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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017.
OR
o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO .
Commission File Number 0-18592

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

Utah	**87-0447695**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Identification No.)

1600 West Merit Parkway, South Jordan, UT 84095
(Address of Principal Executive Offices, including Zip Code)

(801) 253-1600
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Sections 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 o

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 during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No o

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

Large Accelerated Filer x	Accelerated Filer o	Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o	Emerging Growth Company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

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

Common Stock	50,198,833
Title or class	Number of Shares Outstanding at October 31, 2017

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(In thousands)

	September 30, 2017	December 31, 2016
ASSETS	(unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 23,362	$ 19,171
Trade receivables — net of allowance for uncollectible accounts — 2017 — $1,547 and 2016 — $1,587	101,394	80,521
Employee receivables	147	198
Other receivables	5,900	5,445
Inventories	145,598	120,695
Prepaid expenses and other assets	20,581	6,226
Prepaid income taxes	2,792	2,525
Deferred income tax assets	—	8,219
Income tax refund receivables	91	423
Total current assets	299,865	243,423
PROPERTY AND EQUIPMENT:		
Land and land improvements	19,804	19,379
Buildings	144,084	139,119
Manufacturing equipment	193,061	178,110
Furniture and fixtures	49,035	43,433
Leasehold improvements	31,345	30,413
Construction-in-progress	34,625	28,180
Total property and equipment	471,954	438,634
Less accumulated depreciation	(181,672)	(162,061)
Property and equipment — net	290,282	276,573
OTHER ASSETS:		
Intangible assets:		
Developed technology — net of accumulated amortization — 2017 — $67,320 and 2016 — $52,843	172,796	135,358
Other — net of accumulated amortization — 2017 — $34,985 and 2016 — $30,048	55,707	47,339
Goodwill	234,043	211,927
Deferred income tax assets	2,046	171
Other assets	32,412	28,012
Total other assets	497,004	422,807
TOTAL	$ 1,087,151	$ 942,803

See condensed notes to consolidated financial statements.

(continued)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(In thousands)

	September 30, 2017	December 31, 2016
LIABILITIES AND STOCKHOLDERS' EQUITY	(unaudited)	
CURRENT LIABILITIES:		
Trade payables	$ 32,291	$ 30,619
Accrued expenses	56,508	44,947
Current portion of long-term debt	16,962	10,000
Advances from employees	542	572
Income taxes payable	1,435	2,193
Total current liabilities	107,738	88,331
LONG-TERM DEBT	260,978	314,373
DEFERRED INCOME TAX LIABILITIES	23,764	25,981
LIABILITIES RELATED TO UNRECOGNIZED TAX BENEFITS	438	438
DEFERRED COMPENSATION PAYABLE	10,319	9,211
DEFERRED CREDITS	2,439	2,550
OTHER LONG-TERM OBLIGATIONS	14,659	3,730
Total liabilities	420,335	444,614
COMMITMENTS AND CONTINGENCIES (Notes 5, 9, 10 and 13)		
STOCKHOLDERS' EQUITY:		
Preferred stock — 5,000 shares authorized as of September 30, 2017 and December 31, 2016; no shares issued		
Common stock, no par value; shares authorized — 100,000; issued and outstanding as of September 30, 2017 - 50,194 and December 31, 2016 - 44,645	351,321	206,186
Retained earnings	314,602	293,885
Accumulated other comprehensive income (loss)	893	(1,882)
Total stockholders' equity	666,816	498,189
TOTAL	$ 1,087,151	$ 942,803

See condensed notes to consolidated financial statements. (concluded)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousands, except per share amounts - unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
NET SALES	$ 179,337	$ 156,975	$ 536,955	$ 446,123
COST OF SALES	98,823	89,160	296,358	251,354
GROSS PROFIT	80,514	67,815	240,597	194,769
OPERATING EXPENSES:				
Selling, general and administrative	54,716	53,198	169,896	138,556
Research and development	12,838	11,424	38,676	33,440
Contingent consideration (benefit) expense	20	(94)	39	99
Acquired in-process research and development	12,061	300	12,136	400
Total operating expenses	79,635	64,828	220,747	172,495
INCOME FROM OPERATIONS	879	2,987	19,850	22,274
OTHER INCOME (EXPENSE):				
Interest income	94	29	266	55
Interest expense	(1,590)	(3,022)	(5,935)	(6,120)
Gain on bargain purchase	(778)	—	10,796	—
Other income (expense) — net	(810)	1	(376)	(445)
Other income (expense) — net	(3,084)	(2,992)	4,751	(6,510)
INCOME (LOSS) BEFORE INCOME TAXES	(2,205)	(5)	24,601	15,764
INCOME TAX EXPENSE (BENEFIT)	1,364	(978)	3,884	3,149
NET INCOME (LOSS)	$ (3,569)	$ 973	$ 20,717	$ 12,615
EARNINGS PER COMMON SHARE:				
Basic	$ (0.07)	$ 0.02	$ 0.43	$ 0.28
Diluted	$ (0.07)	$ 0.02	$ 0.42	$ 0.28
AVERAGE COMMON SHARES:				
Basic	50,150	44,447	48,332	44,346
Diluted	51,599	45,000	49,555	44,763

See condensed notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousands - unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income (loss)	$ (3,569)	$ 973	$ 20,717	$ 12,615
Other comprehensive income (loss):				
Cash flow hedges	(144)	(103)	166	(984)
Less income tax benefit (expense)	56	40	(64)	383
Foreign currency translation adjustment	721	454	2,925	1,259
Less income tax benefit (expense)	—	—	(252)	(210)
Total other comprehensive income	633	391	2,775	448
Total comprehensive income (loss)	(2,936)	1,364	23,492	13,063

See condensed notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousands - unaudited)

	Nine Months Ended September 30,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 20,717	$ 12,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,388	31,594
Gain on bargain purchase	(10,796)	—
Losses on sales and/or abandonment of property and equipment	219	102
Write-off of patents and intangible assets	86	90
Acquired in-process research and development	12,136	400
Fair value changes in contingent liabilities/assets	—	99
Amortization of deferred credits	(111)	(128)
Amortization of long-term debt issuance costs	514	779
Deferred income taxes	(290)	187
Excess tax benefits from stock-based compensation	—	(527)
Stock-based compensation expense	2,883	1,913
Changes in operating assets and liabilities, net of effects from acquisitions:		
Trade receivables	(10,963)	(5,166)
Employee receivables	54	42
Other receivables	(503)	3,385
Inventories	(9,922)	220
Prepaid expenses and other assets	(1,587)	(452)
Prepaid income taxes	(231)	(63)
Income tax refund receivables	280	514
Other assets	(2,992)	(1,591)
Trade payables	(876)	(9,018)
Accrued expenses	4,514	1,693
Advances from employees	(44)	(50)
Income taxes payable	(764)	(183)
Liabilities related to unrecognized tax benefits	—	(366)
Deferred compensation payable	1,107	500
Other long-term obligations	574	(251)
Total adjustments	22,676	23,723
Net cash provided by operating activities	43,393	36,338
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(29,522)	(26,492)
Intangible assets	(1,927)	(1,594)
Proceeds from sale of cost method investment	—	1,089
Proceeds from the sale of property and equipment	9	5
Cash paid in acquisitions, net of cash acquired	(103,500)	(119,808)
Net cash used in investing activities	(134,940)	(146,800)

See condensed notes to consolidated financial statements. (continued)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(In thousands - unaudited)

	Nine Months Ended September 30,	
	2017	**2016**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	$ 143,069	$ 4,422
Payment of offering costs related to issuance of common stock	(816)	—
Proceeds from issuance of long-term debt	151,462	203,478
Payments on long-term debt	(197,962)	(82,658)
Excess tax benefits from stock-based compensation	—	527
Long-term debt issuance costs	—	(1,948)
Contingent payments related to acquisitions	(45)	(199)
Payment of taxes related to an exchange of common stock	—	(86)
Net cash provided by financing activities	95,708	123,536
EFFECT OF EXCHANGE RATES ON CASH	30	67
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,191	13,141
CASH AND CASH EQUIVALENTS:		
Beginning of period	19,171	4,177
End of period	$ 23,362	$ 17,318
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of capitalized interest of $371 and $337, respectively)	$ 5,953	$ 6,223
Income taxes	$ 4,029	$ 2,237
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchases in accounts payable	$ 1,394	$ 2,709
Acquisition purchases in accrued expenses and other long-term obligations	$ 12,000	$ 293
Contingent receivable in exchange for sale of cost method investment	$ —	$ 711
Merit common stock surrendered (0 and 14 shares, respectively) in exchange for exercise of stock options	$ —	$ 346

See condensed notes to consolidated financial statements. (concluded)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation. The interim consolidated financial statements of Merit Medical Systems, Inc. ("Merit," "we" or "us") for the three and nine-month periods ended September 30, 2017 and 2016 are not audited. Our consolidated financial statements are prepared in accordance with the requirements for unaudited interim periods and, consequently, do not include all disclosures required to be made in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of our management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial position as of September 30, 2017 and December 31, 2016, and our results of operations and cash flows for the three and nine-month periods ended September 30, 2017 and 2016. The results of operations for the three and nine-month periods ended September 30, 2017 and 2016 are not necessarily indicative of the results for a full-year period. These interim consolidated financial statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K (the "2016 Form 10-K") for the year ended December 31, 2016, which was filed with the Securities and Exchange Commission (the "SEC") on March 1, 2017.

2. Inventories. Inventories at September 30, 2017 and December 31, 2016 consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
Finished goods	$ 80,708	$ 63,852
Work-in-process	18,162	11,008
Raw materials	46,728	45,835
Total	$ 145,598	$ 120,695

3. Stock-Based Compensation. Stock-based compensation expense before income tax expense for the three and nine-month periods ended September 30, 2017 and 2016, consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cost of goods sold	$ 189	$ 105	$ 453	$ 369
Research and development	110	51	262	147
Selling, general, and administrative	893	347	2,168	1,397
Stock-based compensation expense before taxes	$ 1,192	$ 503	$ 2,883	$ 1,913

As of September 30, 2017, the total remaining unrecognized compensation cost related to non-vested stock options, net of expected forfeitures, was approximately $16.3 million and is expected to be recognized over a weighted average period of 3.66 years.

During the three and nine-month periods ended September 30, 2017, we granted stock-based awards representing 20,000 and approximately 1.3 million shares of our common stock, respectively. During the three and nine-month periods ended September 30, 2016, we granted stock-based awards representing 21,000 and 805,375 shares of our common stock, respectively. We use the Black-Scholes methodology to value the stock-based compensation expense for options. In applying the Black-Scholes methodology to the options granted during the nine-month periods ended September 30, 2017 and 2016, the fair value of our stock-based awards granted was estimated using the following assumptions for the periods indicated below:

	Nine Months Ended September 30,	
	2017	2016
Risk-free interest rate	1.77% - 1.83%	1.15% - 1.40%
Expected option life	5.0 years	5.0 years
Expected dividend yield	—%	—%
Expected price volatility	33.81% - 34.07%	36.30% - 37.06%

For the purpose of the foregoing analysis, the average risk-free interest rate is determined using the U.S. Treasury rate in effect as of the date of grant, based on the expected term of the stock option. We determine the expected term of the stock options using the historical exercise behavior of employees. The expected price volatility was determined using a weighted average of daily historical volatility of our stock price over the corresponding expected option life and implied volatility based on recent trends of the daily historical volatility. For options with a vesting period, compensation expense is recognized on a straight-line basis over the service period, which corresponds to the vesting period.

