payout in accordance with the same (or a more favorable) vesting schedule applicable to such Award. The determination of Award comparability shall be made by the Administrator and its determination shall be final, binding and conclusive.

(ai) "Restricted Stock" means Shares issued under the Plan to the Grantee for such consideration, if any, and subject to such restrictions on transfer, rights of first refusal, repurchase provisions, forfeiture provisions, and other terms and conditions as established by the Administrator.

(aj) "Restricted Stock Units" means an Award which may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator and which may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

(ak) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor thereto.

(al) "SAR" means a stock appreciation right entitling the Grantee to Shares or cash compensation, as established by the Administrator, measured by appreciation in the value of Common Stock.

(am) "Share" means a share of the Common Stock.

(an) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan.

(a) Subject to the provisions of Section 10, below, the maximum aggregate number of Shares which may be issued pursuant to all Awards (including Incentive Stock Options) is equal to the sum of 1,400,000 Shares, plus 248,700, the number of Shares that remained available for grants under the Company's 2003 Stock Option Plan (the "2003 SOP") as of May 13, 2011, the expiration date of the 2003 SOP. In addition, any Shares that after that date would otherwise return to the 2003 SOP as a result of the forfeiture, termination or expiration of awards previously granted under the 2003 SOP or any other Company equity plan with regards to which Shares would otherwise return to the 2003 SOP as a result of the forfeiture, termination or expiration of awards granted under such Company equity plan (ignoring for this purpose the expiration of the 2003 SOP or such other Company equity plan) shall become available under the Plan. The maximum aggregate number of Shares which may be issued pursuant to all Awards of Incentive Stock Options is 800,000 Shares. Notwithstanding the foregoing, any Shares issued in connection with Awards other than Options and SARs shall be counted against the limit set forth herein as 2.09 Shares for every one (1) Share issued in connection with such Award (and shall be counted as 2.09 Shares for every one (1) Share returned or deemed not have been issued from the Plan pursuant to Section 3(b) below in connection with Awards other than Options and SARs). The Shares to be issued pursuant to Awards may be authorized, but unissued, or reacquired Common Stock.

(b) Any Shares covered by an Award (or portion of an Award) which is forfeited, canceled or expires (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the maximum aggregate number of Shares which may be issued under the Plan. Shares that actually have been issued under the Plan pursuant to an Award shall not be returned to the Plan and shall not become available for future issuance under the Plan, except that if unvested Shares are forfeited, or repurchased by the Company at the lower of their original purchase price or their Fair Market

Value at the time of repurchase, such Shares shall become available for future grant under the Plan. Notwithstanding anything to the contrary contained herein: (i) Shares tendered or withheld in payment of an Option exercise price shall not be returned to the Plan and shall not become available for future issuance under the Plan; (ii) Shares withheld by the Company to satisfy any tax withholding obligation shall not be returned to the Plan and shall not become available for future issuance under the Plan; and (iii) all Shares covered by the portion of an SAR that is exercised (whether or not Shares are actually issued to the Grantee upon exercise of the SAR) shall be considered issued pursuant to the Plan.

4. Administration of the Plan.

(a) Plan Administrator.

(i) Administration with Respect to Directors and Officers. With respect to grants of Awards to Directors or Employees who are also Officers or Directors of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws and to permit such grants and related transactions under the Plan to be exempt from Section 16(b) of the Exchange Act in accordance with Rule 16b-3. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board.

(ii) Administration With Respect to Consultants and Other Employees. With respect to grants of Awards to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a Committee designated by the Board, which Committee shall be constituted in such a manner as to satisfy the Applicable Laws. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. The Board may authorize one or more Officers to grant such Awards and may limit such authority as the Board determines from time to time.

(iii) Administration With Respect to Covered Employees. Notwithstanding the foregoing, grants of Awards to any Covered Employee intended to qualify as Performance-Based Compensation shall be made only by a Committee (or subcommittee of a Committee) which is comprised solely of two or more Directors eligible to serve on a committee making Awards qualifying as Performance-Based Compensation. In the case of such Awards granted to Covered Employees, references to the "Administrator" or to a "Committee" shall be deemed to be references to such Committee or subcommittee.

(iv) Administration Errors. In the event an Award is granted in a manner inconsistent with the provisions of this subsection (a), such Award shall be presumptively valid as of its grant date to the extent permitted by the Applicable Laws.

