
**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, 2014**

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

(State or other jurisdiction of
incorporation or organization)

33-0022692

(I.R.S. Employer
Identification No.)

951 Calle Amanecer, San Clemente, California

(Address of principal executive offices)

92673

(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

Smaller reporting company

(Do not check if a 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 21, 2014

Common

15,269,056

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.

Index

<u>Part I - Financial Information</u>	<u>Page Number</u>
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets, at June 30, 2014 and December 31, 2013	<u>3</u>
Condensed Consolidated Statements of Income for the three and six months ended June 30, 2014 and 2013	<u>4</u>
Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2014 and 2013	<u>5</u>
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2014 and 2013	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>9</u>
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>17</u>
<u>Item 4.</u>	
<u>Controls and Procedures</u>	<u>17</u>
<u>Part II - Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>18</u>
<u>Item 1A. Risk Factors</u>	<u>18</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>18</u>
<u>Item 6. Exhibits</u>	<u>18</u>
<u>Signature</u>	<u>20</u>

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

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

	June 30, 2014	December 31, 2013
	(unaudited)	(1)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 235,951	\$ 226,022
Investment securities	79,896	70,869
Cash, cash equivalents and investment securities	315,847	296,891
Accounts receivable, net of allowance for doubtful accounts of \$1,201 at June 30, 2014 and \$1,208 at December 31, 2013	41,022	45,318
Inventories	37,819	34,451
Prepaid income taxes	6,651	5,966
Prepaid expenses and other current assets	6,729	7,319
Deferred income taxes	4,577	4,351
Total current assets	412,645	394,296
PROPERTY AND EQUIPMENT, net	91,899	87,861
GOODWILL	1,478	1,478
INTANGIBLE ASSETS, net	7,668	8,490
DEFERRED INCOME TAXES	5,827	7,518
	<u>\$ 519,517</u>	<u>\$ 499,643</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 11,328	\$ 11,335
Accrued liabilities	15,798	15,551
Total current liabilities	27,126	26,886
DEFERRED INCOME TAXES	4,211	3,630
INCOME TAX LIABILITY	2,713	4,402
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, 15,287 shares at June 30, 2014 and 15,103 shares at December 31, 2013; Outstanding, 15,268 shares June 30, 2014 and 15,102 shares at December 31, 2013	1,529	1,510
Additional paid-in capital	88,625	78,495
Treasury stock, at cost — 19 shares at June 30, 2014 and 1 shares at December 31, 2013	(1,188)	(49)
Retained earnings	395,111	382,576
Accumulated other comprehensive income	1,390	2,193
Total stockholders' equity	485,467	464,725
	<u>\$ 519,517</u>	<u>\$ 499,643</u>

(1) December 31, 2013 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,	
	2014	2013	2014	2013
REVENUES:				
Net sales	\$ 78,555	\$ 78,537	\$ 151,668	\$ 152,710
Other	122	124	239	250
TOTAL REVENUE	78,677	78,661	151,907	152,960
COST OF GOODS SOLD	41,135	40,623	78,338	78,128
Gross profit	37,542	38,038	73,569	74,832
OPERATING EXPENSES:				
Selling, general and administrative	24,278	23,182	46,797	46,048
Research and development	4,566	3,906	8,197	5,809
Total operating expenses	28,844	27,088	54,994	51,857
Income from operations	8,698	10,950	18,575	22,975
OTHER INCOME	207	212	417	380
Income before income taxes	8,905	11,162	18,992	23,355
PROVISION FOR INCOME TAXES	(3,027)	(3,795)	(6,457)	(7,303)
NET INCOME	\$ 5,878	\$ 7,367	\$ 12,535	\$ 16,052
NET INCOME PER SHARE				
Basic	\$ 0.39	\$ 0.50	\$ 0.83	\$ 1.10
Diluted	\$ 0.38	\$ 0.48	\$ 0.81	\$ 1.06
WEIGHTED AVERAGE NUMBER OF SHARES				
Basic	15,242	14,617	15,170	14,562
Diluted	15,362	15,216	15,439	15,147

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,	
	2014	2013	2014	2013
Net income	\$ 5,878	\$ 7,367	\$ 12,535	\$ 16,052
Other comprehensive income (loss), net of tax of \$(206) and \$230 for the three months ended June 30, 2014 and 2013, respectively and \$(227) and \$(263) for the six months ended June 30, 2014 and 2013, respectively:				
Foreign currency translation adjustment	(727)	1,149	(803)	(1,221)
Comprehensive income	\$ 5,151	\$ 8,516	\$ 11,732	\$ 14,831

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,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 12,535	\$ 16,052
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,666	9,589
Provision for doubtful accounts	3	40
Provision for warranty and returns	(597)	16
Stock compensation	4,459	2,822
Loss (gain) on disposal of property and equipment	2	(20)
Bond premium amortization	1,060	1,338
Cash provided (used) by changes in operating assets and liabilities		
Accounts receivable	4,786	(623)
Inventories	(3,456)	(186)
Prepaid expenses and other assets	548	649
Accounts payable	(134)	208
Accrued liabilities	498	(1,035)
Income taxes, including excess tax benefits and deferred income taxes	(95)	(2,894)
Net cash provided by operating activities	29,275	25,956
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(12,729)	(11,781)
Proceeds from sale of asset	5	20
Intangible asset additions	(377)	(633)
Purchases of investment securities	(60,090)	(45,368)
Proceeds from sale of investment securities	49,863	49,650
Net cash used by investing activities	(23,328)	(8,112)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	7,016	3,921
Proceeds from employee stock purchase plan	1,384	1,267
Tax benefits from exercise of stock options	1,985	3,084
Purchase of treasury stock	(5,835)	(1,792)
Net cash provided by financing activities	4,550	6,480
Effect of exchange rate changes on cash	(568)	(636)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,929	23,688
CASH AND CASH EQUIVALENTS, beginning of period	226,022	146,900
CASH AND CASH EQUIVALENTS, end of period	\$ 235,951	\$ 170,588

NON-CASH INVESTING ACTIVITIES

Accrued liabilities for property and equipment	\$	140	\$	228
------------------------------------------------	----	-----	----	-----

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

ICU Medical, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Three and Six Months Ended June 30, 2014 and 2013
(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, filed with the SEC for the year ended December 31, 2013.

We operate in one business segment engaged in the development, manufacturing and sale of innovative medical devices used in infusion therapy, oncology and critical care applications. Our 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 April 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") number 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity. This ASU changes the criteria for reporting discontinued operations and adds additional disclosures on discontinued operations. ASU 2014-08 improves the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have or will have a major effect on an entities operations and financial results. Under current U.S. GAAP, disposals of small groups of assets that are recurring in nature and do not change an entity's strategy currently qualify for discontinued operations. ASU 2014-08 is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted. We do not anticipate a material impact on our consolidated financial statements from adoption of this ASU.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 removes inconsistencies and weaknesses in revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, provides more useful information to users of financial statements through improved disclosure requirements and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. This guidance requires that an entity depict the consideration by applying a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We are currently assessing the impact that adopting this new accounting update will have on our consolidated financial statements and footnote disclosures.

In June 2014, the FASB issued ASU No. 2014-12, Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period. ASU 2014-12 requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in ASU 2014-12 either: (a) prospectively to all awards granted or

[Table of Contents](#)

modified after the effective date; or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We are currently assessing the impact that adopting this new accounting update will have on our consolidated financial statements and footnote disclosures.

Note 3: Fair Value Measurement

Our investment securities consist of certificates of deposit, corporate bonds, commercial paper and federal tax-exempt state and municipal government debt. 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. As of June 30, 2014, we had \$5.6 million of our investment securities as Level 1 assets, which are certificates of deposit with quoted prices in active markets, and \$74.3 million of our investment securities as Level 2 assets, which are pre-refunded municipal securities, non-pre-refunded municipal securities, corporate bonds and commercial paper and have observable market based inputs such as quoted prices, interest rates and yield curves. The following table provides the assets and liabilities carried at fair value measured on a recurring basis.

Fair value measurements at June 30, 2014 using				
	Total carrying value	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Available for sale securities	\$ 79,896	\$ 5,560	\$ 74,336	\$ —
	\$ 79,896	\$ 5,560	\$ 74,336	\$ —

Fair value measurements at December 31, 2013 using				
	Total carrying value	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	\$ 70,869	\$ 3,205	\$ 67,664	\$ —
	\$ 70,869	\$ 3,205	\$ 67,664	\$ —

Note 4: Investment Securities

Our investment securities consist of certificates of deposit, corporate bonds, commercial paper and federal tax-exempt state and municipal government debt. 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 loss in the stockholders' equity section of our consolidated balance sheets. We had no gross unrealized gains or losses on available-for-sale securities at June 30, 2014 or December 31, 2013. The scheduled maturities of the debt securities are between 2014 and 2045 and are all callable within one year. The investment securities consist of the following at June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Federal tax-exempt debt securities	\$ 18,524	\$ 21,968
Corporate bonds	51,584	45,696
Commercial paper	4,228	—
Certificates of deposit	5,560	3,205
	\$ 79,896	\$ 70,869

Note 5: Inventories

Inventories consisted of the following:

	June 30, 2014	December 31, 2013
Raw material	\$ 21,304	\$ 21,867
Work in process	4,476	2,749
Finished goods	12,039	9,835
Total	<u>\$ 37,819</u>	<u>\$ 34,451</u>

Note 6: Property and Equipment

Property and equipment consisted of the following:

	June 30, 2014	December 31, 2013
Machinery and equipment	\$ 91,947	\$ 84,317
Land, building and building improvements	64,316	64,238
Molds	32,737	30,813
Computer equipment and software	22,403	21,625
Furniture and fixtures	3,655	3,552
Construction in progress	10,146	8,456
Total property and equipment, cost	<u>225,204</u>	<u>213,001</u>
Accumulated depreciation	<u>(133,305)</u>	<u>(125,140)</u>
Net property and equipment	<u>\$ 91,899</u>	<u>\$ 87,861</u>

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 266,000 and 9,000 for the three months ended June 30, 2014 and June 30, 2013, respectively. Options that are anti-dilutive because their exercise price exceeded the average market price of the common stock for the period approximated 235,000 and 5,000 for the six months ended June 30, 2014 and June 30, 2013, 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,	
	2014	2013	2014	2013
Net income	\$ 5,878	\$ 7,367	\$ 12,535	\$ 16,052
Weighted average number of common shares outstanding (for basic calculation)	15,242	14,617	15,170	14,562
Dilutive securities	120	599	269	585
Weighted average common and common equivalent shares outstanding (for diluted calculation)	<u>15,362</u>	<u>15,216</u>	<u>15,439</u>	<u>15,147</u>
EPS — basic	\$ 0.39	\$ 0.50	\$ 0.83	\$ 1.10
EPS — diluted	\$ 0.38	\$ 0.48	\$ 0.81	\$ 1.06

Note 8: Major Customer

We had revenues equal to 10% or more of total revenues from one customer, Hospira, Inc. Such revenues were 36% and 42% of total revenue for the three months ended June 30, 2014 and 2013, respectively, and 35% and 40% of total revenue for the six months ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and December 31, 2013, we had accounts receivable from Hospira of 33% and 32% of consolidated accounts receivable, respectively.