4. Earnings Per Common Share (EPS). The computation of weighted average shares outstanding and the basic and diluted earnings per common share for the following periods consisted of the following (in thousands, except per share amounts):

	Three Months			Nine Months		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Period ended September 30, 2017:						
Basic EPS	$ (3,569)	50,150	$ (0.07)	$ 20,717	48,332	$ 0.43
Effect of dilutive stock options and warrants		1,449			1,223	
Diluted EPS	$ (3,569)	51,599	$ (0.07)	$ 20,717	49,555	$ 0.42
Stock options excluded from the calculation of common stock equivalents as the impact was anti-dilutive		200			434	
Period ended September 30, 2016:						
Basic EPS	$ 973	44,447	$ 0.02	$ 12,615	44,346	$ 0.28
Effect of dilutive stock options and warrants		553			417	
Diluted EPS	$ 973	45,000	$ 0.02	$ 12,615	44,763	$ 0.28
Stock options excluded from the calculation of common stock equivalents as the impact was anti-dilutive		408			864	

5. Acquisitions. On September 1, 2017, we entered into a share purchase agreement with IntelliMedical Technologies Pty Ltd ("IntelliMedical") to acquire the intellectual property rights associated with a steerable guidewire system. We made an initial payment of approximately $11.9 million in September 2017, and we are obligated to pay up to an additional $15 million Australian dollars if certain milestones set forth in the agreement are reached. We are also required to pay royalties equal to 6% of net sales, commencing upon the first commercial sale of the product and throughout the term of the applicable patents. We accounted for this transaction as an asset purchase. The initial payment has been included in the accompanying consolidated statements of income as acquired in-process research and development expense for the three and nine-month periods ended September 30, 2017, because both technological feasibility of the underlying research and development project had not yet been reached and such technology had no identified future alternative use as of the date of acquisition.

On August 4, 2017 we entered into intellectual property and asset purchase agreements with Laurane Medical S.A.S. ("Laurane") and its shareholders to acquire inventories and the intellectual property rights associated with Laurane's manual bone biopsy devices, manual bone marrow needles and muscle biopsy kits for an aggregate purchase price of $16.5 million. We also recorded a contingent consideration liability of $5.5 million related to royalties potentially payable to Laurane's shareholders pursuant to the terms of the intellectual property purchase agreement. We accounted for this acquisition as a business combination. The following table summarizes the aggregate purchase price (including contingent royalty payment liabilities) allocated to the assets acquired from Laurane (in thousands):

		Preliminary Allocation
Net Assets Acquired		
Inventories	$	579
Intangibles		
Developed technology		14,920
Customer list		120
Goodwill		6,381
Total net assets acquired	**$**	**22,000**

We are amortizing the developed technology intangible asset over 12 years and the customer list on an accelerated basis over one year. The total weighted-average amortization period for these acquired intangible assets is 11.9 years. The sales and results of operations related to the acquisition have been included in our cardiovascular segment since the acquisition date and were not material. Acquisition-related costs associated with the Laurane acquisition, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income, were not material.

On July 3, 2017, we entered into an asset purchase agreement with Osseon LLC ("Osseon") to acquire substantially all the assets related to Osseon's vertebral augmentation products. We accounted for this acquisition as a business combination. The purchase price for the business was approximately $6.8 million. Acquisition-related costs associated with the Osseon acquisition, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income, were not material. The results of operations related to this acquisition have been included in our cardiovascular segment since the acquisition date. During the three and nine-month periods ended September 30, 2017, our net sales of Osseon products were approximately $442,000. It is not practical to separately report the earnings related to the Osseon acquisition, as we cannot split out sales costs related solely to the products we acquired from Osseon, principally because our sales representatives sell multiple products (including the products we acquired from Osseon) in our cardiovascular business segment. The following table summarizes the preliminary purchase price allocated to the net assets acquired (in thousands):

		Preliminary Allocation
Net Assets Acquired		
Inventories	$	1,023
Property and equipment		58
Intangibles		
Developed technology		5,400
Customer list		200
Goodwill		159
Total net assets acquired	**$**	**6,840**

With respect to the Osseon assets, we are amortizing developed technology over nine years and customer lists on an accelerated basis over eight years. The total weighted-average amortization period for these acquired intangible assets is approximately 9.0 years.

On July 1, 2017, we entered into an exclusive license agreement with Pleuratech ApS ("Pleuratech") to acquire the rights to manufacture and sell the KatGuide chest tube insertion tool. As of September 30, 2017, we had paid $2.0 million in connection with this agreement. We are obligated to pay an additional $5.0 million if certain milestones set forth in the license agreement are met. We are also required to pay royalties equal to 6% of net sales throughout the term of the license agreement. We accounted for this transaction as an asset purchase. We recorded the amount paid upon closing as a license agreement intangible asset, which we intend to amortize over 15 years.

On June 16, 2017, we entered into an asset purchase agreement with Lazarus Medical Technologies, LLC to acquire the patent rights and other intellectual property related to the Repositionable Chest Tube™ and related devices. As of September 30, 2017, we had paid $570,000 in connection with this agreement. We are also obligated to pay an additional $750,000 if certain milestones set forth in the purchase agreement are reached. We are also required to pay royalties equal to 6.0% of net sales throughout the term of the purchase agreement. We accounted for this transaction as an asset purchase. We recorded the amount paid upon closing as a license agreement intangible asset, which we intend to amortize over 15 years.

On May 23, 2017, we paid $2.5 million to acquire 182,000 shares of preferred stock of Fusion Medical, Inc. ("Fusion"), a developer of medical devices designed primarily for clot removal. The shares of preferred stock we acquired, which represent an ownership interest of approximately 19.5%, have been accounted for as an equity method investment of $2.5 million reflected within other assets in the accompanying consolidated balance sheets because we may be deemed to exercise significant influence over the operations of Fusion.

On May 19, 2017, we entered into a business purchase agreement, termination agreement, distribution agreement and a supply agreement with Sugan Co, Ltd. ("Sugan"), a Japanese medical device distributor. Pursuant to these agreements, we terminated our former distributor agreement with Sugan and acquired the customer list Sugan used in the distribution of our products in Japan. The consideration attributed to the customer list was approximately $1.1 million, which is payable on or before December 31, 2017. The purchase price is recorded as a customer list intangible asset and the amount due to Sugan is recorded in accrued expenses within the accompanying consolidated balance sheets. We intend to amortize the customer list intangible asset on an accelerated basis over five years. In addition, we granted to Sugan the right to continue to distribute a limited number of our products, related to fluid administration, through December 31, 2021 and to manufacture and sell to Sugan certain contrast injector products during a term of four years, subject to extensions.

On May 1, 2017, we entered into an agreement and plan of merger with Vascular Access Technologies, Inc. ("VAT"), pursuant to which we acquired the SAFECVAD™ device. We accounted for this acquisition as a business combination. The purchase price for the business was $5.0 million. We also recorded $4.9 million of contingent consideration related to royalties potentially payable to VAT pursuant to the merger agreement. The following table summarizes the preliminary purchase price allocated to the net assets acquired and liabilities assumed (in thousands):

	Preliminary Allocation	Adjustments [1]	Revised Preliminary Allocation
Net Assets Acquired			
Intangibles			
Developed technology	$ 7,800	$ —	$ 7,800
In-process technology	850	250	1,100
Goodwill	4,323	(153)	4,170
Deferred tax liabilities	(3,073)	(97)	(3,170)
Total net assets acquired	$ 9,900	$ —	$ 9,900

(1) Amounts represent adjustments to the preliminary purchase price allocation first presented in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 resulting from our ongoing activities, including reassessment of the assets acquired and liabilities assumed, with respect to finalizing our purchase price allocation for this acquisition.

We are amortizing the developed technology intangible asset over 15 years. The sales and results of operations related to the acquisition have been included in our cardiovascular segment since the acquisition date and were not material. Acquisition-related costs associated with the VAT acquisition, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income, were not material.

On January 31, 2017, we signed a purchase agreement with Argon Medical Devices, Inc. ("Argon") to acquire Argon's critical care division, including a manufacturing facility in Singapore, the related commercial operations in Europe and Japan, and certain inventories and intellectual property rights within the United States. We made an initial payment of approximately $10.9 million and received a subsequent reduction to the purchase price of approximately $797,000 related to a working capital adjustment according to the terms of the purchase agreement. We accounted for the acquisition as a business combination.

Acquisition-related costs associated with the acquisition of the Argon critical care division during the three and nine-month periods ended September 30, 2017, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income, were approximately $90,000 and $2.5 million, respectively. The results of operations related to this acquisition have been included in our cardiovascular segment since the acquisition date. During the three and nine-month periods ended September 30, 2017, our net sales of Argon products were approximately $11.0 million and $30.0 million, respectively. It is not practical to separately report the earnings related to the Argon acquisition, as we cannot split out sales costs related solely to the products we acquired from Argon, principally because our sales representatives sell multiple products (including the products we acquired from Argon) in our cardiovascular business segment.

The assets and liabilities in the initial purchase price allocation for the Argon acquisition are stated at fair value based on estimates of fair value using available information and making assumptions our management believes are reasonable. The following table summarizes the preliminary purchase price allocated to the net tangible and intangible assets acquired and liabilities assumed (in thousands), adjusted as of September 30, 2017:

	Preliminary Allocation	Adjustments (2)	Revised Preliminary Allocation
Assets Acquired			
Cash and cash equivalents	$ 1,436	$ —	$ 1,436
Trade receivables	8,351	—	8,351
Inventories	12,217	(995)	11,222
Prepaid expenses and other assets	1,275	—	1,275
Property and equipment	2,667	(348)	2,319
Deferred tax assets	184	19	203
Intangibles			
Developed technology	2,600	(400)	2,200
Customer lists	1,300	200	1,500
Trademarks	1,500	(600)	900
Total assets acquired	31,530	(2,124)	29,406
Liabilities Assumed			
Trade payables	(2,306)	(109)	(2,415)
Accrued expenses	(5,083)	—	(5,083)
Income taxes payable	(2)	—	(2)
Deferred income tax liabilities	(999)	(11)	(1,010)
Total liabilities assumed	(8,390)	(120)	(8,510)
Total net assets acquired	23,140	(2,244)	20,896
Gain on bargain purchase (1)	(12,243)	1,447	(10,796)
Total purchase price	$ 10,897	$ (797)	$ 10,100

(1) The total fair value of the net assets acquired from Argon exceeded the purchase price, resulting in a gain on bargain purchase which was recorded within other income (expense) in our consolidated statements of income, and includes a negative adjustment of $778,000 in the three-month period ended September 30, 2017 (in addition to the negative adjustment of $669,000 in the three-month period ended June 30, 2017). We believe the reason for the provisional gain on bargain purchase was a result of the divestiture of a non-strategic, slow-growth critical care business for Argon. It is our understanding that the divestiture allows Argon to focus on its higher growth interventional portfolio.