(b) Powers of the Administrator. Subject to Applicable Laws and the provisions of the Plan (including any other powers given to the Administrator hereunder), and except as otherwise provided by the Board, the Administrator shall have the authority, in its discretion:

(i) to select the Employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;

(ii) to determine whether and to what extent Awards are granted hereunder;

(iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;

(iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions of any Award granted hereunder;

(vi) to amend the terms of any outstanding Award granted under the Plan, provided that (A) any amendment that would adversely affect the Grantee's rights under an outstanding Award shall not be made without the Grantee's written consent, provided, however, that an amendment or modification that may cause an Incentive Stock Option to become a Non-Qualified Stock Option shall not be treated as adversely affecting the rights of the Grantee, (B) the reduction of the exercise price of any Option awarded under the Plan and the base appreciation amount of any SAR awarded under the Plan shall be subject to stockholder approval and (C) canceling an Option or SAR at a time when its exercise price or base appreciation amount (as applicable) exceeds the Fair Market Value of the underlying Shares, in exchange for another Option,

SAR, Restricted Stock or other Award or for cash shall be subject to stockholder approval, unless the cancellation and exchange occurs in connection with a Corporate Transaction. Notwithstanding the foregoing, canceling an Option or SAR in exchange for another Option, SAR, Restricted Stock, or other Award with an exercise price, purchase price or base appreciation amount (as applicable) that is equal to or greater than the exercise price or base appreciation amount (as applicable) of the original Option or SAR shall not be subject to stockholder approval;

(vii) to construe and interpret the terms of the Plan and Awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the Plan;

(viii) to grant Awards to Employees, Directors and Consultants employed outside the United States on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable to further the purpose of the Plan; and

(ix) to take such other action, not inconsistent with the terms of the Plan, as the Administrator deems appropriate.

(x) The express grant in the Plan of any specific power to the Administrator shall not be construed as limiting any power or authority of the Administrator; provided that the Administrator may not exercise any right or power reserved to the Board. Any decision made, or action taken, by the Administrator or in connection with the administration of this Plan shall be final, conclusive and binding on all persons having an interest in the Plan.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or as Officers or Employees of the Company or a Related Entity, members of the Board and any Officers or Employees of the Company or a Related Entity to whom authority to act for the Board, the Administrator or the Company is delegated shall be defended and indemnified by the Company to the extent permitted by law on an after-tax basis against all reasonable expenses, including attorneys' fees, actually and necessarily incurred in connection with the defense of any claim, investigation, action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, or any Award granted hereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by the Company) or paid by them in satisfaction of a judgment in any such claim, investigation, action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such claim, investigation, action, suit or proceeding that such person is liable for gross negligence, bad faith or intentional misconduct; provided, however, that within thirty (30) days after the institution of such claim, investigation, action, suit or proceeding, such person shall offer to the Company, in writing, the opportunity at the Company's expense to defend the same.

5. Eligibility. Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants. Incentive Stock Options may be granted only to Employees of the Company or a Parent or a Subsidiary of the Company. An Employee, Director or Consultant who has been granted an Award may, if otherwise eligible, be granted additional Awards. Awards may be granted to such Employees, Directors or Consultants who are residing in non-U.S. jurisdictions as the Administrator may determine from time to time.

6. Terms and Conditions of Awards.

(a) Types of Awards. The Administrator is authorized under the Plan to award any type of arrangement to an Employee, Director or Consultant that is not inconsistent with the provisions of the Plan and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an Option, a SAR, or similar right with a fixed or variable price related to the Fair Market Value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions. Such awards include, without limitation, Options, SARs, sales or bonuses of Restricted Stock, Restricted Stock Units or Dividend Equivalent Rights, and an Award may consist of one such security or benefit, or two (2) or more of them in any combination or alternative.