Note 9: Income Taxes

Income taxes were accrued at an estimated effective tax rate of 34% and 31% in the first half of 2014 and 2013, 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, deductions for domestic production activities and discrete tax items.

Note 10: Commitments and Contingencies

From time to time, we are involved in various legal proceedings, most of which are routine litigation, in the normal course of business. Our management does not believe that the resolution of the other legal proceedings that we are involved with will have a material adverse impact on our financial position or results of operations.

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.

Note 11: Subsequent Event

In late July 2014, we reorganized our U. S. commercial organization, resulting in a reduction in force. We will have a restructuring charge in third quarter of 2014, primarily comprised of severance expenses, estimated to be approximately \$3.0 million.

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 infectious diseases or hazardous drugs. Our complete product line includes needlefree infusion connectors, custom infusion systems, hemodynamic monitoring systems and Closed System Transfer Devices ("CSTD") and systems for handling hazardous drugs.

Business Overview

In the early 1990s, we launched the Clave, an innovative one-piece, needlefree infusion connection device. The Clave is a leader in worldwide connector sales. The Clave's unique design ensures compliance with needlefree policies because it is rendered non-functional when use of a needle is attempted. Our Clave products accounted for 35% of our revenues in 2013.

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 growth strategies is through acquisitions of companies, assets or product lines. We are continuously exploring acquisition opportunities, however 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 2013, we introduced the ChemoLock CSTD. ChemoLock prevents the escape of hazardous drug or vapor concentrations, blocks the transfer of environmental contaminants into the system, and eliminates needlestick injuries. In 2011 and 2012, we introduced the Neutron, a catheter patency device using Clave technology, the NanoClave, a smaller Clave product designed for neonatal and pediatric patients and the Diana Hazardous Drug Compounding System, an automated sterile compounding

[Table of Contents](#)

system for preparing hazardous drugs. 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, but are not limited to, our 2014 agreement with Premier, the extension of the term of our agreement with MedAssets and our 2011 agreement with Novation covering all our critical care products. 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 55 countries throughout the world. We categorize our products into three main market segments: Infusion Therapy, Critical Care and Oncology. In prior periods, we included Tego needlefree hemodialysis connector and Lopez enteral valve under "Other". These are now included under Infusion Therapy. Our primary products include:

Infusion Therapy

- Needlefree connector products
 - MicroClave and MicroClave Clear
 - Anti-Microbial MicroClave
 - Neutron
 - NanoClave
 - Clave
 - Y-Clave
 - Anti-Microbial Clave
- Custom infusion sets
- Tego needlefree hemodialysis connector
- Lopez enteral valve

Critical Care

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

Oncology

- ChemoLock closed system transfer device and components
- ChemoClave closed system transfer device and components including:
 - Genie closed vial access device
 - Spiros closed male luer
- Custom preparation and administration sets and accessories
- Diana hazardous drug compounding system

Our largest customer is Hospira. Hospira accounted for 35%, 39% and 42% of our worldwide revenues in the first six months of 2014 and each of the years ended 2013 and 2012, 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. 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. We expect that Hospira will continue to be important to our growth for Clave, custom infusion sets and our other products worldwide.

[Table of Contents](#)

Revenues for the first six months of 2014 and the years ended 2013 and 2012 were \$151.9 million, \$313.7 million and \$316.9 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 and oncology products. Under a 2001 agreement, we sell custom infusion sets to Hospira under a program referred to as SetSource. Our 1995 and 2001 agreements with Hospira provide Hospira with conditional exclusive and nonexclusive rights to distribute all existing ICU Medical products worldwide with terms that extend through most of 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. 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 as a percentage of total revenues.

Market segment	Three months ended June 30,		Six months ended June 30,		Fiscal year ended	
	2014	2013	2014	2013	2013	2012
Infusion therapy	70%	71%	70%	72%	71%	72%
Critical care	17%	16%	18%	17%	17%	17%
Oncology	12%	12%	12%	11%	12%	10%
Other	1%	1%	—%	—%	—%	1%
	100%	100%	100%	100%	100%	100%

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, 2014 and 2013 and the year ended December 31, 2013, 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
	2014	2013	2014	2013	2013
Total revenues	100%	100%	100%	100%	100%
Gross margin	48%	48%	48%	49%	49%
Selling, general and administrative expenses	31%	29%	31%	30%	28%
Research and development expenses	6%	5%	5%	4%	4%
Total operating expenses	37%	34%	36%	34%	32%
Income from operations	11%	14%	12%	15%	17%
Other income	—%	—%	—%	—%	—%
Income before income taxes	11%	14%	12%	15%	17%
Income taxes	4%	5%	4%	5%	4%
Net income	7%	9%	8%	10%	13%

Subsequent Event

In late July 2014, we reorganized our U. S. commercial organization, resulting in a reduction in force. We will have a restructuring charge in third quarter of 2014, primarily comprised of severance expenses, estimated to be approximately \$3.0 million. Our sales expenses will be favorably impacted from this reduction in force beginning in the third quarter of 2014.

Quarter Ended June 30, 2014 Compared to the Quarter Ended June 30, 2013

Revenues were \$78.7 million in the second quarter of 2014 and in the second quarter of 2013.

Infusion Therapy: Net infusion therapy sales were \$55.3 million in the second quarter of 2014, a decrease of \$0.9 million, or 2%, from the second quarter of 2013. Domestic infusion therapy sales were \$40.5 million in the second quarter of 2014, a decrease of \$2.6 million, or 6%, from the second quarter of 2013. The decrease in domestic infusion therapy was primarily from \$3.2 million in lower sales to Hospira, partially offset by \$0.6 million in increased domestic sales to distributors and direct customers. International infusion therapy sales were \$14.8 million in the second quarter of 2014, an increase of \$1.7 million, or 13%, from the second quarter of 2013. The increase in international infusion therapy sales is from higher unit sales and higher average selling prices ("ASPs") due to change in product mix outside of Europe.

Critical Care: Net critical care sales were \$13.7 million in the second quarter of 2014, an increase of \$1.0 million, or 8%, from the second quarter of 2013. Domestic critical care sales were \$9.9 million in the second quarter of 2014, an increase of \$0.4 million, or 4%, from the second quarter of 2013 due to higher unit sales and higher average selling prices due to change in product mix. International critical care sales were \$3.8 million in the second quarter of 2014, an increase of \$0.6 million, or 18%, from the second quarter of 2013 due to higher unit sales and higher ASPs due to change in product mix inside and outside of Europe.

Oncology: Net oncology sales were \$9.3 million in the second quarter of 2014 and \$9.4 million in the second quarter of 2013. Domestic oncology sales were \$3.9 million in the second quarter of 2014, a decrease of \$0.2 million, or 5%, from the second quarter of 2013. The decrease in domestic oncology was from lower unit sales to Hospira. International oncology sales were \$5.4 million in the second quarter of 2014, an increase of \$0.1 million, or 4%, from the second quarter of 2013 due to higher unit sales outside of Europe.

Gross margins for the second quarters of 2014 and 2013 were 47.7% and 48.4%, respectively. The decrease in gross margin was due to unfavorable change in product mix and temporary rework on one of our product lines, partially offset by lower logistic expenses.

Selling, general and administrative expenses (“SG&A”) were \$24.3 million, or 31% of revenues, in the second quarter of 2014, compared with \$23.2 million, or 29%, of revenues in second quarter of 2013. The increase in SG&A expenses is primarily from \$1.0 million in higher stock compensation expense.

Research and development expenses (“R&D”) were \$4.6 million, or 6% of revenue, in the second quarter of 2014 compared to \$3.9 million, or 5%, of revenue in the second quarter of 2013. The increase in R&D expenses was primarily from increased compensation and benefits expenses from an increase in employees and increased external R&D project expenses. Our R&D team focuses on filling in product line gaps and product enhancements for our product line target markets and creating additional market opportunities.

Other income was \$0.2 million in the second quarter of 2014 and in the second quarter of 2013.

Income taxes were accrued at an estimated effective tax rate of 34% in the second quarter of 2014 and in the second quarter of 2013. 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.

Six Months Ended June 30, 2014 Compared to the Six Months Ended June 30, 2013

Revenues were \$151.9 million in the first six months of 2014, compared to \$153.0 million in the first six months of 2013.

Infusion Therapy: Net infusion therapy sales were \$106.1 million in the first six months of 2014, a decrease of \$3.3 million, or 3%, from the first six months of 2013. Domestic infusion therapy sales were \$75.7 million in the first six months of 2014, a decrease of \$6.4 million, or 8%, from the first six months of 2013. The decrease in domestic infusion therapy was from \$7.5 million in lower sales to Hospira, partially offset by \$1.1 million in increased domestic sales to distributors and direct customers. International infusion therapy sales were \$30.4 million in the first six months of 2014, an increase of \$3.1 million, or 11%, from the first six months of 2013. The increase in international infusion therapy sales is primarily from higher unit sales and higher ASPs due to change in product mix outside of Europe.

Net critical care sales were \$26.8 million in the first six months of 2014, an increase of \$1.4 million, or 6%, from the first six months of 2013. Domestic critical care sales were \$19.2 million in the first six months of 2014, an increase of \$0.5 million, or 3%, from the first six months of 2013 due to higher unit sales and higher average selling prices due to change in product mix. International critical care sales were \$7.6 million in the first six months of 2014, an increase of \$0.9 million, or 13%, from the first six months of 2013 due to higher unit sales and higher ASPs due to change in product mix inside and outside of Europe.