(2) Amounts represent adjustments to the preliminary purchase price allocation first presented in our March 31, 2017 Form 10-Q resulting from our ongoing activities, including reassessment of the assets acquired and liabilities assumed, with respect to finalizing our purchase price allocation for this acquisition.

With respect to the Argon assets, we are amortizing developed technology over seven years and customer lists on an accelerated basis over five years. While U.S. trademarks can be renewed indefinitely, we currently estimate that we will generate cash flow from the acquired trademarks for a period of five years from the acquisition date. The total weighted-average amortization period for these acquired intangible assets is 6.0 years.

Given the timing of this acquisition, which closed during the first quarter of 2017, as well as the complexity of the acquisition, the entire purchase price allocation disclosed herein (as well as the gain on bargain purchase) is considered provisional at this time and is subject to adjustment to reflect information obtained about factors and circumstances that existed as of the acquisition date that if known would have affected the measurement of the amounts recognized as of that date. We continue to assess whether we have fully identified all the assets acquired and the liabilities assumed. Consequently, the measurement period remains open.

On January 31, 2017, we acquired substantially all the assets, including intellectual property covered by approximately 40 patents and pending applications, and assumed certain liabilities, of Catheter Connections, Inc. ("Catheter Connections"), in exchange for payment of $38.0 million. Catheter Connections, based in Salt Lake City, Utah, developed and marketed the DualCap® System, an innovative family of disinfecting products designed to protect patients from intravenous infections resulting from infusion therapy. We accounted for this acquisition as a business combination.

Acquisition-related costs associated with the Catheter Connections acquisition during the three and nine-month periods ended September 30, 2017, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income, were approximately $31,000 and $482,000, respectively. The results of operations related to this acquisition have been included in our cardiovascular segment since the acquisition date. During the three and nine-month periods ended September 30, 2017, our net sales of the products acquired from Catheter Connections were approximately $2.7 million and $7.0 million, respectively. It is not practical to separately report the earnings related to the products acquired from Catheter Connections, as we cannot split out sales costs related solely to those products, principally because our sales representatives sell multiple products (including the DualCap System) in the cardiovascular business segment. The purchase price was preliminarily allocated as follows (in thousands):

	Preliminary Allocation	Adjustments [1]	Revised Preliminary Allocation
Assets Acquired			
Trade receivables	$ 952	$ 7	$ 959
Inventories	2,244	(87)	2,157
Prepaid expenses and other assets	181	(96)	85
Property and equipment	1,472	—	1,472
Intangibles			
Developed technology	22,900	(1,800)	21,100
Customer lists	100	600	700
Trademarks	2,900	—	2,900
Goodwill	7,612	1,376	8,988
Total assets acquired	38,361	—	38,361
Liabilities Assumed			
Trade payables	(338)	—	(338)
Accrued expenses	(23)	—	(23)
Total liabilities assumed	(361)	—	(361)
Net assets acquired	$ 38,000	$ —	$ 38,000

(1) Amounts represent adjustments to the preliminary purchase price first presented in our Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2017, resulting from our ongoing activities with respect to finalizing our purchase price allocation for this acquisition. The larger adjustments primarily relate to the valuation of the acquired intangible assets.

We are amortizing the Catheter Connections developed technology asset over 12 years, the related trademarks over 10 years, and the associated customer list over eight years. We have estimated the weighted average life of the intangible Catheter Connections assets acquired to be approximately 11.7 years.

On July 6, 2016, we acquired all the issued and outstanding shares of DFINE Inc. ("DFINE"). The DFINE acquisition added a line of vertebral augmentation products for the treatment of vertebral compression fractures as well as medical devices used to treat metastatic spine tumors. We made an initial payment of $97.5 million to certain DFINE stockholders on July 6, 2016 and paid approximately $578,000 related to a net working capital adjustment subject to review by Merit and the preferred stockholders of DFINE. We accounted for the acquisition as a business combination. In the three-month period ended December 31, 2016, we negotiated the final net working capital adjustment, resulting in a reduction to the purchase price of approximately $1.1 million. As a result, we recorded measurement period adjustments to reduce inventories by approximately $89,000, reduce property and equipment by approximately $109,000, reduce goodwill by approximately $1.2 million, reduce accrued expenses by approximately $407,000 and increase the associated deferred tax liabilities by approximately $113,000. The measurement period for this acquisition is closed. Under U.S. GAAP, measurement period adjustments are recognized on a prospective basis in the period of change, instead of restating prior periods. There was no material impact to reported earnings in connection with these measurement period adjustments.

Acquisition-related costs associated with the DFINE acquisition during the year ended December 31, 2016, which were included in selling, general and administrative expenses in the consolidated statements of income included in the 2016 Form 10-K, were approximately $1.6 million. The results of operations related to this acquisition have been included in our cardiovascular segment since the acquisition date. During the year ended December 31, 2016, our net sales of DFINE products were approximately $13.5 million. It is not practical to separately report the earnings related to the DFINE acquisition, as we cannot split out sales costs related solely to the DFINE products, principally because our sales representatives sell multiple products (including DFINE products) in the cardiovascular business segment.

The purchase price was allocated to the net tangible and intangible assets acquired and liabilities assumed, based on estimated fair values, as follows (in thousands):

Assets Acquired		
Trade receivables	$	4,054
Other receivables		6
Inventories		8,585
Prepaid expenses		630
Property and equipment		1,630
Other long-term assets		145
Intangibles		
Developed technology		67,600
Customer lists		2,400
Trademarks		4,400
Goodwill		24,818
Total assets acquired		114,268
Liabilities Assumed		
Trade payables		(1,790)
Accrued expenses		(5,298)
Deferred income tax liabilities - current		(701)
Deferred income tax liabilities - noncurrent		(10,844)
Total liabilities assumed		(18,633)
Net assets acquired, net of cash received of $1,327	$	95,635

With respect to the DFINE assets, we are amortizing developed technology over 15 years and customer lists on an accelerated basis over nine years. While U.S. trademarks can be renewed indefinitely, we currently estimate that we will generate cash flow from the acquired trademarks for a period of 15 years from the acquisition date. The total weighted-average amortization period for these acquired intangible assets is 14.8 years.

On February 4, 2016, we purchased the HeRO® Graft device and other related assets from CryoLife, Inc., a developer of medical devices based in Kennesaw, Georgia ("CryoLife"). The HeRO Graft is a fully subcutaneous vascular access system intended for use in maintaining long-term vascular access for chronic hemodialysis patients who have failing fistulas, grafts or are catheter dependent due to a central venous blockage. The purchase price was $18.5 million, which was paid in full during 2016. We accounted for this acquisition as a business combination. The purchase price was allocated as follows (in thousands):

Assets Acquired		
Inventories	$	2,455
Property and equipment		290
Intangibles		
Developed technology		12,100
Trademarks		700
Customers Lists		400
Goodwill		2,555
Total assets acquired	$	18,500

We are amortizing the developed HeRO Graft technology asset over ten years, the related trademarks over 5.5 years, and the associated customer lists over 12 years. We have estimated the weighted average life of the intangible HeRO Graft assets acquired to be approximately 9.8 years. Acquisition-related costs related to the HeRO Graft device and other related assets during the year ended December 31, 2016, which were included in selling, general and administrative expenses in the consolidated statements of income included in the 2016 Form 10-K, were not material. The results of operations related to this acquisition have been included in our cardiovascular segment since the acquisition date. During the year ended December 31, 2016, our net sales of the products acquired from CryoLife were approximately $7.1 million. It is not practical to separately report the earnings related to the products acquired from CryoLife, as we cannot split out sales costs related solely to those products, principally because our sales representatives sell multiple products (including the HeRO Graft device) in the cardiovascular business segment.

The following table summarizes our consolidated results of operations for the three-month period ended September 30, 2016 and the nine-month periods ended September 30, 2017 and 2016, as well as unaudited pro forma consolidated results of operations as though the DFINE acquisition had occurred on January 1, 2015 and the acquisition of the Argon critical care division had occurred on January 1, 2016 (in thousands, except per share amounts):

	Three Months Ended September 30, 2016		**Nine Months Ended September 30, 2017**		**Nine Months Ended September 30, 2016**	
	As Reported	**Pro Forma**	**As Reported**	**Pro Forma**	**As Reported**	**Pro Forma**
Net Sales	$ 156,975	$ 167,321	$ 536,955	$ 539,715	$ 446,123	$ 494,589
Net Income	973	1,174	20,717	10,047	12,615	16,454
Earnings per common share:						
Basic	$ 0.02	$ 0.03	$ 0.43	$ 0.21	$ 0.28	$ 0.37
Diluted	$ 0.02	$ 0.03	$ 0.42	$ 0.20	$ 0.28	$ 0.37

* The pro forma results for the three-month period ended September 30, 2017 are not included in the table above because the operating and financial results for the DFINE and Argon critical care division acquisitions were included in our consolidated statements of income for this period.

The unaudited pro forma information set forth above is for informational purposes only and includes adjustments related to the step-up of acquired inventories, amortization expense of acquired intangible assets, interest expense on long-term debt and changes in the timing of the recognition of the gain on bargain purchase. The pro forma information should not be considered indicative of actual results that would have been achieved if the DFINE acquisition had occurred on January 1, 2015 and the acquisition of the Argon critical care division had occurred on January 1, 2016, or results that may be obtained in any future period. The pro forma consolidated results of operations do not include the Laurane, Osseon, VAT, Catheter Connections or HeRO Graft acquisitions as we do not deem the pro forma effect of these transactions to be material.

6. Segment Reporting. We report our operations in two operating segments: cardiovascular and endoscopy. Our cardiovascular segment consists of cardiology and radiology medical device products which assist in diagnosing and treating coronary artery disease, peripheral vascular disease and other non-vascular diseases and includes embolotherapeutic, cardiac rhythm management ("CRM"), electrophysiology ("EP"), and interventional oncology and spine devices. Our endoscopy segment consists of gastroenterology and pulmonology medical device products which assist in the palliative treatment of expanding esophageal, tracheobronchial and biliary strictures caused by malignant tumors. We evaluate the performance of our operating segments based on operating income.

Financial information relating to our reportable operating segments and reconciliations to the consolidated totals for the three and nine-month periods ended September 30, 2017 and 2016, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net Sales (1)				
Cardiovascular	$ 172,723	$ 150,503	$ 517,140	$ 428,571
Endoscopy	6,614	6,472	19,815	17,552
Total net sales	179,337	156,975	536,955	446,123
Operating Income (Loss)(1)				
Cardiovascular	(1,207)	1,858	14,239	19,385
Endoscopy	2,086	1,129	5,611	2,889
Total operating income	879	2,987	19,850	22,274

(1) Net sales and operating income have been adjusted from earlier reported year-to-date amounts for 2017 and 2016 to reflect changes in product classifications between our operating segments, which were made to be consistent with updates in the management of our product portfolios in the third quarter of 2017.