(b) Designation of Award. Each Award shall be designated in the Award Agreement. In the case of an Option, the Option shall be designated as either an Incentive Stock Option or a Non-Qualified Stock Option. However, notwithstanding such designation, an Option will qualify as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) of the Code is not exceeded. The $100,000 limitation of Section 422(d) of the Code is calculated based on the aggregate Fair Market Value of the Shares subject to Options designated as Incentive Stock Options which become exercisable for the first time by a Grantee during any calendar year (under all plans of the Company or any Parent or Subsidiary of the Company). For purposes of this calculation, Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares shall be determined as of the grant date of the

relevant Option. In the event that the Code or the regulations promulgated thereunder are amended after the date the Plan becomes effective to provide for a different limit on the Fair Market Value of Shares permitted to be subject to Incentive Stock Options, then such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

(c) Conditions of Award. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the Award vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria. The performance criteria established by the Administrator may be based on any one of, or combination of, the following: (i) change in share price; (ii) operating earnings, operating profit margins, earnings before interest, taxes, depreciation, or amortization, net earnings, earnings per share (basic or diluted) or other measure of earnings; (iii) total stockholder return; (iv) operating margin; (v) gross margin; (vi) balance sheet performance, including debt, long or short term, inventory, accounts payable or receivable, working capital, or shareholders' equity; (vii) return measures, including return on invested capital, sales, assets, or equity; (viii) days' sales outstanding; (ix) operating income; (x) net operating income; (xi) pre-tax profit; (xii) cash flow, including cash flow from operations, investing, or financing activities, before or after dividends, investments, or capital expenditures; (xiii) revenue; (xiv) expenses, including cost of goods sold, operating expenses, marketing and administrative expense, research and development, restructuring or other special or unusual items, interest, tax expense, or other measures of savings; (xv) earnings before interest, taxes and depreciation; (xvi) economic value created or added; (xvii) market share; (xviii) sales or net sales; (xix) sales or net sales of particular products; (xx) gross profits; (xxi) net income; (xxii) inventory turns; (xxiii) revenue per employee; and (xxiv) implementation or completion of critical projects involving acquisitions, divestitures, process improvements, product or production quality, attainment of other strategic objectives relating to market penetration, geographic expansion, product development, regulatory or quality performance, innovation or research goals. The performance criteria may be applicable to the Company, Related Entities and/or any individual business units of the Company or any Related Entity. Partial achievement of the specified criteria may result in a payment or vesting corresponding to the degree of achievement as specified in the Award Agreement. In addition, the performance criteria shall be calculated in accordance with generally accepted accounting principles, but excluding the effect (whether positive or negative) of any change in accounting standards and any extraordinary, unusual or nonrecurring item, as determined by the Administrator, occurring after the establishment of the performance criteria applicable to the Award intended to be performance-based compensation. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of performance criteria in order to prevent the dilution or enlargement of the Grantee's rights with respect to an Award intended to be performance-based compensation.

(d) Acquisitions and Other Transactions. The Administrator may issue Awards under the Plan in settlement, assumption or substitution for, outstanding awards or obligations to grant future awards in connection with the Company or a Related Entity acquiring another entity, an interest in another entity or an additional interest in a Related Entity whether by merger, stock purchase, asset purchase or other form of transaction.

(e) Deferral of Award Payment. The Administrator may establish one or more programs under the Plan to permit selected Grantees the opportunity to elect to defer receipt of consideration upon exercise of an Award, satisfaction of performance criteria, or other event that absent the election would entitle the Grantee to payment or receipt of Shares or other consideration under an Award. The Administrator may establish the election procedures, the timing of such elections, the mechanisms for payments of, and accrual of interest or other earnings, if any, on amounts, Shares or other consideration so deferred, and such other terms, conditions, rules and procedures that the Administrator deems advisable for the administration of any such deferral program.

(f) Separate Programs. The Administrator may establish one or more separate programs under the Plan for the purpose of issuing particular forms of Awards to one or more classes of Grantees on such terms and conditions as determined by the Administrator from time to time.

(g) Individual Limitations on Awards.

(i) Individual Limit for Options and SARs. The maximum number of Shares with respect to which Options and SARs may be granted to any Grantee in any calendar year shall be five hundred thousand (500,000) Shares. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 10, below. To the extent required by Section 162(m) of the Code or the regulations thereunder, in applying the foregoing limitation with respect to a Grantee, if any Option or SAR is canceled, the canceled Option or SAR shall continue to count against the maximum number of Shares with respect to which Options and SARs may be granted to the Grantee. For this purpose, the repricing of an Option (or in the case of a SAR, the base amount on which the stock appreciation is calculated is reduced to reflect a reduction in the Fair Market Value of the Common Stock) shall be treated as the cancellation of the existing Option or SAR and the grant of a new Option or SAR.