Net oncology sales were \$18.3 million in the first six months of 2014, an increase of \$0.8 million, or 5%, from the first six months of 2013. Domestic oncology sales were \$7.8 million in the first six months of 2014, an increase of \$0.3 million, or 4%, from the first six months of 2013. The increase in domestic oncology was from higher unit sales to distributors and direct customers. International oncology sales were \$10.5 million in the first six months of 2014, an increase of \$0.5 million, or 5%, from the first six months of 2013 due to higher unit sales in Europe.

Gross margins for the first half of 2014 and 2013 were 48.4% and 48.9%, respectively. The decrease in gross margin was due to unfavorable change in product mix and temporary rework of one of our product lines, partially offset by lower logistic expenses.

SG&A were \$46.8 million, or 31% of revenues, in the first six months of 2014, compared with \$46.0 million, or 30% of revenues, in the first six months of 2013. The increase was primarily from \$1.5 million in higher stock compensation expense and \$0.8 million in higher legal expenses, partially offset by \$0.9 million in lower travel expenses and \$0.6 million in lower incentive compensation expenses.

R&D were \$8.2 million, or 5% of revenue, in the first six months of 2014 compared to \$5.8 million, or 4% of revenue, in the first six months of 2013. The increase in R&D expenses was primarily from increased compensation and benefit expenses from an increase in R&D employees and increased external R&D project expenses.

Other income was \$0.4 million in the first six months of 2014 and in the first six months of 2013.

[Table of Contents](#)

Income taxes were accrued at an estimated effective tax rate of 34% in the first six months of 2014 compared to 31% in the first six months of 2013. The rate differed from the statutory corporate rate of 35% principally because of the effect of foreign and state income taxes, tax credits, deductions for domestic production activities and discrete tax items.

Liquidity and Capital Resources

During the first six months of 2014, our cash, cash equivalents and investment securities increased by \$18.9 million from \$296.9 million at December 31, 2013 to \$315.8 million at June 30, 2014.

Operating Activities: Our cash provided by operating activities 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 \$29.3 million in the first six months of 2014. Net income plus adjustments for non-cash net expenses contributed \$27.1 million to cash provided by operations. Changes in operating assets and liabilities contributed \$2.1 million to cash provided by operations. The \$4.8 million decrease in accounts receivable and \$3.5 million increase in inventory were the largest changes in operating assets and liabilities. The decrease in accounts receivable was primarily due to improved day sales outstanding and from lower revenue in the second quarter of 2014 compared to the fourth quarter of 2013. The increase in inventory was primarily due to higher finished goods inventory and work in progress inventory.

Investing Activities: Our cash used by investing activities was \$23.3 million in the first six months of 2014, which was primarily comprised of \$12.7 million in capital purchases and net investment purchases of \$10.2 million. Our property, plant and equipment purchases were primarily for the plant expansion, machinery, equipment and mold additions in our Salt Lake City plant, machinery and equipment additions in our Mexico plant and investments in IT that benefit world-wide operations.

While we can provide no assurances, we estimate that our capital expenditures in 2014 will approximate \$16.0 million to \$19.0 million. The construction for the expansion of our Salt Lake City plant was completed in June 2014. Capital expenditures for the plant expansion were approximately \$7.0 million in the first six months of 2014. We also anticipate making additional investments in molds, machinery and equipment in our manufacturing operations in the United States and Mexico to support new and existing products and investments in IT that benefit world-wide operations. We expect to use our cash and investments to fund our capital purchases. These planned amounts of spending are estimates and actual spending may substantially differ from these amounts.

Financing Activities: Our cash provided by financing activities was \$4.6 million in the first six months of 2014. Cash and tax benefits provided by the exercise of stock options and shares purchased by our employees under the employee stock purchase plan was \$10.4 million in the first six months of 2014. In the first six months of 2014, we withheld 2,763 shares of our common stock from option exercises and 4,232 shares of our common stock from vested restricted stock units as consideration for \$0.2 million in payments for the employee's share award tax withholding obligations.

In July 2010, our Board of Directors approved a share purchase plan to purchase up to \$40.0 million of our common stock. We purchased \$5.6 million in our common stock in the first half of 2014, all in the first quarter. As of June 30, 2014, we purchased \$17.5 million of our common stock pursuant to this plan, leaving a balance of \$22.5 million available for future purchases. 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, 2014, we have \$17.8 million of cash and cash equivalents held by our foreign subsidiaries, the majority of which is available to fund foreign 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.

[Table of Contents](#)

We have contractual obligations, at June 30, 2014, 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 \$2.7 million due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities.

Contractual Obligations	(in thousands)				
	Total	2014	2015	2016	2017
Operating leases	\$ 361	\$ 147	\$ 151	\$ 63	—
Service agreements	256	227	13	13	3
Purchase obligations	4,394	4,394	—	—	—
	<u>\$ 5,011</u>	<u>\$ 4,768</u>	<u>\$ 164</u>	<u>\$ 76</u>	<u>3</u>

Critical Accounting Policies

In our Annual Report on Form 10-K for the year ended December 31, 2013, 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 of Financial Condition and Results of Operations, 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 "anticipate," "believe," "expect," "estimate," "intend," "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 of products; expected increases or decreases in sales; 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; planned capital purchases for molds, machinery and equipment in our manufacturing operations and investments in information technology; results of R&D; business seasonality and fluctuations in quarterly results; customer ordering patterns, production scheduling and inventory levels 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; 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

[Table of Contents](#)

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; expectations regarding days' sales outstanding in Hospira accounts receivable; the outcome of our strategic initiatives; outcome of litigation; competitive and market factors, including continuing development of competing products by other manufacturers; 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, 2013 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

Financial Market Risk

We had a portfolio of federal tax-exempt state and municipal government bonds, corporate bonds, commercial paper and certificates of deposit of \$79.9 million as of June 30, 2014. The securities are all "investment grade", comprised of \$17.8 million of pre-refunded municipal securities, \$0.7 million of non-pre-refunded municipal securities, \$51.6 million in corporate bonds, \$4.2 million in commercial paper and \$5.6 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 \$0.5 million to investment income based on the investment securities balance at June 30, 2014.

Foreign Exchange Risk

We have foreign currency exchange risk related to foreign-denominated cash, short-term investments, accounts receivable and accounts payable. In our European operations, our net Euro asset position at June 30, 2014 was approximately €17.3 million. We also have approximately €49.7 million in Euro denominated cash and investment accounts held by our corporate entity. 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, 2014 spot rate would impact our consolidated amounts on these balance sheet items by approximately \$9.1 million, or 2.7% 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.

Sales from the U.S. to foreign distributors are 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, although 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 2013 and our manufacturing spending from 2013 would have impacted 2013 cost of goods sold by approximately \$2.4 million.

Commodity Risk

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 2013, a 10% increase to the price of resin would have resulted in approximately a \$1.2 million change in material cost.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

There was no change in our internal control over financial reporting during the quarter ended June 30, 2014 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 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, 2013, 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, 2013.

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 2014:

<u>Period</u>	<u>Shares purchased</u>	<u>Average price paid per share</u>	<u>Shares purchased as part of a publicly announced program</u>	<u>Approximate dollar value that may yet be purchased under the program</u>
04/01/2014 — 04/30/2014	—	\$ —	—	\$ 22,522,000
05/01/2014 — 05/31/2014	—	—	—	22,522,000
06/01/2014 — 06/30/2014	—	—	—	22,522,000
Second quarter of 2014 total	—	\$ —	—	\$ 22,522,000

[Table of Contents](#)

Item 6. Exhibits

Exhibit 3.1	Amended and Restated Certificate of Incorporation (1)
Exhibit 10.1	Employment Agreement between Registrant and George A. Lopez, M.D. effective October 21, 2013*
Exhibit 10.2	Amended and Restated Retention Agreement between Registrant and George A. Lopez, M.D. effective October 21, 2013*
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

* Executive compensation plan or other arrangement

(1) Filed as an Exhibit to Registrant's Current Report on Form 8-K filed June 10, 2014, and incorporated herein by reference.

[Table of Contents](#)

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: August 11, 2014

Scott E. Lamb

Chief Financial Officer

(Principal Financial Officer)

Exhibit Index

Exhibit 10.1	Employment Agreement between Registrant and George A. Lopez, M.D. effective October 21, 2013
Exhibit 10.2	Amended and Restated Retention Agreement between Registrant and George A. Lopez, M.D. effective October 21, 2013
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

2013 AMENDED AND RESTATED RETENTION AGREEMENT

This AMENDED AND RESTATED RETENTION AGREEMENT is entered into as of this 21st day of October, 2013, by and between ICU MEDICAL, INC., a Delaware corporation (the “Company”) and George A. Lopez (the “Employee”), and supersedes in their entirety the RETENTION AGREEMENT entered into by the Company and the Employee as of January 29, 2010 and the AMENDED AND RESTATED RETENTION AGREEMENT entered into by the Company and the Employee as of November 3, 2010.

RECITALS

WHEREAS, the Company recognizes that, as is the case with many publicly-held corporations, the possibility of a change in control of the Company exists and that the uncertainties raised by such a possibility may result in the distraction or even the premature departure of the Employee to the detriment of the Company and its stockholders, and

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that appropriate steps should be taken to reinforce and encourage the continued employment and dedication of the Employee without distraction from the possibility of a change in control of the Company and related events and circumstances.

NOW, THEREFORE, as an inducement for and in consideration of the Employee remaining in its employ, the Company agrees that the Employee shall receive the severance benefits set forth in this Agreement in the event the Employee’s employment with the Company is terminated under the circumstances described below subsequent to a Change in Control (as defined in Section 1.1).