7. New Financial Accounting Standards.

Recently Adopted

In January 2017, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under these amendments, goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. We adopted ASU 2017-04 effective January 1, 2017 on a prospective basis, and it did not have a material impact on our consolidated financial statements for the nine months ended September 30, 2017.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which provides guidance to entities to assist with evaluating when a set of transferred assets and activities is a business and provides a screen to determine when a set is not a business. Under the new guidance, when substantially all the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset, or group of similar assets, the assets acquired would not represent a business. Also, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to produce outputs. We adopted ASU 2017-01 effective January 1, 2017 on a prospective basis. The implementation of ASU 2017-01 did not have a material impact on our consolidated financial statements for the nine months ended September 30, 2017.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which requires companies to record excess tax benefits and deficiencies in income rather than the current requirement to record them through equity. ASU 2016-09 also allows companies the option to recognize forfeitures of share-based awards when they occur rather than the previous requirement to make an estimate upon the grant of the awards. We adopted ASU 2016-09 effective January 1, 2017 on a prospective basis and, as such, no prior periods were adjusted. In accordance with the new standard and prospectively since the date we adopted ASU 2016-09, excess tax benefits from stock-based compensation are reported as an income tax benefit in our consolidated statements of income (see Note 8).

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which requires all deferred tax assets and deferred tax liabilities to be presented as noncurrent within a classified balance sheet. We adopted ASU 2015-17 effective January 1, 2017 on a prospective basis and did not reclassify presentation of prior year balances. The adoption of this standard did not have a material impact on our consolidated financial statements for the nine months ended September 30, 2017.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*. ASU 2015-11 requires that inventory be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory measured using last-in, first-out or the retail inventory method are excluded from the scope of ASU 2015-11, which is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The implementation of ASU 2015-11 did not have a material impact on our consolidated financial statements for the nine months ended September 30, 2017.

Not Yet Adopted

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*, which expands and refines hedge accounting for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedge items in the financial statements, and includes certain targeted improvements to ease the application of current guidance related to the assessment of hedge effectiveness. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the anticipated impact of adopting ASU 2017-12 on our consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other than Inventory*, which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. ASU 2016-16 will be effective for us on January 1, 2018. We do not presently anticipate that the adoption of ASU 2016-16 will have a material impact on our consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for us on January 1, 2018 with early adoption permitted. We do not presently anticipate that the adoption of ASU 2016-15 will have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which eliminates the current tests for lease classification under U.S. GAAP and requires lessees to recognize the right-of-use assets and related lease liabilities on the balance sheet for all leases greater than one year in duration. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of ASU 2016-02 is permitted. ASU 2016-02 provides that lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. We are assessing the impact that ASU 2016-02 is anticipated to have on our consolidated financial statements. We currently expect that most of our operating lease commitments will be subject to the new standard and recognized as lease liabilities and right-of-use assets upon our adoption of ASU 2016-02.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance regarding the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, ASU 2016-01 clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 will be effective for us on January 1, 2018. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. Upon adoption of ASU 2016-01, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. We do not presently anticipate that the adoption of ASU 2016-01 will have a material impact on our financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update the financial reporting requirements for revenue recognition. Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. This guidance is effective for us beginning on January 1, 2018, and entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. We expect to adopt this standard using the modified retrospective approach beginning in 2018.

We have substantially completed our impact assessment of implementing this guidance. We have evaluated each of the five steps in Topic 606, which are as follows: 1) Identify the contract with the customer; 2) Identify the performance obligations in the contract; 3) Determine the transaction price; 4) Allocate the transaction price to the performance obligations; and 5) Recognize revenue when (or as) performance obligations are satisfied. Our preliminary conclusion is that we expect to identify similar performance obligations under ASC Topic 606 as compared with deliverables and separate units of account previously identified.

The Company does not expect revenue to be affected materially in any period due to the adoption of ASC Topic 606 because the Company believes it would have sufficient information to conclude that the transaction price was fixed or determinable under current GAAP and would have recorded revenue upon shipment or delivery under either ASC Topic 605 or ASC Topic 606. Additionally, the Company does not expect cost of sales (product) to be affected materially in any period due to the adoption of Topic 606.

We continue to evaluate the impact that this new standard will have on our Original Equipment Manufacturing arrangements. There are also certain considerations related to accounting policies, business processes and internal control over financial reporting that are associated with implementing Topic 606. We are currently evaluating our policies, processes, and control framework for revenue recognition and identifying any changes that may need to be made in response to the new guidance. Disclosure requirements under the new guidance in Topic 606 have been significantly expanded in comparison to the disclosure requirements under the current guidance, including disclosures related to disaggregation of revenue into appropriate categories, performance obligations, the judgments made in revenue recognition determinations, adjustments to revenue which relate to activities from previous quarters or years, any significant reversals of revenue, and costs to obtain or fulfill contracts. Designing and implementing the appropriate controls over gathering and reporting the information required under Topic 606 is currently in process, and we anticipate it will be completed prior to January 1, 2018.

8. Income Taxes. Our provision for income taxes for the three months ended September 30, 2017 was a tax expense of approximately $1.4 million compared to a tax benefit of $978,000 for the corresponding period of 2016. The increase in the income tax expense for the third quarter of 2017 compared to the third quarter of 2016 was primarily due to the discrete tax impact of the in-process research and development charge attributable to the IntelliMedical acquisition completed in the third quarter of 2017, which was not deductible for tax purposes.

Our provision for income taxes for the nine months ended September 30, 2017 and 2016 was a tax expense of approximately $3.9 million and approximately $3.1 million, respectively, which resulted in an effective tax rate of 15.8% and 20.0%, respectively. The decrease in the effective income tax rate for the nine-month period ended September 30, 2017, when compared to the corresponding period of 2016, was primarily related to a discrete tax benefit related to share-based payment awards due to application of ASC Update 2016-09 and a nontaxable gain on the bargain purchase relating to our acquisition of the critical care division of Argon.

9. Revolving Credit Facility and Long-term Debt. Our outstanding debt obligations as of September 30, 2017 and December 31, 2016, consisted of the following (in thousands):

	September 30, 2017	December 31, 2016
2016 Term loan	$ 87,500	$ 145,000
2016 Revolving credit loans	184,000	180,000
2017 Debt facility	6,962	—
Less debt issuance costs	(522)	(627)
Total debt	277,940	324,373
Less current portion	16,962	10,000
Long-term portion	$ 260,978	$ 314,373

2017 Debt Facility

On February 23, 2017, we entered into a loan agreement with HSBC Bank USA, National Association ("HSBC Bank") whereby HSBC Bank agreed to provide us with a loan in the amount of approximately $7.0 million. The loan matures on February 1, 2018, with an extension available at our option, subject to certain conditions. The loan agreement bears interest at the three-month London Inter-Bank Offered Rate (“LIBOR”) plus 1.0%, which resets quarterly. The loan is secured by assets equal to the currently outstanding loan balance. The loan contains covenants, representations and warranties and other terms customary for loans of this nature. As of September 30, 2017, our interest rate on the loan was a variable rate of 2.32%.

2016 Term Loan and Revolving Credit Loans

On July 6, 2016, we entered into a Second Amended and Restated Credit Agreement (as amended to date, the "Second Amended Credit Agreement"), with Wells Fargo Bank, National Association, as administrative agent, swingline lender and a lender, and Wells Fargo Securities, LLC, as sole lead arranger and sole bookrunner. In addition to Wells Fargo Bank, National Association, Bank of America, N.A., U.S. Bank, National Association, and HSBC Bank, are parties to the Second Amended Credit Agreement as lenders. The Second Amended Credit Agreement amends and restates in its entirety our previously outstanding Amended and Restated Credit Agreement and all amendments thereto. The Second Amended Credit Agreement was amended on September 28, 2016 to allow for a new revolving credit loan to our wholly-owned subsidiary and on March 20, 2017 to allow flexibility in how we apply net proceeds received from equity issuances to prepay outstanding indebtedness.

The Second Amended Credit Agreement provides for a term loan of $150 million and a revolving credit commitment up to an aggregate amount of $275 million, which includes a reserve of $25 million to make swingline loans from time to time. The term loan is payable in quarterly installments in the amounts provided in the Second Amended Credit Agreement until the maturity date of July 6, 2021, at which time the term and revolving credit loans, together with accrued interest thereon, will be due and payable. At any time prior to the maturity date, we may repay any amounts owing under all revolving credit loans, term loans, and all swingline loans in whole or in part, subject to certain minimum thresholds, without premium or penalty, other than breakage costs.

Revolving credit loans denominated in dollars and term loans made under the Second Amended Credit Agreement bear interest, at our election, at either a Base Rate or Eurocurrency Base Rate (as such terms are defined in the Second Amended Credit Agreement) plus the applicable margin, which increases as our Consolidated Total Leverage Ratio (as defined in the Second Amended Credit Agreement) increases. Revolving credit loans denominated in an Alternative Currency (as defined in the Second Amended Credit Agreement) bear interest at the Eurocurrency rate plus the applicable margin. Swingline loans bear interest at the base rate plus the applicable margin. Upon an event of default, the interest rate may be increased by 2.0%. The revolving credit commitment will also carry a commitment fee of 0.15% to 0.40% per annum on the unused portion.

The Second Amended Credit Agreement is collateralized by substantially all our assets. The Second Amended Credit Agreement contains covenants, representations and warranties and other terms customary for loans of this nature. The Second Amended Credit Agreement requires that we maintain certain financial covenants, as follows:

	Covenant Requirement
Consolidated Total Leverage Ratio (1)	
July 1, 2017 through December 31, 2017	3.75 to 1.0
January 1, 2018 through March 31, 2018	3.5 to 1.0
April 1, 2018 and thereafter	3.25 to 1.0
Consolidated EBITDA (2)	1.25 to 1.0
Consolidated Net Income (3)	$0
Facility Capital Expenditures (4)	$30 million

(1) Maximum Consolidated Total Leverage Ratio (as defined in the Second Amended Credit Agreement) as of any fiscal quarter end.

(2) Minimum ratio of Consolidated EBITDA (as defined in the Second Amended Credit Agreement and adjusted for certain expenditures) to Consolidated Fixed Charges (as defined in the Second Amended Credit Agreement) for any period of four consecutive fiscal quarters.

(3) Minimum level of Consolidated Net Income (as defined in the Second Amended Credit Agreement) for consecutive periods, and subject to certain adjustments.

(4) Maximum level of the aggregate amount of all Facility Capital Expenditures (as defined in the Second Amended Credit Agreement) in any fiscal year.

Additionally, the Second Amended Credit Agreement contains customary events of default and affirmative and negative covenants for transactions of this type. As of September 30, 2017, we believe we were in compliance with all covenants set forth in the Second Amended Credit Agreement.

As of September 30, 2017, we had outstanding borrowings of approximately $271.5 million under the Second Amended Credit Agreement, with available borrowings of approximately $91.0 million, based on the leverage ratio required pursuant to the Second Amended Credit Agreement. Our interest rate as of September 30, 2017 was a fixed rate of 2.23% on $126.3 million and a fixed rate of 2.37% on $48.8 million as a result of interest rate swaps (see Note 10), a variable floating rate of 2.49% on $84.5 million and a variable floating rate of 2.49% on $12.0 million. Our interest rate as of December 31, 2016 was a fixed rate of 2.98% on $130.0 million and 3.12% on $45.0 million as a result of interest rate swaps and a variable floating rate of 2.77% on $150.0 million.