(ii) Individual Limit for Restricted Stock and Restricted Stock Units. For awards of Restricted Stock and Restricted Stock Units that are intended to be Performance-Based Compensation, the maximum number of Shares with respect to which such Awards may be granted to any Grantee in any calendar year shall be two hundred fifty thousand (250,000) Shares. The foregoing limitation shall be adjusted proportionately in connection with any change in the Company's capitalization pursuant to Section 10, below.

(h) Deferral. If the vesting or receipt of Shares under an Award is deferred to a later date, any amount (whether denominated in Shares or cash) paid in addition to the original number of Shares subject to such Award will not be treated as an increase in the number of Shares subject to the Award if the additional amount is based either on a reasonable rate of interest or on one or more predetermined actual investments such that the amount payable by the Company at the later date will be based on the actual rate of return of a specific investment (including any decrease as well as any increase in the value of an investment).

(i) Early Exercise. The Award Agreement may, but need not, include a provision whereby the Grantee may elect at any time while an Employee, Director or Consultant to exercise any part or all of the Award prior to full vesting of the Award. Any unvested Shares received pursuant to such exercise may be subject to a repurchase right in favor of the Company or a Related Entity or to any other restriction the Administrator determines to be appropriate.

(j) Term of Award. The term of each Award shall be the term stated in the Award Agreement, provided, however, that the term of any Award shall be no more than ten (10) years from the date of grant thereof. However, in the case of an Incentive Stock Option granted to a Grantee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the term of the Incentive Stock Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the Grantee has elected to defer the receipt of the Shares or cash issuable pursuant to the Award.

(k) Transferability of Awards. Incentive Stock Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Grantee, only by the Grantee. Other Awards shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the Grantee, to the extent and in the manner authorized by the Administrator but only to the extent such transfers are made to family members, to family trusts, to family controlled entities, to charitable organizations, and pursuant to domestic relations orders or agreements, in all cases without payment for such transfers to the Grantee. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

(l) Time of Granting Awards. The date of grant of an Award shall for all purposes be the date on which the Administrator makes the determination to grant such Award, or such other later date as is determined by the Administrator.

7. Award Exercise or Purchase Price, Consideration and Taxes.

(a) Exercise or Purchase Price. The exercise or purchase price, if any, for an Award shall be as follows:

(i) In the case of an Incentive Stock Option:

(A) granted to an Employee who, at the time of the grant of such Incentive Stock

Option owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, the per Share exercise price shall be not less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant; or

(B) granted to any Employee other than an Employee described in the preceding paragraph, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(ii) In the case of a Non-Qualified Stock Option, the per Share exercise price shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(iii) In the case of Awards intended to qualify as Performance-Based Compensation, the exercise or purchase price, if any, shall be not less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(iv) In the case of SARs, the base appreciation amount shall not be less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant.

(v) In the case of other Awards, such price as is determined by the Administrator.

(vi) Notwithstanding the foregoing provisions of this Section 7(a), in the case of an Award issued pursuant to Section 6(d), above, the exercise or purchase price for the Award shall be determined in accordance with the provisions of the relevant instrument evidencing the agreement to issue such Award.

(b) Consideration. Subject to Applicable Laws, the consideration to be paid for the Shares to be issued upon exercise or purchase of an Award including the method of payment, shall be determined by the Administrator. In addition to any other types of consideration the Administrator may determine, the Administrator is authorized to accept as consideration for Shares issued under the Plan the following, provided that the portion of the consideration equal to the par value of the Shares must be paid in cash or other legal consideration permitted by the Delaware General Corporation Law:

(i) cash;

(ii) check;

(iii) surrender of Shares or delivery of a properly executed form of attestation of ownership of Shares as the Administrator may require which have a Fair Market Value on the date of surrender or attestation equal to the aggregate exercise price of the Shares as to which said Award shall be exercised;

(iv) with respect to Options, payment through a broker-dealer sale and remittance procedure pursuant to which the Grantee (A) shall provide written instructions to a Company designated brokerage firm to effect the immediate sale of some or all of the purchased Shares and remit to the Company sufficient funds to cover the aggregate exercise price payable for the purchased Shares and (B) shall provide written directives to the Company to deliver the certificates for the purchased Shares directly to such brokerage firm in order to complete the sale transaction;

(v) with respect to Options, payment through a “net exercise” such that, without the payment of any funds, the Grantee may exercise the Option and receive the net number of Shares equal to (i) the number of Shares as to which the Option is being exercised, multiplied by (ii) a fraction, the numerator of which is the Fair Market Value per Share (on such date as is determined by the Administrator) less the Exercise Price per Share, and the denominator of which is such Fair Market Value per Share (the number of net Shares to be received shall be rounded down to the nearest whole number of Shares); or

(vi) any combination of the foregoing methods of payment.