1. Key Definitions.

As used herein, the following terms shall have the following respective meanings:

1.1 “Change in Control” means

(a) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (a “Person”) of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of either (i) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this subsection 1.1(a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which complies with all of clauses (i), (ii) and (iii) of subsection (c) of this Section 1.1; or

(b) individuals who, as of the date hereof, constitute the members of the Board (the “Incumbent Directors”) ceasing for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the Incumbent Directors then in office shall be deemed to be an Incumbent Director (except that this

proviso shall not apply to any individual whose initial election as a director occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board); or

(c) the consummation of a reorganization, merger or consolidation involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless, immediately following such Business Combination, each of the following three conditions is satisfied: (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries)(such resulting or acquiring corporation is referred to as the "Acquiring Corporation") in substantially the same proportions, relative to one another, as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, (ii) no Person (excluding the Acquiring Corporation or any employee benefit plan (or related trust) maintained or sponsored by the Company or the Acquiring Corporation) beneficially owns, directly or indirectly, 50% or more of the then-outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding voting securities of such corporation (except to the extent that such ownership existed prior to the Business Combination) and (iii) a majority of the members of the board of directors of the Acquiring Corporation were Incumbent Directors at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval of the stockholders of the Company of a complete liquidation or dissolution of the Company; provided that in each case a Change in Control must constitute a "change in control event" under Code Section 409A.

1.2 "Change in Control Date" means the applicable date on which a Change in Control occurs if one or more Change in Control events occur during the Term (as defined in Section 2). Anything in this Agreement to the contrary notwithstanding, if a Change in Control occurs and if the Employee's employment with the Company is terminated prior to the Change in Control Date or if any event which constitutes Good Reason (as defined in Section 1.4) occurs prior to the Change in Control Date, and if it is reasonably demonstrated by the Employee that such termination of employment or event which constitutes Good Reason (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, then for all purposes of this Agreement the "Change in Control Date" shall mean the date immediately prior to the date of such termination of employment or event which constitutes Good Reason.

1.3 "Cause" means:

(e) the Employee's intentional, willful and continuous failure to substantially perform his reasonable assigned duties (other than any such failure resulting from incapacity due to physical or mental illness), which failure is materially and demonstrably injurious to the Company, and which failure is not cured within 30 days after a written demand for substantial performance is received by the Employee from the Board which specifically identifies the manner in which the Board believes the Employee has not substantially performed the Employee's duties, provided, however, that there shall be no specific requirement mandating (i) the number of hours worked in any particular month or other given time period, or (ii) the location such work is to be performed; or

(f) the Employee's conviction of a felony or for other illegal conduct which is materially and demonstrably injurious to the Company.

For purposes of this Section 1.3, no act or failure to act by the Employee shall be considered “willful” unless it is done, or omitted to be done, in bad faith and without reasonable belief that the Employee’s action or omission was in the best interests of the Company. The determination of whether Employee is being terminated for Cause or whether the event or condition constituting Cause is curable shall be made in good faith by the Board.

1.4 “Good Reason” means the occurrence, without the Employee’s written consent, of any of the events or circumstances set forth in clauses (a) through (f) below. Notwithstanding the occurrence of any such event or circumstance, such occurrence shall not be deemed to constitute Good Reason if, prior to the Date of Termination specified in the Notice of Termination (each as defined in Section 3.2(a)) given by the Employee in respect thereof, such event or circumstance has been fully corrected and the Employee has been reasonably compensated for any losses or damages resulting therefrom; provided that such right of correction by the Company shall only apply to the first Notice of Termination for Good Reason given by the Employee:

(g) any significant diminution in the Employee’s duties, responsibilities or authority in effect immediately prior to the earliest to occur of (i) a Change in Control Date, (ii) the date of the execution by the Company of the initial written agreement or instrument providing for a Change in Control or (iii) the date of the adoption by the Board of a resolution providing for a Change in Control (with the earliest to occur of such dates referred to as the “Measurement Date”);

(h) any reduction in the Employee’s annual base salary as in effect on the Measurement Date or as the same may be increased from time to time;

(i) the failure by the Company to (i) continue in effect any material compensation or benefit plan or program (a “Benefit Plan”) in which the Employee participates or which is applicable to the Employee immediately prior to the Measurement Date, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan or reasonable cash compensation in lieu thereof) has been made with respect to such plan or program, (ii) continue the Employee’s participation in a Benefit Plan (or in such substitute or alternative plan or make reasonable cash compensation in lieu thereof) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Employee’s participation relative to other participants, than the basis existing immediately prior to the Measurement Date or (iii) award cash bonuses to the Employee in amounts and in a manner substantially consistent with past practice in light of the Company’s financial performance;

(j) a material change by the Company in the location at which the Employee performs the Employee’s principal duties for the Company to a new location that is either (i) outside a radius of 35 miles from the Employee’s principal residence immediately prior to the Measurement Date; (ii) more than 30 miles from the location at which the Employee performs his principal duties for the Company immediately prior to the Measurement Date, and which results in a material increase in the Employee’s daily commuting distance; or (iii) a requirement by the Company that the Employee travel on Company business (to locations outside a radius of 35 miles from the Employee’s principal residence immediately prior to the Measurement Date and more than 30 miles from the location at which the Employee performs his principal duties for the Company immediately prior to the Measurement Date) to a materially greater extent than required immediately prior to the Measurement Date;

(k) any material breach by the Company of any employment agreement with the Employee, including any intentional or commercially unreasonable failure of the Company to pay or provide to the Employee any portion of the Employee’s compensation or benefits due under any Benefit Plan within seven days of the date such compensation or benefits are due, or the failure of the Company to obtain the agreement, in a form reasonably satisfactory to the Employee, from any successor to the Company to assume and agree to perform this Agreement, as required by Section 6; or

(l) the Employee has a disability, meaning that the Employee is unable to perform his duties under his employment agreement with the Company, dated as of October 21, 2013 (the "Employment Agreement"), for 180 consecutive calendar days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Employee or the Employee's legal representative and acceptable to the Company or its insurers (the "Physician"), or that the Physician determines that the Employee is immediately unable to perform the essential functions of his duties with or without reasonable accommodation due to bodily injury or sickness, including mental or nervous disorder, and the inability to perform the essential functions is expected to last at least 180 consecutive calendar days.

1.5 "Effective Date" means the date as of which this Agreement is entered into.

2. Term of Agreement. This Agreement, and all rights and obligations of the parties hereunder, shall take effect upon the Effective Date and shall expire upon the first to occur of

(a) the expiration of the Term (as defined below) if (i) a Change in Control has not occurred during the Term or (ii) the only Change in Control event(s) during the Term have occurred prior to the 24-month period preceding the expiration of the Term and the Employee was still employed by the Company 24 months after the Change in Control Date(s);

(b) if a Change in Control has occurred within the 24-month period preceding the expiration of the Term, the date 24 full calendar months after the Change in Control Date, if the Employee is still employed by the Company as of such later date; or

(c) if a Change in Control has occurred at any time during the Term and the Employee's employment with the Company terminates within 24 full calendar months following the Change in Control Date, the fulfillment by the Company of all of its obligations under Sections 4 and 6, provided that Section 5 shall remain in effect from the Effective Date until 24 full calendar months after the Date of Termination of the Employee.

"Term" shall mean the period commencing as of the Effective Date and continuing in effect through January 31, 2016.

3. Employment Status: Termination Following Change in Control.

3.1 Not an Employment Contract. The Employee acknowledges that this Agreement does not constitute a contract of employment or impose on the Company any obligation to retain the Employee as an employee and that this Agreement does not prevent the Employee from terminating employment at any time. If the Employee's employment with the Company terminates for any reason not in connection with or in anticipation of a Change in Control and subsequently a Change in Control occurs, the Employee shall not be entitled to any benefits hereunder, except as otherwise provided pursuant to Section 1.2.

3.2 Termination of Employment.

(d) If a Change in Control Date occurs during the Term, any termination of the Employee's employment by the Company or by the Employee within 24 full calendar months following the Change in Control Date (other than due to the death of the Employee) shall be communicated by a written notice to the other party hereto (the "Notice of Termination"), given in accordance with Section 7. Any Notice of Termination shall: (i) indicate the specific termination provision (if any) of this Agreement relied upon by the party giving such notice; (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination for the Employee's employment under the provision so indicated and (iii) specify the Date of Termination (as defined below). The date on which an employment termination becomes effective (the "Date of Termination") shall be the close of business on the date specified in the Notice of Termination (which date shall be 30 days after the date of delivery of such Notice of Termination), in the case of a termination other than due to the Employee's death or the date of the Employee's death, as the case may be.

(e) The failure by the Employee or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Employee or the Company, respectively, to assert any such fact or circumstance in enforcing the Employee's or the Company's right hereunder.

(f) Any Notice of Termination for Cause given by the Company must be given within 60 days of the occurrence of the event(s) or circumstance(s) which constitute(s) Cause. Prior to any Notice of Termination for Cause being given (and prior to any termination for Cause being effective), the Employee shall be entitled to a hearing before the Board at which he may, at his election, be represented by counsel and at which he shall have a reasonable opportunity to be heard. Such hearing shall be held with not less than 15 days' prior written notice to the Employee stating the Board's intention to terminate the Employee for Cause and stating in detail the particular event(s) or circumstance(s) which the Board believes constitutes Cause for termination,

(g) Any Notice of Termination for Good Reason given by the Employee must be given within 60 days of the occurrence of the event(s) or circumstance(s) which constitute Good Reason.

4. Benefits to Employee.

4.1 Compensation. If a Change in Control Date occurs during the Term and the Employee's employment with the Company terminates within 24 full calendar months following the Change in Control Date, the Employee shall be entitled to the following benefits:

(h) Termination Without Cause or for Good Reason following a Change in Control. If the Employee's employment with the Company is terminated by the Company (other than for Cause or death) or by the Employee for Good Reason within 24 full calendar months following the Change in Control Date, then the Employee shall be entitled to the following benefits:

(i) The Company shall pay to the Employee in a lump sum in cash within 60 days after the Date of Termination the aggregate of the following amounts (provided that, in the event the Employee is entitled to benefits under this Section 4.1(a) as a result of a qualifying termination of the Employee's employment that occurs prior to a Change in Control as provided by Section 1.2 of this Agreement, such lump sum payment shall be made within 60 days after the applicable date on which the Change in Control occurs provided Employee makes a valid claim within 45 days after the applicable date on which the Change in Control occurs):

(1) the sum of (A) the Employee's annual base salary through the Date of Termination and (B) the product of (x) the Employee's total on target semi-annual and annual bonuses for the current fiscal year (meaning the maximum amount of bonus for which the Employee is eligible for the entire fiscal year, if any, under the Company's Employee bonus plan) (the "Target Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, less (C) the amount of any annual compensation previously paid, whether in quarterly bonus payments, or otherwise, (the sum of the amounts described in clauses (A) and (B), less the amount previously paid in (C), shall be referred to as the "Accrued Obligations"); and

(2) two hundred percent (200%) of the higher of (A) the sum of the Employee's annual base salary as of the date immediately before the Date of Termination and the Employee's Target Bonus, if any, for the current fiscal year; or (B) the sum of the amounts paid for the Employee's annual base salary and bonus in the fiscal year that is up to two (2) years prior to the fiscal year in which the Date of Termination occurs.