Future Payments

Future minimum principal payments on our long-term debt as of September 30, 2017, are as follows (in thousands):

Years Ending December 31	Future Minimum Principal Payments
Remaining 2017	2,500
2018	19,462
2019	15,000
2020	17,500
2021	224,000
Total future minimum principal payments	$ 278,462

10. Derivatives

General. Our earnings and cash flows are subject to fluctuations due to changes in interest rates and foreign currency exchange rates, and we seek to mitigate a portion of these risks by entering into derivative contracts. The derivatives we use are interest rate swaps and foreign currency forward contracts. We recognize derivatives as either assets or liabilities at fair value in the accompanying consolidated balance sheets, regardless of whether or not hedge accounting is applied. We report cash flows arising from our hedging instruments consistent with the classification of cash flows from the underlying hedged items. Accordingly, cash flows associated with our derivative programs are classified as operating activities in the accompanying consolidated statements of cash flows.

We formally document, designate and assess the effectiveness of transactions that receive hedge accounting initially and on an ongoing basis. Changes in the fair value of derivatives that qualify for hedge accounting treatment are recorded, net of applicable taxes, in accumulated other comprehensive income (loss), a component of stockholders' equity in the accompanying consolidated balance sheets. For the ineffective portions of qualifying hedges, the change in fair value is recorded through earnings in the period of change. Changes in the fair value of derivatives not designated as hedging instruments are recorded in earnings throughout the term of the derivative.

Interest Rate Risk. A portion of our debt bears interest at variable interest rates and, therefore, we are subject to variability in the cash paid for interest expense. In order to mitigate a portion of this risk, we use a hedging strategy to reduce the variability of cash flows in the interest payments associated with a portion of the variable-rate debt outstanding under our Second Amended Credit Agreement that is solely due to changes in the benchmark interest rate.

Derivatives Designated as Cash Flow Hedges

On December 19, 2012, we entered into a pay-fixed, receive-variable interest rate swap having an initial notional amount of $150 million with Wells Fargo to fix the one-month LIBOR rate at 0.98%. The variable portion of the interest rate swap is tied to the one-month LIBOR rate (the benchmark interest rate). The interest rates under both the interest rate swap and the underlying debt reset, the swap is settled with the counterparty, and interest is paid on a monthly basis. The notional amount of the interest rate swap is reduced quarterly by 50% of the minimum principal payment due under the terms of our Second Amended Credit Agreement. The interest rate swap is scheduled to expire on December 19, 2017.

On August 5, 2016, we entered into a pay-fixed, receive-variable interest rate swap having an initial notional amount of $42.5 million with Wells Fargo to fix the one-month LIBOR rate at 1.12%. The variable portion of the interest rate swap is tied to the one-month LIBOR rate (the benchmark interest rate). On a monthly basis, the interest rates under both the interest rate swap and the underlying debt reset, the swap is settled with the counterparty, and interest is paid. The notional amount of the interest rate swap increases quarterly by an amount equal to the decrease of the hedge entered into on December 19, 2012, up to the amount of $175.0 million. The interest rate swap is scheduled to expire on July 6, 2021.

At September 30, 2017 and December 31, 2016, our interest rate swaps qualified as cash flow hedges. The fair value of our interest rate swaps at September 30, 2017 was an asset of approximately $4.4 million, which was partially offset by approximately $1.7 million in deferred taxes. The fair value of our interest rate swaps at December 31, 2016 was an asset of approximately $5.0 million, which was partially offset by approximately $1.9 million in deferred taxes.

Foreign Currency Risk. We operate on a global basis and are exposed to the risk that our financial condition, results of operations, and cash flows could be adversely affected by changes in foreign currency exchange rates. To reduce the potential effects of foreign currency exchange rate movements on net earnings, we enter into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions. Our policy is to enter into foreign currency derivative contracts with maturities of up to two years. We are primarily exposed to foreign currency exchange rate risk with respect to transactions and balances denominated in Euros, British Pounds, Chinese Yuan Renminbi, Mexican Pesos, Brazilian Reals, Australian Dollars, Hong Kong Dollars, Swiss Francs, Swedish Krona, Canadian Dollars, Singapore Dollars, Japanese Yen, Korean Won, and Danish Krone. Our consolidated financial statements are denominated in, and our principal currency is, the U.S. Dollar. We do not use derivative financial instruments for trading or speculative purposes. We are not subject to any credit risk contingent features related to our derivative contracts, and counterparty risk is managed by allocating derivative contracts among several major financial institutions.

Derivatives Designated as Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (i.e., the ineffective portion) or hedge components excluded from the assessment of effectiveness, are recognized in earnings during the current period. We enter into forward contracts on various foreign currencies to manage the risk associated with forecasted exchange rates which impact revenues, cost of sales, and operating expenses in various international markets. The objective of the hedges is to reduce the variability of cash flows associated with the forecasted purchase or sale of the associated foreign currencies.

We enter into approximately 100 foreign currency cash flow hedges every month. As of September 30, 2017, we had entered into foreign currency forward contracts, which qualified as cash flow hedges, with the following notional amounts (in thousands and in local currencies):

Currency	Symbol	Forward Notional Amount
Euro	EUR	5,555
Swiss Franc	CHF	1,088
Danish Krone	DKK	7,775
British Pound	GBP	2,550
Mexican Peso	MXN	64,425
Swedish Krona	SEK	10,805

Derivatives Not Designated as Cash Flow Hedges

We forecast our net exposure in various receivables and payables to fluctuations in the value of various currencies, and we enter into foreign currency forward contracts to mitigate that exposure. We enter into approximately 20 foreign currency fair value hedges every month. As of September 30, 2017, we had entered into foreign currency forward contracts related to those balance sheet accounts with the following notional amounts (in thousands and in local currencies):

Currency	Symbol	Forward Notional Amount
Euro	EUR	21,801
British Pound	GBP	1,128
Chinese Yuan Renminbi	CNY	39,954
Mexican Peso	MXN	17,537
Brazilian Real	BRL	8,500
Australian Dollar	AUD	4,599
Hong Kong Dollar	HKD	11,000
Swiss Franc	CHF	278
Swedish Krona	SEK	6,007
Canadian Dollar	CAD	1,968
Singapore Dollar	SGD	3,585
Japanese Yen	JPY	178,500
South Korean Won	KRW	1,800,000

Balance Sheet Presentation of Derivatives. As of September 30, 2017 and December 31, 2016, all derivatives, both those designated as hedging instruments and those that were not designated as hedging instruments, were recorded gross at fair value on our consolidated balance sheets. We are not subject to any master netting agreements. The fair value of derivative instruments on a gross basis is as follows (in thousands):

		Fair Value	
	Balance Sheet Location	**September 30, 2017**	**December 31, 2016**
Derivatives designated as hedging instruments			
Assets			
Interest rate swaps	Prepaid expenses and other assets (current)	$ 79	$ —
Interest rate swaps	Other assets (long-term)	4,309	4,991
Foreign currency forward contracts	Prepaid expenses and other assets (current)	646	116
Foreign currency forward contracts	Other assets (long-term)	158	18
(Liabilities)			
Foreign currency forward contracts	Accrued expenses (current)	$ (286)	$ (275)
Foreign currency forward contracts	Other long-term obligations	(96)	(18)
Derivatives not designated as hedging instruments			
Assets			
Foreign currency forward contracts	Prepaid expenses and other assets (current)	$ 485	$ 220
(Liabilities)			
Foreign currency forward contracts	Accrued expenses (current)	(210)	(171)

Income Statement Presentation of Derivatives

Derivatives Designated as Cash Flow Hedges

Derivative instruments designated as cash flow hedges had the following effects, before income taxes, on other comprehensive income and net earnings in our consolidated statements of income, consolidated statements of comprehensive income and consolidated balance sheets (in thousands):

	Amount of Gain/(Loss) recognized in OCI			Amount of Gain/(Loss) reclassified from AOCI	
	Three Months Ended September 30,			Three Months Ended September 30,	
	2017	2016		2017	2016
Derivative instrument			**Location in Statements of Income**		
Interest rate swaps	$ 1	$ (256)	*Interest expense*	$ 96	$ (153)
Foreign currency forward contracts	100	—	*Revenue*	(101)	—
			Cost of goods sold	250	—

	Amount of Gain/(Loss) recognized in OCI			Amount of Gain/(Loss) reclassified from AOCI	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
	2017	2016		2017	2016
Derivative instrument			**Location in Statements of Income**		
Interest rate swaps	$ (611)	$ (1,503)	*Interest expense*	$ (8)	$ (519)
Foreign currency forward contracts	841	—	*Revenue*	(141)	—
			Cost of goods sold	213	—

The net amount recognized in earnings during the three and nine-month periods ended September 30, 2017 and 2016 due to ineffectiveness and amounts excluded from the assessment of hedge effectiveness were not significant.

As of September 30, 2017, approximately $461,000, or $282,000 after taxes, was expected to be reclassified from accumulated other comprehensive income to earnings in revenue and cost of sales over the succeeding twelve months. As of September 30, 2017, approximately $624,000, or $381,000 after taxes, was expected to be reclassified from accumulated other comprehensive income to earnings in interest expense over the succeeding twelve months.

Derivatives Not Designated as Hedging Instruments

The following gains/(losses) from these derivative instruments were recognized in our consolidated statements of income for the periods presented (in thousands):

		Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Derivative Instrument	**Location in Statements of Income**				
Foreign currency forward contracts	Other income (expense)	$ (1,459)	$ (76)	$ (4,150)	$ (222)

See Note 11 for more information about our derivatives.

11. Fair Value Measurements. Our financial assets and (liabilities) carried at fair value measured on a recurring basis as of September 30, 2017 and December 31, 2016, consisted of the following (in thousands):

Description	Total Fair Value at September 30, 2017	Fair Value Measurements Using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate contracts (1)	$ 4,388	$ —	$ 4,388	$ —
Foreign currency contract assets, current and long-term (2)	$ 1,289	$ —	$ 1,289	$ —
Foreign currency contract liabilities, current and long-term (3)	$ (592)	$ —	$ (592)	$ —

Description	Total Fair Value at December 31, 2016	Fair Value Measurements Using: Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate contracts (1)	$ 4,991	$ —	$ 4,991	$ —
Foreign currency contract assets, current and long-term (2)	$ 354	$ —	$ 354	$ —
Foreign currency contract liabilities, current and long-term (3)	$ (464)	$ —	$ (464)	$ —

(1) The fair value of the interest rate contracts is determined using Level 2 fair value inputs and is recorded as prepaid expenses and other assets (current) and other assets (long-term) in the consolidated balance sheets.

(2) The fair value of the foreign currency contract assets (including those designated as hedging instruments and those not designated as hedging instruments) is determined using Level 2 fair value inputs and is recorded as prepaid expenses and other assets (current) and other assets (long-term) in the consolidated balance sheets.

(3) The fair value of the foreign currency contract liabilities (including those designated as hedging instruments and those not designated as hedging instruments) is determined using Level 2 fair value inputs and is recorded as accrued expenses (current) and other long-term obligations in the consolidated balance sheets.