The Administrator may at any time or from time to time, by adoption of or by amendment to the standard forms of Award Agreement described in Section 4(b)(iv), or by other means, grant Awards which do not permit all of the foregoing forms of consideration to be used in payment for the Shares or which otherwise restrict one or more forms of consideration.

(c) Taxes. No Shares shall be delivered under the Plan to any Grantee or other person until such Grantee or other person has made arrangements acceptable to the Administrator for the satisfaction of any non-U.S., federal, state, or local income and employment tax withholding obligations, including, without limitation, obligations incident to the receipt of

Shares. Upon exercise or vesting of an Award the Company shall withhold or collect from the Grantee an amount sufficient to satisfy such tax obligations, including, but not limited to, by surrender of the whole number of Shares covered by the Award sufficient to satisfy the minimum applicable tax withholding obligations incident to the exercise or vesting of an Award (reduced to the lowest whole number of Shares if such number of Shares withheld would result in withholding a fractional Share with any remaining tax withholding settled in cash).

8. Exercise of Award.

(a) Procedure for Exercise; Rights as a Stockholder.

(i) Any Award granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement.

(ii) An Award shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised has been made, including, to the extent selected, use of the broker-dealer sale and remittance procedure to pay the purchase price as provided in Section 7(b)(iv).

(b) Exercise of Award Following Termination of Continuous Service.

(i) An Award may not be exercised after the termination date of such Award set forth in the Award Agreement and may be exercised following the termination of a Grantee's Continuous Service only to the extent provided in the Award Agreement.

(ii) Where the Award Agreement permits a Grantee to exercise an Award following the termination of the Grantee's Continuous Service for a specified period, the Award shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Award, whichever occurs first.

(iii) Any Award designated as an Incentive Stock Option to the extent not exercised within the time permitted by law for the exercise of Incentive Stock Options following the termination of a Grantee's Continuous Service shall convert automatically to a Non-Qualified Stock Option and thereafter shall be exercisable as such to the extent exercisable by its terms for the period specified in the Award Agreement.

9. Conditions Upon Issuance of Shares.

(a) If at any time the Administrator determines that the delivery of Shares pursuant to the exercise, vesting or any other provision of an Award is or may be unlawful under Applicable Laws, the vesting or right to exercise an Award or to otherwise receive Shares pursuant to the terms of an Award shall be suspended until the Administrator determines that such delivery is lawful and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Company shall have no obligation to effect any registration or qualification of the Shares under federal or state laws.

(b) As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any Applicable Laws.

10. Adjustments Upon Changes in Capitalization. Subject to any required action by the stockholders of the Company and Section 11 hereof, the number of Shares covered by each outstanding Award, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding Award, the maximum number of Shares with respect to which Awards may be granted to any Grantee in any calendar year, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company, or (iii) any other transaction with respect to Common Stock including a corporate merger, consolidation, acquisition of property or stock, separation (including a spin-off or other distribution of stock or property), reorganization, liquidation (whether partial or complete) or any similar transaction; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." In the event of any

distribution of cash or other assets to stockholders other than a normal cash dividend, the Administrator shall also make such adjustments as provided in this Section 10 or substitute, exchange or grant Awards to effect such adjustments (collectively "adjustments"). Any such adjustments to outstanding Awards will be effected in a manner that precludes the enlargement of rights and benefits under such Awards. In connection with the foregoing adjustments, the Administrator may, in its discretion, prohibit the exercise of Awards or other issuance of Shares, cash or other consideration pursuant to Awards during certain periods of time. Except as the Administrator determines, no issuance by the Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an Award.

11. Corporate Transactions and Changes in Control.

(a) Termination of Award to Extent Not Assumed in Corporate Transaction. Effective upon the consummation of a Corporate Transaction, all outstanding Awards under the Plan shall terminate. However, all such Awards shall not terminate to the extent they are Assumed in connection with the Corporate Transaction.

(b) Acceleration of Award Upon Corporate Transaction or Change in Control.