(ii) To the extent not previously paid or provided, the Company shall timely pay or provide to the Employee any other amounts or benefits required to be paid or provided or which the Employee is eligible to receive following the Employee's termination of employment under any plan, program, policy, practice, contract or agreement of the Company (such other amounts and benefits shall be referred to as the "Other Benefits");

(iii) The Employee will be entitled to continue to use all of the Company's San Clemente facilities for a period of five years to the extent that the Company maintains such facilities;

(iv) Notwithstanding any provision of this Agreement, (A) awards that have been granted to the Employee under the LTRP ("LTRP Awards") that have not been paid in accordance with the terms of the LTRP shall not be considered Accrued Obligations, Target Bonus or benefits to be provided in accordance with Benefit Plans for purposes of determining amounts to be paid under this Section 4.1 and (B) LTRP Awards are Other Benefits that will be paid or not paid, as the case may be, in accordance with the terms the LTRP.

(i) Resignation without Good Reason, Termination for Cause, or Termination for Death Following a Change in Control. If the Employee voluntarily terminates his employment with the Company within 24 full calendar months following a Change in Control Date, excluding a termination for Good Reason, or the Employee's employment with the Company is terminated by the Company for Cause, or by reason of the Employee's death within 24 full calendar months following a Change in Control Date, then the Company shall (i) pay the Employee (or his estate, if applicable), in a lump sum in cash within 60 days after the Date of Termination, the Accrued Obligations and (ii) timely pay or provide to the Employee the Other Benefits earned before the Date of Termination.

4.2 Limitation on Payments. In the event that any of the payments or benefits provided for in this Agreement or otherwise (i) constitute "parachute payments" within the meaning of Section 280G of the Code, and (ii) but for this Section 4.2, would be subject to the excise tax imposed by Section 4999 of the Code, then the Employee's payments or benefits under this Agreement or otherwise will be either:

(j) delivered in full, or
(k) delivered as to such lesser extent which would result in no portion of such payments or benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments or benefits may be taxable under Section 4999 of the Code. Unless the Company and the Employee otherwise agree in writing, any determination required under this Section 4.2 will be made in writing by the Company's independent public accountants immediately prior to the Change in Control Date (the "Accountants"), whose determination will be conclusive and binding upon the Employee and the Company for all purposes. For purposes of making the calculations required by this Section 4.2, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Employee will furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 4.2. The Company will bear all fees and costs payable to the Accountants in connection with any calculations contemplated by this Section 4.2. Any reduction in payments and/or benefits required by this Section 4.2 shall occur in the following order: (1) reduction of cash payments, (2) reduction of equity acceleration (full-value awards first, then stock options), and (3) other benefits paid to the Employee. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of the equity awards.

4.3 Mitigation. The Employee shall not be required to mitigate the amount of any payment or benefits provided for in this Section 4 by seeking other employment or otherwise. Further, except as provided in Section 4.1(a)(ii), the amount of any payment or benefits provided for in this Section 4 shall not be reduced by any compensation earned by the Employee as a result

of employment by another employer, by retirement benefits, by disability or death benefits, by offset against any amount claimed to be owed by the Employee to the Company or otherwise.

5. Disputes.

5.1 Settlement of Disputes; Arbitration. All claims by the Employee for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Employee in writing and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Employee for a review of the decision denying a claim. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Orange County, California, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

5.2 Expenses. The prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, expert witness fees, court costs and all other costs and expenses incurred in any action or proceeding arising out of this Agreement or as to any matters related to but not covered by this Agreement. "Prevailing party" for purposes of this Section 5.2 includes a party who agrees to dismiss an action or proceeding upon the other's payment of the sums allegedly due or for performance of the covenants, undertakings or agreements allegedly breached, or who obtains substantially the relief it sought.

6. Successors; Binding Agreement.

(l) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree to perform this Agreement to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a breach of this Agreement and shall constitute Good Reason if the Employee elects to terminate employment (and such termination shall be deemed to have occurred after a Change in Control), except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to its business or assets as aforesaid that assumes and agrees to perform this Agreement, by operation of law or otherwise.

(m) This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Employee should die while any amount would still be payable to the Employee or his family hereunder if the Employee had continued to live, all such amounts, unless otherwise provided, herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Employee's estate.

7. Notice. All notices, instructions and other communications given hereunder or in connection herewith shall be in writing. Any such notice, instruction or communication shall be sent either (i) by registered or certified mail, return receipt requested, postage prepaid, or (ii) prepaid via a reputable nationwide overnight courier service, in each case addressed to the Company at 951 Calle Amanecer, San Clemente, CA 92673, and to the Employee at the home address most recently provided by the Employee to the Company (or to such other address as either the Company or the Employee may have furnished to the other in writing in accordance herewith). Any such notice, instruction or communication shall be deemed to have been delivered, whether or not actually received, five business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent via a reputable nationwide overnight courier service. Either party may give any notice, instruction or other communication hereunder using any other means, but no such notice, instruction or other

communication shall be deemed to have been duly delivered unless and until it is actually received by the party for whom it is intended.

8. Miscellaneous.

8.1 Employment by Subsidiary. For purposes of this Agreement, the Employee's employment with the Company shall not be deemed to have terminated solely as a result of the Employee continuing to be employed by a wholly-owned subsidiary of the Company.

8.2 Severability. If any provision of this Agreement is declared invalid or unenforceable, such provision shall be deemed automatically adjusted to conform to the requirements for validity or enforceability as declared at such time while maintaining the original intent of the provision to the greatest extent possible and, as so adjusted, shall be deemed a provision of this Agreement as though originally included herein. If the provision invalidated or deemed unenforceable is of such a nature that it cannot be so adjusted, the provision shall be deleted from this Agreement as though it had never been included therein. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

8.3 Injunctive Relief. The Company and the Employee agree that any breach of this Agreement by the Company or the Employee is likely to cause the Employee or the Company substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Employee or the Company shall have the right to seek specific performance and injunctive relief.

8.4 Governing Law. The validity, interpretation, construction, enforceability and performance of this Agreement shall be governed by the internal law of the State of California.

8.5 Waivers. No waiver by the Employee at any time of any breach of or compliance with, any provision of this Agreement to be performed by the Company shall be deemed a waiver of that or any other provision at any subsequent time.

8.6 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but both of which together will constitute one and the same instrument.

8.7 Tax Withholding. Subject to Section 4.2, any payments provided for hereunder shall be paid net of any applicable tax withholding required under federal, state or local law.

8.8 Entire Agreement. Except as provided in the Employee's stock option, RSU, and PSU agreements and the Employment Agreement, this Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled. Nothing contained in this Agreement shall limit the Employee's or the Company's rights, obligations and benefits under the Employee's stock option, RSU and PSU agreements and the Employment Agreement.

8.9 Amendments. The Employee and the Company may, by mutual agreement, amend or modify this Agreement, provided, however that any such amendment or modification shall only be effected by a written instrument executed by both the Company and the Employee.

8.10 Section 409A Compliance. This Agreement is intended to comply with Section 409A (as amplified by any Internal Revenue Service or U.S. Treasury Department guidance), and shall be construed and interpreted in accordance with such intent. The severance payments set forth in this Agreement are intended to comply with or be exempt from Section 409A, and shall at all times be interpreted and administered in furtherance of this intent. The Company shall delay the payments of any amounts under this Agreement to the extent necessary to comply with Section 409A(a)(2)(B)(c) of the Code. If penalty or interest liability would be charged to the Employee under Section 409A or similar state or local law, for which it is reasonably concluded that the event giving rise to the liability was not in the reasonable control of the Employee, the Company shall reimburse the Employee for such penalty and/

or interest liability accruing under Section 409A or similar state or local law within sixty (60) days of the Employee's remittance of such penalty and/or interest liability to the appropriate tax authorities.

[The remainder of this page is intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as a sealed instrument as of the day and year first set forth above.

ICU MEDICAL, INC.

By:

Title: _____

GEORGE A. LOPEZ, M.D.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made and entered into as of this 21st day of October 2013, by and between ICU Medical, Inc., a Delaware corporation (“**Employer**”), and George A. Lopez, M.D. (“**Employee**”).

RECITALS

1. Employer is engaged in the business of developing and manufacturing safe medical connectors.
2. Employee has decided to step down from his current, full-time position as the President and Chief Executive Officer of Employer and desires to continue his employment on a part time, transitional basis on the terms and conditions set forth in this Agreement.
3. Employer desires to continue Employee’s employment on a part time, transitional basis, on the terms and conditions set forth in this Agreement.
4. Prior to the date of this Agreement, Employee and the Employer have entered into an Indemnification Agreement and a Confidentiality and Inventions Agreement, and contemporaneously with this Agreement, Employee and Employer are entering into the 2013 Amended and Restated Retention Agreement.
5. As part of the consideration for this Agreement, Employee agrees to release any and all claims he may now have or has ever had against the Employer and its related entities, whether such claims are presently known or unknown.

AGREEMENT

Accordingly, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. TERMS OF AGREEMENT

1.1 Term. The initial term of this agreement shall begin on October 21, 2013 and shall continue until December 31, 2020 (the “**Term**”), unless it is terminated earlier pursuant to Section 5.

2. EMPLOYMENT

2.1 Employment of Employee. Employee hereby agrees to step down as President and Chief Executive Officer of Employer and from any officer positions Employee holds for any Employer subsidiary as well as the sole director of ICU World, Inc. and Ice Rink, Inc. Employee hereby further agrees to continue as a part-time employee during the Term on the terms and conditions of this Agreement. You and the Company intend that your continued employment with the Company pursuant to the terms of this Agreement will not result in a “separation from service” within the meaning of Section 409A of the Internal Revenue Code, the final regulations or any guidance promulgated thereunder (collectively, “**Section 409A**”) until the date of your termination of employment with the Company.