Certain of our business combinations involve the potential for the payment of future contingent consideration, generally based on a percentage of future product sales or upon attaining specified future revenue milestones. See Note 5 for further information regarding these acquisitions. The contingent consideration liability is re-measured at the estimated fair value each reporting period with the change in fair value recognized within operating expenses in the accompanying consolidated statements of income. We measure the initial liability and re-measure the liability on a recurring basis using Level 3 inputs as defined under authoritative guidance for fair value measurements. Changes in the fair value of our contingent consideration liability during the three and nine-month periods ended September 30, 2017 and 2016, consisted of the following (in thousands):

	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Beginning balance	$ 5,572	$ 898	$ 683	$ 1,024
Contingent consideration liability recorded as the result of acquisitions (see Note 5)	5,500	—	10,400	—
Fair value adjustments recorded to income during the period	20	(193)	39	(136)
Contingent payments made	(15)	(16)	(45)	(199)
Ending balance	$ 11,077	$ 689	$ 11,077	$ 689

The recurring Level 3 measurement of our contingent consideration liabilities and contingent receivable includes the following significant unobservable inputs at September 30, 2017 and December 31, 2016 (amounts in thousands):

Contingent consideration asset or liability	Fair value at September 30, 2017		Valuation technique	Unobservable inputs	Range
Revenue-based payments	$	11,077	Discounted cash flow	Discount rate	9.9% - 15%
contingent liability				Probability of milestone payment	100%
				Projected year of payments	2017-2037
Contingent receivable	$	528	Discounted cash flow	Discount rate	10%
asset				Probability of milestone payment	57%
				Projected year of payments	2017-2019

Contingent consideration asset or liability	Fair value at December 31, 2016		Valuation technique	Unobservable inputs	Range
Revenue-based payments	$	683	Discounted cash flow	Discount rate	9.9% - 15%
contingent liability				Probability of milestone payment	100%
				Projected year of payments	2017-2028
Contingent receivable	$	528	Discounted cash flow	Discount rate	10%
asset				Probability of milestone payment	57%
				Projected year of payments	2017-2019

The contingent consideration liabilities and contingent receivable are re-measured to fair value each reporting period using projected revenues, discount rates, probabilities of payment, and projected payment dates. Projected contingent payment amounts are discounted back to the current period using a discounted cash flow model. Projected revenues are based on our most recent internal operational budgets and long-range strategic plans. An increase (decrease) in either the discount rate or the time to payment, in isolation, may result in a significantly lower (higher) fair value measurement. A decrease in the probability of any milestone payment may result in lower fair value measurements.

Our determination of the fair value of the contingent consideration liabilities and contingent receivable could change in future periods based upon our ongoing evaluation of these significant unobservable inputs. We record any such change in fair value to operating expenses in our consolidated statements of income. As of September 30, 2017, approximately $10.8 million was included in other long-term obligations and $243,000 was included in accrued expenses in our consolidated balance sheet. As of December 31, 2016, approximately $595,000 was included in other long-term obligations and $88,000 was included in accrued expenses in our consolidated balance sheet. The cash paid to settle the contingent consideration liability recognized at fair value as of the acquisition date (including measurement-period adjustments) has been reflected as a cash outflow from financing activities in the accompanying consolidated statements of cash flows.

During the three and nine-month periods ended September 30, 2017, we had losses of approximately $67,000, and $86,000, respectively, compared to losses of approximately $0 and $90,000 for the three and nine-month periods ended September 30, 2016, respectively, related to the measurement of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

The carrying amount of cash and cash equivalents, trade receivables, and trade payables approximate fair value because of the immediate, short-term maturity of these financial instruments. The carrying amount of long-term debt approximates fair value, as determined by borrowing rates estimated to be available to us for debt with similar terms and conditions. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs, with the exception of cash and cash equivalents, which are Level 1 inputs.

12. Goodwill and Intangible Assets. The changes in the carrying amount of goodwill for the nine-month period ended September 30, 2017 were as follows (in thousands):

		2017
Goodwill balance at January 1	$	211,927
Effect of foreign exchange		2,418
Additions as the result of acquisitions		19,698
Goodwill balance at September 30	$	234,043

As of September 30, 2017, we had recorded approximately $8.3 million of accumulated goodwill impairment charges. The goodwill balances as of September 30, 2017 and December 31, 2016, were related to our cardiovascular segment.

Other intangible assets at September 30, 2017 and December 31, 2016, consisted of the following (in thousands):

	September 30, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$ 15,972	$ (3,586)	$ 12,386
Distribution agreements	6,626	(4,248)	2,378
License agreements	23,804	(4,387)	19,417
Trademarks	16,220	(4,342)	11,878
Covenants not to compete	1,028	(961)	67
Customer lists	25,942	(17,461)	8,481
In-process technology	1,100	—	1,100
Total	$ 90,692	$ (34,985)	$ 55,707

	December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$ 14,130	$ (3,165)	$ 10,965
Distribution agreements	6,626	(3,527)	3,099
License agreements	20,695	(3,422)	17,273
Trademarks	12,380	(3,330)	9,050
Covenants not to compete	1,028	(936)	92
Customer lists	22,261	(15,401)	6,860
Royalty agreements	267	(267)	—
Total	$ 77,387	$ (30,048)	$ 47,339

Aggregate amortization expense for the three and nine-month periods ended September 30, 2017 was approximately $7.0 million and $19.4 million, respectively. For the three and nine-month periods ended September 30, 2016, aggregate amortization expense was approximately $5.7 million and $13.6 million, respectively.

Estimated amortization expense for the developed technology and other intangible assets for the next five years consists of the following as of September 30, 2017 (in thousands):

Year Ending December 31		
Remaining 2017	$	6,745
2018		26,152
2019		25,678
2020		24,524
2021		18,013

13. Commitments and Contingencies. In the ordinary course of business, we are involved in various claims and litigation matters. These claims and litigation matters may include actions involving product liability, intellectual property, contractual, and employment matters. We do not believe that any such actions are likely to be, individually or in the aggregate, material to our business, financial condition, results of operations or liquidity. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to our business, financial condition, results of operations or liquidity. Legal costs for these matters such as outside counsel fees and expenses are charged to expense in the period incurred.

In October 2016, we received a subpoena from the U.S. Department of Justice seeking information on certain of our marketing and promotional practices. We are in the process of responding to the subpoena, which we anticipate will continue during 2017. We have incurred, and anticipate that we will continue to incur, substantial costs in connection with the matter. We incurred approximately $2.1 million and $10.6 million of expenses for the three and nine-month periods ended September 30, 2017, respectively, responding to the pending subpoena from the U.S. Department of Justice. We expect that these expenses will be in a similar range in subsequent periods and may potentially be higher, depending on the progress of the investigation and other factors beyond our control. The investigation is ongoing and at this stage we are unable to predict its scope, duration or outcome. Investigations such as this may result in the imposition of, among other things, significant damages, injunctions, fines or civil or criminal claims or penalties against our company or individuals.

In the event of unexpected further developments, it is possible that the ultimate resolution of any of the foregoing matters, or other similar matters, if resolved in a manner unfavorable to us, may be materially adverse to our business, financial condition, results of operations or liquidity. Legal costs for these matters, such as outside counsel fees and expenses, are charged to expense in the period incurred.

14. Issuance of Common Stock. On March 28, 2017, we closed a public offering of 5,175,000 shares of common stock and received proceeds of approximately $136.6 million, which is net of approximately $8.8 million in underwriting discounts and commissions and approximately $816,000 in other direct cost incurred and paid by us in connection with this equity offering. The net proceeds from the offering were used primarily to repay outstanding indebtedness under our Second Amended Credit Agreement (including our term loan and revolving credit loans).

15. Subsequent Events. We have evaluated whether any subsequent events have occurred from September 30, 2017 to the time of filing of this report that would require disclosure in the consolidated financial statements. We note the following event below:

On October 2, 2017, we entered into a share purchase agreement with ITL Healthcare Pty Ltd, a custom procedure pack business located in Melbourne, Australia. The transaction was financed with a combination of cash and existing credit facilities, which totaled approximately $11.3 million. We are currently evaluating the accounting treatment of this purchase, as well as performing the valuation of the assets acquired and the related purchase price allocation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Disclosure Regarding Forward-Looking Statements

This Report includes “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 (the “Exchange Act”). All statements in this Report, other than statements of historical fact, are forward-looking statements for purposes of these provisions, including any projections of earnings, revenues or other financial items, any statements of the plans and objectives of our management for future operations, any statements concerning proposed new products or services, any statements regarding the integration, development or commercialization of the business or assets acquired from other parties, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All forward-looking statements included in this Report are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any forward-looking statement. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “intends,” “seeks,” “believes,” “estimates,” “potential,” “forecasts,” “continue,” or other forms of these words or similar words or expressions, or the negative thereof or other comparable terminology. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct, and our actual results will likely vary, and may vary materially, from those projected or assumed in the forward-looking statements. Prospective investors are cautioned not to unduly rely on any such forward-looking statements.

Our financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including the following:

- risks relating to product recalls and product liability claims;
- potential restrictions on our liquidity or our ability to operate our business within the term of our current credit agreement, and the consequences of any default under that agreement;
- risks relating to protecting our intellectual property, including possible infringement of our intellectual property by third parties;
- the assertion that our technology infringes the intellectual property rights of other parties, which could cause us to incur significant legal or licensing expenses and prevent us from selling our products;
- our potential inability to successfully manage growth through acquisitions, including the inability to commercialize technology acquired through recent, proposed or future acquisitions;
- expenditures relating to research, development, testing and regulatory approval or clearance of our products and the risk that such products may not be developed successfully or approved for commercial use;
- greater governmental scrutiny and regulation of the medical device industry, including risks and expenses relating to the subpoena we received in October 2016 from the U.S. Department of Justice seeking information on our marketing and promotional practices;
- reforms to the 510(k) process administered by the U.S. Food and Drug Administration (the "FDA");
- risks relating to our products being used in unapproved circumstances;
- investigations or actions under laws targeting fraud and abuse in the healthcare industry;
- potential for significant adverse changes in, or our failure to comply with, governing regulations;
- failure to comply with export control laws, customs laws, sanctions laws and other laws governing our operations in the U.S. and other countries, which could subject us to civil or criminal penalties, other remedial measures and legal expenses;
- disruption of our critical information systems or material breaches in the security of our systems;
- restrictions and limitations in our debt agreements and instruments, which could affect our ability to operate our business and our liquidity;
- consequences of a covenant or payment breach under our debt agreements and instruments, which could lead to an unfavorable refinance or work-out arrangement or foreclosure on our assets;
- increases in the price of commodity components;
- negative changes in economic and industry conditions in the United States and other countries;
- termination or interruption of relationships with our suppliers, or failure of such suppliers to perform;
- fluctuations in exchange rates for Euro, CNY, GBP or other foreign currencies:
- our need to generate sufficient cash flow to fund our debt obligations, capital expenditures, and ongoing operations;
- the potential imposition of fines, penalties, or other adverse consequences if our employees or agents violate the U.S. Foreign Corrupt Practices Act or other laws or regulations;
- concentration of our revenues among a few products and procedures;
- development of new products and technology that could render our existing products obsolete;

- market acceptance of new products;
- volatility in the market price of our common stock;
- modification or limitation of governmental or private insurance reimbursement policies;
- changes in healthcare markets related to healthcare reform initiatives;
- failures to comply with applicable environmental laws;
- changes in, or loss of, key personnel;
- failure to report adverse medical events to the FDA or other regulatory authorities, which may subject us to sanctions that may materially harm our business;
- work stoppage or transportation risks;
- uncertainties associated with potential healthcare policy changes which may have a material adverse effect on our business and results of operations;
- introduction of products in a timely fashion;
- price and product competition;
- availability of labor and materials;
- cost increases;
- fluctuations in and obsolescence of inventory; and
- other factors referred to in the 2016 Form 10-K and other materials filed with the Securities and Exchange Commission.