(i) Corporate Transaction. Except as provided otherwise in an individual Award Agreement, in the event of a Corporate Transaction, for the portion of each Award that is neither Assumed nor Replaced, such portion of the Award shall automatically become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value) for all of the Shares (or other consideration) at the time represented by such portion of the Award, immediately prior to the specified effective date of such Corporate Transaction, provided that the Grantee's Continuous Service has not terminated prior to such date.

(ii) Change in Control. Except as provided otherwise in an individual Award Agreement, in the event of a Change in Control (other than a Change in Control which also is a Corporate Transaction), each Award which is at the time outstanding under the Plan automatically shall become fully vested and exercisable and be released from any repurchase or forfeiture rights (other than repurchase rights exercisable at Fair Market Value), immediately prior to the specified effective date of such Change in Control, for all of the Shares (or other consideration) at the time represented by such Award, provided that the Grantee's Continuous Service has not terminated prior to such date.

(c) Effect of Acceleration on Incentive Stock Options. Any Incentive Stock Option accelerated under this Section 11 in connection with a Corporate Transaction or Change in Control shall remain exercisable as an Incentive Stock Option under the Code only to the extent the $100,000 dollar limitation of Section 422(d) of the Code is not exceeded.

12. Effective Date and Term of Plan. The Plan shall become effective upon the earlier to occur of its adoption by the Board or its approval by the stockholders of the Company. It shall continue in effect for a term of ten (10) years unless sooner terminated. Subject to Section 17, below, and Applicable Laws, Awards may be granted under the Plan upon its becoming effective.

13. Amendment, Suspension or Termination of the Plan.

(a) The Board may at any time amend, suspend or terminate the Plan; provided, however, that no such amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by Applicable Laws, or if such amendment would lessen the stockholder approval requirements of Section 4(b)(vi) or this Section 13(a).

(b) No Award may be granted during any suspension of the Plan or after termination of the Plan.

(c) No suspension or termination of the Plan (including termination of the Plan under Section 11, above) shall adversely affect any rights under Awards already granted to a Grantee.

14. Reservation of Shares.

(a) The Company, during the term of the Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

(b) The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. No Effect on Terms of Employment/Consulting Relationship. The Plan shall not confer upon any Grantee any right with respect to the Grantee's Continuous Service, nor shall it interfere in any way with his or her right or the right of the Company or any Related Entity to terminate the Grantee's Continuous Service at any time, with or without cause including, but not limited to, Cause, and with or without notice. The ability of the Company or any Related Entity to terminate the employment of a Grantee who is employed at will is in no way affected by its determination that the Grantee's Continuous Service has been terminated for Cause for the purposes of this Plan.

16. No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Related Entity, Awards shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Related Entity, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Pension Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

17. Stockholder Approval. The grant of Incentive Stock Options under the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted excluding Incentive Stock Options issued in substitution for outstanding Incentive Stock Options pursuant to Section 424(a) of the Code. Such stockholder approval shall be obtained in the degree and manner required under Applicable Laws. The Administrator may grant Incentive Stock Options under the Plan prior to approval by the stockholders, but until such approval is obtained, no such Incentive Stock Option shall be exercisable. In the event that stockholder approval is not obtained within the twelve (12) month period provided above, all Incentive Stock Options previously granted under the Plan shall be exercisable as Non-Qualified Stock Options.

18. Unfunded Obligation. Grantees shall have the status of general unsecured creditors of the Company. Any amounts payable to Grantees pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. Neither the Company nor any Related Entity shall be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Grantee account shall not create or constitute a trust or fiduciary relationship between the Administrator, the Company or any Related Entity and a Grantee, or otherwise create any vested or beneficial interest in any Grantee or the Grantee's creditors in any assets of the Company or a Related Entity. The Grantees shall have no claim against the Company or any Related Entity for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan.

19. Construction. Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

20. Nonexclusivity of The Plan. Neither the adoption of the Plan by the Board, the submission of the Plan to the stockholders of the Company for approval, nor any provision of the Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of Awards otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

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 20, 2012

/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 20, 2012

/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, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George A. Lopez, Chief Executive Officer of the Company, 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 results of operations of the Company.

July 20, 2012

/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, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott E. Lamb, Chief Financial Officer of the Company, 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 results of operations of the Company.

July 20, 2012

/s/ Scott E. Lamb
Scott E. Lamb