2.2 Position and Duties. Employee will work in Employer’s Research and Development department reporting to the Vice President of Product Development. Employee shall serve in this role on a part-time basis. To the extent consistent with his duties, Employee may telecommute, consistent with applicable Employer policies. Employee will continue to have an office and secretarial support at, as well as continued access to and use of, all of Employer’s San Clemente, California facilities, as well as

computer and IT support for his work activities whether they be performed at the Employer's facilities or remotely.

2.3 Standard of Performance. Employee agrees that he will at all times faithfully, and in a reasonable manner use his experience and talents to perform all of the duties that may be reasonably required of and from him pursuant to the terms of this Agreement. Such duties shall be performed at such place or places as the interests, needs, business and opportunities of Employer shall require or render advisable after taking into consideration the reasonable convenience of Employee.

2.4 Exclusive Service. Employee shall not, without the prior written consent of Employer, render to others any service of any kind (whether or not for compensation) that, in the reasonable opinion of Employer, would materially interfere with the performance of his duties under this Agreement. Employee shall not, without the prior written consent of Employer, maintain any affiliation with, whether as an agent, consultant, employee, officer, director, trustee or otherwise, nor shall he directly or indirectly render any services of an advisory nature to, or participate or engage in, any other business activity that conflicts with Employee's obligations to Employer.

3. COMPENSATION

3.1 Compensation. During the term of this Agreement, Employer shall pay the amounts and provide the benefits described in this Section 3, and Employee agrees to accept such amounts and benefits in full payment for Employee's services under this Agreement.

3.2 Base Salary. Through December 31, 2013, Employer shall continue to pay Employee a base salary at an annualized rate of \$710,803 in equal installments payable no less frequently than semi-monthly. Beginning on January 1, 2014 and continuing through the Term or until this Agreement is earlier terminated under Section 5, Employer shall pay to Employee a base salary of \$350,000 annually, in equal installments payable no less frequently than semi-monthly.

3.3 Benefits Until December 31, 2013. Subject to Section 3.6 and upon satisfaction of the applicable eligibility requirements, until December 31, 2013, Employee shall be entitled to all fringe benefits which Employer may make generally available from time to time for its executive employees. Such benefits shall include without limitation those available, if any, under any group insurance, profitsharing, pension or retirement plans or sick leave policy. Notwithstanding Section 3.4, Employee also shall continue to be eligible for a bonus under Employer's 2008 Performance Based Incentive Plan based on actual performance against target for the three 2013 performance metrics established for Employee for fiscal year 2013 by Employer's Compensation Committee with such bonus, if any, to be paid in 2014 at the same time other bonuses under that Plan are payable to Employer's senior management in accordance with the Plan.

3.4 No Benefits Beginning January 1, 2014. Beginning January 1, 2014, Employee will not be eligible to participate in any bonus, including performance-based incentive plans, or to receive new stock option, performance stock units ("PSU"), or restricted-stock unit ("RSU") awards, whether the bonus or award arises under an Employer plan or pursuant to any prior arrangement between Employee and Employer. Notwithstanding the foregoing, Employee's existing options, PSUs, and RSUs under any of the Employer's equity plans will continue to vest during the period of Employee's employment subject to the governing plan documents.

3.5 Vacation and Holiday. Employee shall be eligible for six (6) weeks of vacation per year and holidays in accordance with Employer's policies in effect from time to time and published in the Employer's Employee Handbook.

3.6 Deduction from Compensation. Employer shall deduct and withhold from all compensation payable to Employee all amounts required to be deducted or withheld pursuant to any present or future law, ordinance, regulation, order, writ, judgment, or decree requiring such deduction and withholding.

3.7 Disability Severance Benefits. Should Employee's employment hereunder be terminated by reason of his total and permanent disability, which renders the Employee unable to perform the essential functions of his job, with or without reasonable accommodation (as described below), Employer shall pay Employee the sum of (A) one (1) year of Employee's base salary, with the level of base salary equal to the greater of (i) Employee's base salary at the annualized rate in effect on the date of termination of employment and (ii) \$350,000, and (B) regularly accrued salary for any pay periods worked by the employee, but not paid, with such aggregate amount to be paid to Employee not less frequently than in substantially equal monthly installments over the one-year period following the termination of employment, with the first installment payable on (or within ten (10) days following) the sixtieth (60th) day following the date of termination of employment. Total and permanent disability means Employee is unable to perform his duties with or without reasonable accommodation for a consecutive period of six (6) months due to bodily injury or sickness, including mental or nervous disorder, as determined by a physician selected by Employee or his legal representative and acceptable to Employer (the "**Physician**"), and while disabled he does not engage in any employment for wage or profit, or that the Physician determines that Employee is immediately unable to perform the essential functions of his duties with or without reasonable accommodation due to bodily injury or sickness, including mental or nervous disorder, and the inability to perform the essential functions is anticipated to last at least six (6) months.

Employer's obligation to pay disability severance benefits shall be reduced by any payments for which he and his dependents are eligible under the Federal Social Security Act, and any payment to which he is eligible under the Worker's Compensation Law, Unemployment Insurance Code or other similar legislation, or under any other plan or insurance maintained and paid for by Employer providing benefits for loss of time from disability or unemployment.

4. REIMBURSEMENT OF EXPENSES

Employer shall pay to or reimburse Employee for those travel, promotional and similar expenditures incurred by Employee which Employer determines are reasonably necessary for the proper discharge of Employee's duties under this Agreement and for which Employee submits appropriate receipts and indicates the amount, date, location and business character, provided that the nature and general amount of such expenditures is either in accordance with Employer's policies announced from time to time or approved in advance. To the extent that any benefits or reimbursements pursuant to this Section 4 are taxable to Employee, any reimbursement payment due to Employee pursuant to this Section 4 shall be paid to Employee on or before the last day of Employee's taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to this Section 4 are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that Employee receives in one taxable year shall not affect the amount of such benefits or reimbursements that Employee receives in any other taxable year.

5. TERMINATION

5.1 Termination Date. The date on which this Agreement terminates shall be the "**Termination Date.**" After the Termination Date, Employee shall not be employed by Employer, Employer shall promptly pay to Employee any compensation under this Agreement accrued but unpaid as of that date, and, except for any fees or payments made to non-employee members of Employer's board of directors (the "**Board**") then in effect to the extent Employee remains a member of the Board following the Termination Date, Employee shall not be entitled to any compensation from Employer for the performance by Employee after that date of any obligations of Employee to Employer under this Agreement.

5.2 Termination Without Cause. Without cause, Employer may terminate this Agreement at any time for any reason, or no reason. If the Employer terminates this Agreement without Cause,

Employee will be eligible for Termination Benefits, as described below, subject to Employee executing and not revoking a general release of claims substantially in the form attached hereto as **Exhibit A**, but subject to any revisions deemed necessary by Employer to ensure its enforceability (the “**General Release**”). The Termination Benefits, as described below, shall be paid to Employee as set forth in the General Release.

5.3 Termination For Cause. Employer may terminate this Agreement at any time for “Cause” or in the event that Employee does not cure a breach of any material provision of this Agreement within 30 days after Employer delivers a written demand to Employee to cure such breach. For this purpose, “Cause” shall mean: (a) Employee’s intentional, willful and continuous failure to substantially perform his reasonable assigned duties (other than any such failure resulting from incapacity due to physical or mental illness), which failure is materially and demonstrably injurious to Employer, and which failure is not cured within 30 days after a written demand for substantial performance is received by Employee from the Board which specifically identifies the manner in which the Board believes Employee has not substantially performed Employee’s duties, provided, however, that there shall be no specific requirement mandating (i) the number of hours worked in any particular month or other given time period, or (ii) the location such work is to be performed; or (b) Employee’s conviction of a felony or for other illegal conduct which is materially and demonstrably injurious to Employer. For purposes of this Section 5.3, no act or failure to act by Employee shall be considered “willful” unless it is done, or omitted to be done, in bad faith and without reasonable belief that Employee’s action or omission was in the best interests of Employer. The determination of whether Employee is being terminated for Cause or whether the event or condition constituting Cause is curable shall be made in good faith by the Board. A termination by Employee at any time after the occurrence of an event which would constitute Cause for termination by Employer shall be considered a termination by Employer for Cause.

5.4 Termination Benefits. For purposes of this Agreement, “**Termination Benefits**” means:

(a) payment of Employee’s base salary for the period of time measured from the Termination Date until December 31, 2020, with the level of base salary equal to the greater of (i) Employee’s base salary at the annualized rate in effect on the Termination Date and (ii) \$350,000; and

(b) the vesting of any unvested stock options or RSUs but not PSUs held by Employee as of the date hereof shall accelerate such that they shall become fully vested.

5.5 Return of Employer Property. Within five days after the Termination Date, Employee shall return to Employer all products, books, records, forms, specifications, formulae, data processes, designs, papers and writings relating to the business of Employer, including without limitation proprietary or licensed computer programs, customer lists and customer data, and/or copies or duplicates thereof in Employee’s possession or under Employee’s control. Employee shall not retain any copies or duplicates of such property and all licenses granted to him by Employer to use computer programs or software shall be revoked on the Termination Date.

6. NONCOMPETITION

6.1 Noncompetition During Employment. During the Term or the period under which Employee is receiving Termination Benefits, whichever is longer, Employee shall not, without the prior written consent of Employer, directly or indirectly render services of a business, professional, or commercial nature to any person or firm, whether for compensation or otherwise, or engage in any activity directly or indirectly or as an officer, director, employee, consultant, or holder of more than three (5%) percent of the capital stock of any other corporation. Otherwise, Employee may make personal investments in any other business so long as these investments do not require him to participate in the operation of the companies in which he invests.

6.2 Non-solicitation. Employee acknowledges that he will have access at the highest level to, and the opportunity to acquire knowledge of, valuable, confidential and proprietary information relating to

the business of Employer and, accordingly, in order to preserve the value of such information for Employer, Employee covenants and agrees as follows:

(a) During the Term or the period under which Employee is receiving Termination Benefits, whichever is longer, Employee shall not, without the prior written consent of Employer, directly or indirectly solicit any employee or contractor of Employer to terminate his or her employment or contractor status with Employer; provided, however, that nothing in this Agreement shall be construed to prevent Employee (i) from soliciting any employee or contractor of Employer who is a family member of Employee following the time any such employee or contractor has terminated employment or service with Employer, or (ii) from participating in any general solicitation through a public medium or general or mass solicitation that is not specifically targeted at employees or contractors of Employer.