All subsequent forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Financial estimates are subject to change and are not intended to be relied upon as predictions of future operating results, and we assume no obligation to update or disclose revisions to those estimates. Additional factors that may have a direct bearing on our operating results are discussed in Part I, Item 1A "Risk Factors" in the 2016 Form 10-K.

Disclosure Regarding Trademarks

This report includes trademarks, tradenames and service marks that are our property or the property of other third parties. Solely for convenience, such trademarks and tradenames sometimes appear without any "™" or "®" symbol. However, failure to include such symbols is not intended to suggest, in any way, that we will not assert our rights or the rights of any applicable licensor, to these trademarks and tradenames.

OVERVIEW

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related condensed notes thereto, which are included in Part I of this Report.

We design, develop, manufacture and market single-use medical products for interventional, diagnostic and therapeutic procedures. For financial reporting purposes, we report our operations in two operating segments: cardiovascular and endoscopy. Our cardiovascular segment consists of cardiology and radiology devices, which assist in diagnosing and treating coronary arterial disease, peripheral vascular disease and other non-vascular diseases and includes embolotherapeutic, cardiac rhythm management ("CRM"), electrophysiology ("EP"), and interventional oncology and spine devices. Our endoscopy segment consists of gastroenterology and pulmonology devices which assist in the palliative treatment of expanding esophageal, tracheobronchial and biliary strictures caused by malignant tumors.

For the three-month period ended September 30, 2017, we reported sales of approximately $179.3 million, up approximately $22.4 million or 14.2%, over sales from the three-month period ended September 30, 2016 of approximately $157.0 million. For the nine-month period ended September 30, 2017, we reported sales of approximately $537.0 million, up approximately $90.8 million or 20.4%, over sales for the nine-month period ended September 30, 2016 of approximately $446.1 million.

Gross profit as a percentage of sales increased to 44.9% for the three-month period ended September 30, 2017 as compared to 43.2% for the three-month period ended September 30, 2016. Gross profit as a percentage of sales increased to 44.8% for the nine-month period ended September 30, 2017 as compared to 43.7% for the nine-month period ended September 30, 2016.

Net income for the three-month period ended September 30, 2017 was a loss of approximately $(3.6) million, or $(0.07) per share, as compared to income of approximately $973,000, or $0.02 per share, for the three-month period ended September 30, 2016. For the nine-month period ended September 30, 2017, net income was approximately $20.7 million, or $0.42 per share, as compared to $12.6 million, or $0.28 per share, for the nine-month period ended September 30, 2016.

We anticipate that our business in 2017 will continue to be impacted by the trends identified in the 2016 Form 10-K under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Overview.”

RESULTS OF OPERATIONS

The following table sets forth certain operational data as a percentage of sales for the three and nine-month periods ended September 30, 2017 and 2016, as indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net sales	100%	100%	100%	100%
Gross profit	44.9	43.2	44.8	43.7
Selling, general and administrative expenses	30.5	33.9	31.6	31.1
Research and development expenses	7.2	7.3	7.2	7.5
Contingent consideration expense (benefit)	—	(0.1)	—	—
Acquired in-process research and development	6.7	0.2	2.3	0.1
Income from operations	0.5	1.9	3.7	5.0
Other income (expense) - net	(1.7)	(1.9)	0.9	(1.5)
Income (loss) before income taxes	(1.2)	—	4.6	3.5
Net income (loss)	(2.0)	0.6	3.9	2.8

Sales. Sales for the three-month period ended September 30, 2017 increased by 14.2%, or approximately $22.4 million, compared to the corresponding period in 2016. Sales for the nine-month period ended September 30, 2017 increased by 20.4%, or approximately $90.8 million, compared to the corresponding period of 2016. Listed below are the net sales by product category within each of our business segments for the three and nine-month periods ended September 30, 2017 and 2016 (in thousands):

		Three Months Ended September 30,			Nine Months Ended September 30,	
	% Change	2017	2016	% Change	2017	2016
Cardiovascular (1)						
Stand-alone devices	34.2%	$ 68,724	$ 51,195	45.6%	$ 203,434	$ 139,729
Custom kits and procedure trays	0.7%	30,436	30,223	2.2%	91,107	89,164
Inflation devices	9.0%	20,033	18,371	8.3%	59,329	54,774
Catheters	5.3%	31,751	30,139	12.2%	94,357	84,078
Embolization devices	9.3%	12,252	11,207	8.8%	36,936	33,937
CRM/EP	1.7%	9,527	9,368	18.9%	31,977	26,889
Total	14.8%	172,723	150,503	20.7%	517,140	428,571
Endoscopy (1)						
Endoscopy devices	2.2%	6,614	6,472	12.9%	19,815	17,552
Total	14.2%	$ 179,337	$ 156,975	20.4%	$ 536,955	$ 446,123

(1) Net sales and operating income have been adjusted from earlier reported year-to-date amounts for 2017 and 2016 to reflect changes in product classifications between our operating segments, which were made to be consistent with updates in the management of our product portfolios in the third quarter of 2017.

Our cardiovascular sales for the three-month period ended September 30, 2017 were approximately $172.7 million, up 14.8%, when compared to the corresponding period for 2016 of approximately $150.5 million. Sales for the three-month period ended September 30, 2017 were favorably affected by increased sales of (a) our stand-alone devices (particularly our Map™, Medallion, and HeRO® Graft products, as well as new sales from our acquisitions of the Argon and Catheter Connections product lines) of approximately $17.5 million, up 34.2%; (b) our inflation devices of approximately $1.7 million, up 9.0%; (c) our catheters (particularly our SwiftNINJA® product line, Concierge® Guiding Catheters, and our Maestro® microcatheters) of approximately $1.6 million, up 5.3%; and (d) our embolization devices of approximately $1.0 million, up 9.3%.

Our cardiovascular sales increased approximately $88.6 million, or 20.7%, for the nine-month period ended September 30, 2017, on sales of approximately $517.1 million, compared to sales of approximately $428.6 million for the corresponding period of 2016. Sales for the nine-month period ended September 30, 2017 were favorably affected by increased sales of (i) our stand-alone devices (particularly our Map, Medallion, Vaclock, HeRO® Graft and Ensnare products, as well as new sales from our acquisitions of the DFINE, Argon and Catheter Connections product lines) of approximately $63.7 million, up 45.6%; (ii) catheters (particularly our SwiftNINJA® product line, Concierge® guiding catheters, Performa® vessel-sizing catheters, and Maestro® microcatheters) of approximately $10.3 million, up 12.2%; and (iii) CRM/EP of approximately $5.1 million, up 18.9%.

Our endoscopy sales for the three-month period ended September 30, 2017 were approximately $6.6 million, up 2.2%, when compared to sales in the corresponding period of 2016 of approximately $6.5 million. Our endoscopy sales increased 12.9% for the nine-month period ended September 30, 2017, on sales of approximately $19.8 million, when compared to sales for the corresponding period of 2016 of approximately $17.6 million. The increase in both periods was primarily related to an increase in sales of our EndoMAXX™ fully covered esophageal stent, as well as the introduction of our Elation® balloon dilator.

Gross Profit. Gross profit as a percentage of sales increased to 44.9% for the three-month period ended September 30, 2017, compared to 43.2% for the corresponding period of 2016. Gross profit as a percentage of sales increased to 44.8% for the nine-month period ended September 30, 2017, compared to 43.7% for the nine-month period ended September 30, 2016. The increase was primarily due to changes in product mix and increased efficiencies gained from our operations team.

Operating Expenses. Selling, general and administrative ("SG&A") expenses increased approximately $1.5 million, or 2.9%, for the three-month period ended September 30, 2017, compared to the three-month period ended September 30, 2016. As a percentage of sales, SG&A expenses decreased to 30.5% of sales for the three-month period ended September 30, 2017, compared to 33.9% of sales for the three-month period ended September 30, 2016. SG&A expenses increased approximately $31.3 million, or 22.6%, for the nine-month period ended September 30, 2017, compared to the nine-month period ended September 30, 2016. As a percentage of sales, SG&A expenses increased to 31.6% of sales for the nine-month period ended September 30, 2017, compared to 31.1% of sales for the nine-month period ended September 30, 2016. The increase in SG&A expense was primarily related to acquisition and integration costs, legal expenses of approximately of $2.1 million and $10.6 million for the three and nine months ended September 30, 2017, respectively, incurred in responding to the pending subpoena from the U.S. Department of Justice, increased headcount, increased amortization, and foreign market expansion.

Research and Development Expenses. Research and development expenses for the three-month period ended September 30, 2017 were approximately $12.8 million, up 12.4% when compared to research and development expenses in the corresponding period of 2016 of approximately $11.4 million. Research and development expenses for the nine-month period ended September 30, 2017 were approximately $38.7 million , up 15.7%, when compared to research and development expenses in the corresponding period of 2016 of approximately $33.4 million. The increase in both periods was largely due to hiring additional research and development personnel to support various new core and acquired product developments.

Acquired in-process research and development. Acquired in-process research and development expenses ("Acquired R&D") for the three-month period ended September 30, 2017 were approximately $12.1 million, up $11.8 million when compared to acquired R&D expenses in the corresponding period of 2016 of approximately $300,000. Acquired R&D expenses for the nine-month period ended September 30, 2017 were approximately $12.1 million, up $11.7 million, when compared to acquired R&D expenses in the corresponding period of 2016 of approximately $400,000. This increase was driven primarily by the acquisition of IntelliMedical and its intellectual property rights associated with a steerable guidewire system as discussed in Note 5 of the condensed notes to our consolidated financial statements.

Operating Income. The following table sets forth our operating income by business segment for the three and nine-month periods ended September 30, 2017 and 2016 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Operating Income (Loss) (1)				
Cardiovascular	(1,207)	1,858	14,239	19,385
Endoscopy	2,086	1,129	5,611	2,889
Total operating income	879	2,987	19,850	22,274

(1) Net sales and operating income have been adjusted from earlier reported year-to-date amounts for 2017 and 2016 to reflect changes in product classifications between our operating segments, which were made to be consistent with updates in the management of our product portfolios in the third quarter of 2017.

Cardiovascular Operating Income (Loss). Our cardiovascular operating loss for the three-month period ended September 30, 2017 was approximately $(1.2) million, compared to our cardiovascular operating income of approximately $1.9 million for the three-month period ended September 30, 2016. The decrease in cardiovascular operating income was primarily related to the acquired in-process research and development expenses of $12.1 million attributable to the IntelliMedical acquisition and $2.1 million of legal expenses incurred in responding to the pending subpoena from the U.S. Department of Justice, which were partially offset by increased sales and gross margin improvements. Our cardiovascular operating income for the nine-month period ended September 30, 2017 was approximately $14.2 million, compared to our cardiovascular operating income of approximately $19.4 million for the nine-month period ended September 30, 2016. The decrease in cardiovascular operating income between the nine months ended September 30, 2017 and the nine months ended September 30, 2016 was primarily related to headcount additions, $10.6 million of legal expenses incurred in responding to the pending subpoena from the U.S. Department of Justice, the acquired in-process research and development expenses of $12.1 million and acquisition and integration-related costs, which were partially offset by increased sales and gross margin improvements.