(b) The Employee shall not, during the Term of this Agreement and thereafter, use Employer trade secrets to solicit business from or enter into a business relationship or transaction with any person or entity that has or has had a business relationship with Employer (including, but not limited to, customers) or disrupt, or attempt to disrupt, any relationship, contractual or otherwise, between Employer and any such person or entity.

6.3 Non-disparagement. Unless otherwise required by applicable law, during the Term of this Agreement or the period under which Employee is receiving Termination Benefits, whichever is longer, Employee and Employer agree that neither will publicly make or publish, either orally or in writing, any disparaging statement regarding the other party.

7. GENERAL RELEASE

7.1 Release. As part of the consideration for this Agreement, Employee and Employee's representatives completely release from, and agree to not file, cause to be filed or pursue against, Employer, its affiliated, related, parent or subsidiary companies, and its present and former directors, officers, and employees (the "**Released Parties**") all claims, complaints, grievances or charges of any kind, known and unknown, which Employee may now have or has ever had against any of them, or arising out of Employee's relationship with any of them, including all claims for compensation and bonuses, attorneys' fees, and all claims arising from Employee's employment with Employer or arising from any agreement superseded by this Agreement, whether based on contract, tort, statute, local ordinance, regulation or any comparable law in any jurisdiction ("**Released Claims**"). By way of example and not limitation, Released Claims shall include any claims arising under contract, tort, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act ("**ADEA**"), the federal Worker Adjustment Retraining Notification Act, under 29 U.S.C. § 2102 *et seq.*, the California WARN Act, California Labor Code § 1400 *et seq.*, and the California Fair Employment and Housing Act (or any comparable law in any jurisdiction).

7.2 No Claims. Employee represents that Employee has not filed or initiated or caused to be filed or initiated any lawsuits, claims, complaints, administrative grievances or charges against any Released Party in any court or with any government agency. Employee expressly covenants and warrants that Employee has not assigned or transferred to any person or entity any portion of any claims that are waived, released and/or discharged herein.

7.3 ADEA Consideration And Revocation Periods. Employee agrees that the release of claims in this Section 7 includes a knowing and voluntary waiver of any rights he may have under the ADEA. Employee acknowledges that he has been given an opportunity to consider for twenty-one (21) days the terms of this Section 7, although Employee may sign beforehand, and that Employee is advised by the Employer to consult with an attorney. Employee further understand that he can revoke his waiver of ADEA claims within seven (7) days of signing this Agreement. If Employee revokes this Section 7, he understands that he will no longer be entitled to any compensation under Section 3 or Section 5.4, but that, at the election of Employer, the other provisions of this Agreement will remain in full force and

effect. Revocation must be made by delivering a written notice of revocation to the President at the principal office of Employer in the State of California. Employee acknowledges and agrees that for the revocation to be effective, the written notice must be received no later than the close of business (5:00 p.m. P.S.T.) on the seventh (7th) day after Employee signs this Agreement. This Section 7 will become effective and enforceable on the eighth (8th) day following Employee's execution of this Section 7, provided Employee has not exercised his right, as described herein, to revoke this Section 7. Employee further agrees that any change to this Section 7, whether material or immaterial, will not restart the twenty-one (21) day review period.

7.4 Unknown Claims. Employee also agrees that because this release specifically covers known and unknown claims, Employee waives his rights under Section 1542 of the California Civil Code or any other comparable statute of any jurisdiction, which states as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT TO THE DEBTOR.

7.5 Non-Waivable And Other Claims. Notwithstanding the foregoing, the parties acknowledge and agree that Employee is not waiving any rights he may have under the Indemnification Agreement, and he is not waiving or being required to waive any right that cannot be waived as a matter of law, including the right to file a charge with or participate in an investigation by a governmental administrative agency; provided, however, that Employee hereby disclaims and waives any right to share or participate in any monetary award resulting from the prosecution of such charge or investigation. Employee further agrees that, to the extent permissible by law, he will provide the Employer at least five (5) days prior written notice of any such charge or investigation.

7.6 No Admissions. Employee and Employer agree that this Section 7 is not an admission of guilt or liability on the part of Employee or Employer under any federal, state or local law, whether statutory or common law. Liability for any and all claims is expressly denied by Employee and Employer.

8. OTHER PROVISIONS

8.1 Compliance With Other Agreements. Employee represents and warrants to Employer that the execution, delivery and performance of this Agreement will not conflict with or result in the violation or breach of any term or provision of any order, judgment, injunction, contract, agreement, commitment or other arrangement to which Employee is a party or by which he is bound, including without limitation any agreement restricting the sale of products similar to Employer's products in any geographic location or otherwise. Employee acknowledges that Employer is relying on his representation and warranty in entering into this Agreement, and agrees to indemnify Employer from and against all claims, demands, causes of actions, damages, costs or expenses (including attorneys' fees) arising from any breach thereof.

8.2 Injunctive Relief. Employee acknowledges that the services to be rendered under this Agreement and the items described in Sections 5.5, 6, 7 and 8 are of a special, unique and extraordinary character, that it would be difficult or impossible to replace such services or to compensate Employer in money damages for a breach of this Agreement. Accordingly, Employee agrees and consents that if he violates any of the provisions of this Agreement, Employer, in addition to any other rights and remedies available under this Agreement or otherwise, shall be entitled to temporary and permanent injunctive relief, without the necessity of proving actual damages and without the necessity of posting any bond or other undertaking in connection therewith.

8.3 Attorneys' Fees. The prevailing party in any suit, arbitration or other proceeding brought to enforce any provisions of this Agreement, shall be entitled to recover all costs and expenses of the

proceeding and investigation (not limited to court costs), including reasonable attorneys' fees at the hourly rates usually charged by that party's attorneys.

8.4 Nondelegable Duties. This is a contract for Employee's personal services. The duties of Employee under this Agreement are personal and may not be delegated or transferred in any manner whatsoever, and shall not be subject to involuntary alienation, assignment or transfer by Employee during his life.

8.5 Entire Agreement. No discussions or comments made by the Employer's agents, personnel, staff, officers or attorneys concerning the subject matter of this Agreement evidence or imply any agreement other than the terms specifically included herein. No provision can be waived or modified by conduct or oral agreement either before or after execution of this Agreement. No representation, understanding, promise or condition shall be enforceable against any party unless it is contained in this Agreement, except as set forth in the Indemnification Agreement and Confidentiality and Inventions Agreement. If there is any conflict between the terms, conditions and provisions of this Agreement and those of any other agreement or instrument, the terms, conditions and provisions of this Agreement shall prevail. This Agreement is the only agreement and understanding between the parties pertaining to the subject matter of this Agreement, and supersedes all prior agreements, summaries of agreements, descriptions of compensation packages, discussions, negotiations, understandings, representations or warranties, whether verbal or written, between the parties pertaining to such subject matter. Notwithstanding the foregoing, the parties intend to be bound by the terms of the Indemnification Agreement and the Confidentiality and Inventions Agreement, and the 2013 Amended and Restated Retention Agreement entered into as of the date hereof, which govern the relationship of the parties with respect to subject matter of those respective agreements. Equity grants continue to be governed by the applicable agreements, unless there is an express conflict between this Agreement and the applicable agreement, in which case this Agreement governs.

8.6 Limitation on Payments. In the event that any of the payments or benefits provided for in this Agreement or otherwise (i) constitute "parachute payments" within the meaning of Section 280G of the Code, and (ii) but for this Section 8.6, would be subject to the excise tax imposed by Section 4999 of the Code, then Employee's payments or benefits under this Agreement or otherwise will be either:

(a) delivered in full, or

(b) delivered as to such lesser extent which would result in no portion of such payments or benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999 of the Code, results in the receipt by the Employee on an after-tax basis of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments or benefits may be taxable under Section 4999 of the Code. Unless Employer and Employee otherwise agree in writing, any determination required under this Section 8.6 will be made in writing by the Employer's independent public accountants prior to the date of a transaction implicating Section 280G (the "**Accountants**"), whose determination will be conclusive and binding upon Employee and Employer for all purposes. For purposes of making the calculations required by this Section 8.6, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. Employer and Employee will furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 8.6. Employer will bear all fees and costs payable to the Accountants in connection with any calculations contemplated by this Section 8.6. Any reduction in payments and/or benefits required by this Section 8.6 shall occur in the following order: (1) reduction of cash payments, (2) reduction of equity acceleration (full-value awards first, then stock options), and (3) other benefits paid to Employee. In the event that acceleration of

vesting of equity awards is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of the equity awards.

8.7 Governing Law. The validity, construction and performance of this Agreement shall be governed by the laws, without regard to the laws as to choice or conflict of laws, of the State of California.

8.8 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions, and this Agreement shall be construed in all respects as if any invalid or unenforceable provision were omitted.

8.9 Amendment and Waiver. This Agreement may be amended, modified or supplemented only by a writing executed by each of the parties. Either party may in writing waive any provision of this Agreement to the extent such provision is for the benefit of the waiving party. No waiver by either party of a breach of any provision of this Agreement shall be construed as a waiver of any subsequent or different breach, and no forbearance by a party to seek a remedy for noncompliance or breach by the other party shall be construed as a waiver of any right or remedy with respect to such noncompliance or breach.

8.10 Binding Effect. The provisions of this Agreement shall bind and inure to the benefit of the parties and their respective successors and permitted assigns.

8.11 Notice. Any notices or communications required or permitted by this Agreement shall be deemed sufficiently given if in writing and when delivered personally or 48 hours after deposit with the United State Postal Service as registered or certified mail, postage prepaid and addressed as follows:

- (a) If to Employer, to the principal office of Employer in the State of California, marked "Attention: President"; or
- (b) If to Employee, to the most recent address for Employee appearing in Employer's records.

8.12 Recitals. The Recitals are incorporated herein as part of this Agreement.

8.13 Headings. The sections and other headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

[Signature page to follow]

[Signature page to the Employment Agreement]

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

ICU MEDICAL, INC.

By:

Title: _____

GEORGE A. LOPEZ, M.D.

EXHIBIT A

FORM OF GENERAL RELEASE

_____ (“**you**”) and ICU Medical, Inc. (the “**Company**”) have agreed to enter into this General Release (“**Release Agreement**”) on the following terms:

You acknowledge that your employment with the Company terminated effective _____, 20__ (the “**Termination Date**”). You further acknowledge that you have received your final paycheck, which includes your final salary or wages and pay for any accrued but unused vacation or personal days through your last day of employment, less withholdings. The parties acknowledge that except as provided for in this Release Agreement, all benefits and perquisites of employment cease as of your last day of employment.

Further, if you execute this Release Agreement to the satisfaction of the Company and return this Release Agreement to the Company within twenty-one (21) days following the Termination Date, and do not revoke the Release Agreement as permitted below, the Company will provide you with the consideration in (i) and (ii) below (“**Termination Benefits**”):

- (i) an aggregate payment of \$ _____, less any applicable taxes and withholdings, with such aggregate amount to be paid to you not less frequently than in substantially equal monthly installments over the period of time measured from the Termination Date until December 31, 2020, with the first installment payable on (or within ten (10) days following) the sixtieth (60th) day following your Termination Date; and
- (ii) the vesting of [state number of shares, options or units under applicable agreement(s)].

You understand and agree that you are not entitled to any compensation, benefits, remuneration, accruals, contributions, reimbursements, bonus, option grant, vesting, or vacation or other payments from the Company other than those expressly set forth in this Release Agreement [and that any and all payments benefits under the 2013 Amended and Restated Retention Agreement] and that any and all payments and benefits you may receive under this Release Agreement are subject to all applicable taxes and withholdings. You further understand and agree that your eligibility for any Severance Benefits is subject to your compliance with the terms and conditions of this Release Agreement.

In exchange for Termination Benefits, which you acknowledge exceed any amounts to which you otherwise may be entitled under the Company’s policies and practices or applicable law, you and your representatives completely release from, and agree to not file, cause to be filed or pursue against, the Company, its affiliated, related, parent or subsidiary companies, and its present and former directors, officers, and employees (the “**Released Parties**”) all claims, complaints, grievances or charges of any kind, known and unknown, which you may now have or have ever had against any of them, or arising out of your relationship with any of them, including all claims for compensation and bonuses, attorneys’ fees, and all claims arising from your employment with the Company or the termination of your employment, whether based on contract, tort, statute, local ordinance, regulation or any comparable law in any jurisdiction (“**Released Claims**”). By way of example and not limitation, Released Claims shall include any claims arising under Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act (“**ADEA**”), the federal Worker Adjustment Retraining Notification Act (“**WARN Act**”) under 29 U.S.C. § 2102 *et seq.*, the California WARN Act, California

Labor Code § 1400 *et seq.*, and the California Fair Employment and Housing Act (or any comparable law in any jurisdiction). Finally, you agree that with the exception of your final wages, all other payments and benefits referenced in this Agreement are in excess of any amounts to which you otherwise are legally entitled, and that these amounts shall be offset against any state or federal WARN Act (or other) notice or pay in lieu of notice obligation, if any, that the Company may be found to have in the future.

You represent that you have not filed or initiated or caused to be filed or initiated any lawsuits, claims, complaints, administrative grievances or charges against any Released Party in any court or with any government agency. You expressly covenant and warrant that you have not assigned or transferred to any person or entity any portion of any claims that are waived, released and/or discharged herein.

In this paragraph, we provide you with specific information required under the ADEA. You acknowledge that you have received and reviewed any and all information required, if any, by the ADEA/Older Workers Benefit Protection Act pertaining to your termination from the Company. You agree that your release of claims in this Agreement includes a knowing and voluntary waiver of any rights you may have under the ADEA. You acknowledge that you have been given an opportunity to consider for forty-five (45) days the terms of this Agreement, although you may sign beforehand, and that you are advised by the Company to consult with an attorney. You further understand that you can revoke your waiver of ADEA claims within seven (7) days of signing this Agreement, but that you will not be eligible for any Termination Benefits if you revoke your waiver. Revocation must be made by delivering a written notice of revocation to President at the principal office of Company in the State of California. You acknowledge and agree that for the revocation to be effective, the written notice must be received no later than the close of business (5:00 p.m. P.S.T.) on the seventh (7th) day after you sign this Agreement. This Agreement will become effective and enforceable on the eighth (8th) day following your execution of this Agreement, provided you have not exercised your right, as described herein, to revoke this Agreement. You further agree that any change to this Agreement, whether material or immaterial, will not restart the forty-five (45) day review period.

You also agree that because this release specifically covers known and unknown claims, you waive your rights under Section 1542 of the California Civil Code or any other comparable statute of any jurisdiction, which states as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT TO THE DEBTOR.

Notwithstanding the foregoing, the parties acknowledge and agree that you are not waiving any rights you may have under the Company Indemnification Agreement, any equity-based awards previously granted by the Company to you, to the extent that such awards continue after the termination of your employment with the Company in accordance with the applicable terms of such awards, any rights to continued medical and dental coverage that you may have under COBRA, any rights to payment of benefits that you may have under a retirement plan sponsored or maintained by the Company that is intended to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended, any rights to payment under Section 5 of the Employment Agreement, and any rights to payment under Section 4 of the 2013 Amended and Restated Retention Agreement. You are not waiving or being required to waive any right that cannot be waived as a matter of law, including the right to file a charge with or participate in an investigation by a governmental administrative agency; provided, however, that you hereby disclaim and waive any right to share or participate in any monetary award resulting from the prosecution of such

charge or investigation. You further agree that, to the extent permissible by law, you will provide the Company at least five (5) days prior written notice of any such charge or investigation.

You and the Company agree that this Release Agreement is not an admission of guilt or liability on the part of you or the Company under any federal, state or local law, whether statutory or common law. Liability for any and all claims is expressly denied by you and the Company.

Unless otherwise required by applicable law, you and the Company also agree that neither you nor the Company will not make or publish, either orally or in writing, any disparaging statement regarding any Released Parties.

You agree not to disclose any confidential or proprietary information or know-how belonging to the Company or acquired by you during your employment with the Company as described in your Confidentiality and Inventions Agreement (“CIA”). You acknowledge that the CIA that you signed upon your hire remains in effect after your employment with the Company ends.

You agree that, notwithstanding any other provision of this Release Agreement to the contrary, as a precondition of your eligibility for and receipt of the Termination Benefit, you shall, within 45 days of the Termination Date, return to the Company all Company documents (and all copies thereof) and other Company property that you have had in your possession at any time, including, but not limited to, CD’s, electronic files and/or storage devices, presentations; Company files, notes, drawings, records, business plans and forecasts, financial information, specifications, computer-recorded information, tangible property (including, but not limited to, computers, phones, credit cards, entry cards, identification badges and keys; and any materials of any kind that contain or embody any proprietary or confidential information of the Company (and all reproductions thereof). You shall retain no copies of Company records after the date hereof. Any such records have been or will be returned to Company. Upon the Company’s request, you also shall submit to the Company for review, with appropriate precautions taken to observe privacy of personal information, any computer, personal digital assistant, phone, tablet, or any USB drive or other storage device, including but not limited to cloud storage or servers, *e.g.*, DropBox, or personal email, IM, or other communication accounts, whereby you accessed, sent or received, or conducted Company business during your employment.

The parties irrevocably submit to the exclusive personal jurisdiction of the federal courts sitting in the Central District of California in the County of Orange for the purposes of any action arising out of this Release Agreement or any of the transactions contemplated hereby; provided, however, that if such federal courts do not have jurisdiction over such action, such action shall be heard and determined exclusively in any California state court sitting in the County of Orange. The parties irrevocably and unconditionally waive any objection to the laying of venue of any such action in the federal courts sitting in the County of Orange; provided, however, that, if such federal courts do not have jurisdiction over such action, such action shall be heard and determined exclusively in any California state court sitting in the County of Orange, and the parties hereby further irrevocably and unconditionally waive any objection to the laying of venue in such state court and further irrevocably and unconditionally waive and agree not to plead or claim in any such federal or state court that any such action brought in any such court has been brought in an inconvenient forum.

Notwithstanding anything to the contrary in the Release Agreement, to the extent required to comply with Section 409A, no Termination Benefits for which you may be eligible shall be paid or otherwise provided until you have had a “separation from service” within the meaning of Section 409A. Each installment of the Termination Benefits shall be treated as a separate payment for purposes of Section 409A.

The Company shall delay the payment of any amounts under this Release Agreement to the extent necessary to comply with Section 409A(a)(2)(B)(i) of the Code (relating to payments made to certain “specified employees” of certain publicly-traded companies).

The benefits under this Release Agreement are intended to be exempt from or comply with the requirements of Section 409A so that none of the Termination Benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be so interpreted. You ultimately will be responsible for any of your own taxes or similar costs or payments, except, if applicable, as otherwise provided under Section 8.10 of the 2013 Amended and Restated Retention Release Agreement.

This Release Agreement is the entire agreement and understanding between you and the Company concerning its subject matter, replaces and supersedes any and all prior agreements and understandings between us, and may only be amended in writing signed by you and an authorized representative of the Company. It is agreed that this Release Agreement shall be governed by the laws of the State of California. If any provision of this Release Agreement or the application thereof to any person, place, or circumstance shall be held by a court of competent jurisdiction to be invalid, unenforceable, or void, the remainder of this Release Agreement and such provision as applied to other person, places, and circumstances shall remain in full force and effect.

Finally, by your signature below, you acknowledge each of the following: (a) that you have read this Release Agreement or have been afforded every opportunity to do so; (b) that you are fully aware of the Release Agreement’s contents and legal effect; and (c) that you have voluntarily chosen to enter into this Release Agreement, without duress or coercion, economic or otherwise, and based upon your own judgment and not in reliance upon any promises made by Company other than those contained in this Release Agreement.

[Signature page to follow]

[Signature page to the General Release]

UNDERSTOOD AND AGREED:

_____ **DATE:** _____
George A. Lopez, M.D.

_____ **DATE:** _____
NAME & TITLE
ICU Medical, Inc.

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

I, Vivek Jain, 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: August 11, 2014

/s/ Vivek Jain

Chief Executive Officer

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: August 11, 2014

/s/ Scott E. Lamb

Chief Financial Officer

**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, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vivek Jain, 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.

August 11, 2014

/s/ Vivek Jain

Vivek Jain

**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, 2014 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.

August 11, 2014

/s/ Scott E. Lamb

Scott E. Lamb