Endoscopy Operating Income. Our endoscopy operating income for the three-month period ended September 30, 2017 was approximately $2.1 million, compared to approximately $1.1 million for the three-month period ended September 30, 2016. Our endoscopy operating income for the nine-month period ended September 30, 2017 was approximately $5.6 million, compared to approximately $2.9 million for the nine-month period ended September 30, 2016. The increases in endoscopy operating income for the three and nine-months ended September 30, 2017 were primarily the result of higher sales and gross margin improvements, partially offset by higher SG&A expenses.

Income Taxes. Our provision for income taxes for the three months ended September 30, 2017 was a tax expense of approximately $1.4 million compared to a tax benefit of $978,000 for the corresponding period of 2016. This was primarily due to the discrete tax impact of the in-process research and development charge attributable to the IntelliMedical acquisition completed in the third quarter of 2017, which was not deductible for tax purposes. Our provision for income taxes for the nine months ended September 30, 2017 and 2016 was a tax expense of approximately $3.9 million and $3.1 million, respectively, which resulted in an effective tax rate of 15.8% and 20.0%, respectively. The decrease in the effective income tax rate for the nine-month period ended September 30, 2017, when compared to the corresponding period of 2016, was primarily related to a discrete tax benefit related to share-based payment awards due to application of ASU No. 2016-09 and a nontaxable gain on the bargain purchase recorded relating to the acquisition of the critical care division of Argon.

Other Income (Expense) - Net. Our other income (expense) for the three-month periods ended September 30, 2017 and 2016 was expense of approximately $(3.1) million and $(3.0) million, respectively. The increase in other expense was principally the result of a reduction to the gain on bargain purchase related to the acquisition of the Argon critical care division of approximately $(778,000), which was offset by lower interest expense due to lower average debt balances.

Our other income (expense) for the nine-month periods ended September 30, 2017 and 2016 was income of approximately $4.8 million and expense of approximately $(6.5) million, respectively. The change in other income (expense) was principally the result of a gain on bargain purchase related to the acquisition of the Argon critical care division of approximately $10.8 million.

Net Income (Loss). We experienced a net loss for the three-month period ended September 30, 2017 of approximately $(3.6) million, compared to net income for the three-month period ended September 30, 2016 of approximately $1.0 million. Our net income for the nine-month periods ended September 30, 2017 and 2016 was approximately $20.7 million and $12.6 million, respectively. The net loss for the three months ended September 30, 2017 was primarily due to the acquired in-process research and development expenses of $12.1 million primarily attributable to the IntelliMedical acquisition, which was partially offset by increased sales, gross margin improvement and a discrete tax benefit related to share-based payment awards due to application of ASU No. 2016-09 which decreased our effective income tax rate.

Our net income for the nine-month periods ended September 30, 2017 and 2016 was approximately $20.7 million and $12.6 million, respectively. The increase in net income for the nine months ended September 30, 2017 was primarily due to increased sales, gross margin improvement and the gain on bargain purchase of approximately $10.8 million related to the acquisition of the Argon critical care division and a discrete tax benefit related to share-based payment awards due to application of ASU No. 2016-09 (which decreased our effective income tax rate), which was partially offset by the acquired in-process research and development expenses of $12.1 million attributable to the IntelliMedical acquisition, approximately $10.6 million of legal expenses incurred in responding to the pending subpoena from the U.S. Department of Justice, and approximately $5.0 million of acquisition and integration-related costs.

LIQUIDITY AND CAPITAL RESOURCES

Capital Commitments, Contractual Obligations and Cash Flows

At September 30, 2017 and December 31, 2016, we had cash and cash equivalents of approximately $23.4 million and $19.2 million respectively, of which $21.6 million and $18.4 million, respectively, were held by foreign subsidiaries. For each of our foreign subsidiaries, we make an evaluation as to whether the earnings are intended to be repatriated to the United States or held by the foreign subsidiary for permanent reinvestment. The cash held by our foreign subsidiaries for permanent reinvestment is used to fund the operating activities of our foreign subsidiaries and for further investment in foreign operations. A deferred tax liability has been accrued for the earnings that are available to be repatriated to the United States.

In addition, cash held by our subsidiary in China is subject to local laws and regulations that require government approval for the transfer of such funds to entities located outside of China. As of September 30, 2017 and December 31, 2016, we had cash and cash equivalents of approximately $14.5 million and $9.5 million, respectively, held by our subsidiary in China.

Cash flows provided by operating activities. Cash provided by operating activities during the nine-month periods ended September 30, 2017 and 2016 was primarily the result of net income excluding non-cash items offset by shifts in working capital. Our working capital as of September 30, 2017 and December 31, 2016 was approximately $192.1 million and $155.1 million, respectively. The increase in working capital as of September 30, 2017 compared to December 31, 2016 was primarily the result of increases in cash, trade receivables, inventories and prepaid expenses, which were partially offset by an increase in accrued expenses and the current portion of long-term debt. As of September 30, 2017 and December 31, 2016, we had a current ratio of 2.78 to 1 and 2.76 to 1, respectively.

During the nine-month period ended September 30, 2017, our inventory balance increased approximately $24.9 million, from approximately $120.7 million as of December 31, 2016 to approximately $145.6 million as of September 30, 2017. The increase in the inventory balance was due, in large part, to the acquisition of Catheter Connections and the critical care division of Argon. The trailing twelve-month inventory turns as of September 30, 2017 decreased to 2.92, compared to 3.00 as of September 30, 2016.

Cash flows provided by financing activities. Net cash provided by financing activities for the nine-month period ended September 30, 2017 was approximately $95.7 million, compared to cash provided by financing activities of approximately $123.5 million for the nine-month period ended September 30, 2016, a decrease of approximately $27.8 million. The decrease in net cash provided from financing activities was primarily the result of a decrease of approximately $52.0 million in proceeds from the issuance of long-term debt in the nine months ended September 30, 2017 and an increase of approximately $115.3 million in payments on long-term debt during the same period, partially offset by our public equity offering of 5,175,000 shares of common stock. We received net proceeds of approximately $136.6 million which is net of approximately $8.8 million in underwriting discounts and commissions and approximately $816,000 in other direct cost incurred and paid by us in connection with this equity offering.

On February 23, 2017, we entered into a loan agreement with HSBC Bank, whereby HSBC Bank agreed to provide us with a loan in the amount of approximately $7.0 million. The loan matures on February 1, 2018, with an extension available at our option, subject to certain conditions. The loan agreement bears interest at the three-month LIBOR rate plus 1.0%, and resets quarterly. The loan is secured by assets equal to the currently outstanding loan balance. The loan contains covenants, representations and warranties and other terms customary for loans of this nature. Our interest rate as of September 30, 2017 was a variable rate of 2.32%.

Our Second Amended Credit Agreement provides for a term loan of $150 million and a revolving credit commitment up to an aggregate amount of $275 million, which includes a reserve of $25 million to make swingline loans from time to time. The term loan is payable in quarterly installments in the amounts provided in the Second Amended Credit Agreement until the maturity date of July 6, 2021, at which time the term and revolving credit loans, together with accrued interest thereon, will be due and payable. At any time prior to the maturity date, we may repay any amounts owing under all revolving credit loans, term loans, and all swingline loans in whole or in part, subject to certain minimum thresholds, without premium or penalty, other than breakage costs.

Revolving credit loans denominated in dollars and term loans made under the Second Amended Credit Agreement bear interest, at our election, at either a Base Rate or Eurocurrency Base Rate (as such terms are defined in the Second Amended Credit Agreement) plus the applicable margin, which increases as our Consolidated Total Leverage Ratio (as defined in the Second Amended Credit Agreement) increases. Revolving credit loans denominated in an Alternative Currency (as defined in the Second Amended Credit Agreement) bear interest at the Eurocurrency rate plus the applicable margin. Swingline loans bear interest at the base rate plus the applicable margin. Upon an event of default, the interest rate may be increased by 2.0%. The revolving credit commitment will also carry a commitment fee of 0.15% to 0.40% per annum on the unused portion.

The Second Amended Credit Agreement is collateralized by substantially all our assets. The Second Amended Credit Agreement contains covenants, representations and warranties and other terms customary for loans of this nature. The Second Amended Credit Agreement requires that we maintain certain financial covenants, as follows:

	Covenant Requirement
Consolidated Total Leverage Ratio (1)	
July 1, 2017 through December 31, 2017	3.75 to 1.0
January 1, 2018 through March 31, 2018	3.5 to 1.0
April 1, 2018 and thereafter	3.25 to 1.0
Consolidated EBITDA (2)	1.25 to 1.0
Consolidated Net Income (3)	$0
Facility Capital Expenditures (4)	$30 million

(1) Maximum Consolidated Total Leverage Ratio (as defined in the Second Amended Credit Agreement) as of any fiscal quarter end.

(2) Minimum ratio of Consolidated EBITDA (as defined in the Second Amended Credit Agreement and adjusted for certain expenditures) to Consolidated Fixed Charges (as defined in the Second Amended Credit Agreement) for any period of four consecutive fiscal quarters.

(3) Minimum level of Consolidated Net Income (as defined in the Second Amended Credit Agreement) for consecutive periods, and subject to certain adjustments.

(4) Maximum level of the aggregate amount of all Facility Capital Expenditures (as defined in the Second Amended Credit Agreement) in any fiscal year.

Additionally, the Second Amended Credit Agreement contains customary events of default and affirmative and negative covenants for transactions of this type. As of September 30, 2017, we believe we were in compliance with all covenants set forth in the Second Amended Credit Agreement.

As of September 30, 2017, we had outstanding borrowings of approximately $271.5 million under the Second Amended Credit Agreement, with available borrowings of approximately $91.0 million, based on the leverage ratio required pursuant to the Second Amended Credit Agreement. Our interest rate as of September 30, 2017 was a fixed rate of 2.23% on $126.3 million and a fixed rate of 2.37% on $48.8 million as a result of interest rate swaps (see Note 10 of the condensed notes to our consolidated financial statements), a variable floating rate of 2.49% on $84.5 million and a variable floating rate of 2.49% on $12.0 million. Our interest rate as of December 31, 2016 was a fixed rate of 2.98% on $130.0 million and 3.12% on $45.0 million as a result of interest rate swaps and a variable floating rate of 2.77% on approximately $150.0 million.

Cash flows used in investing activities. Our cash flow used in investing activities for the nine-month period ended September 30, 2017 was approximately $134.9 million, compared to approximately $146.8 million for the nine-month period ended September 30, 2016, a decrease of approximately $11.9 million. This decrease was primarily a result of a decrease of approximately $16.3 million in net cash paid for acquisitions during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016 (see Note 5 of the condensed notes to our consolidated financial statements), partially offset by a $3.0 million increase in capital expenditures for property and equipment. In the event we pursue and complete significant transactions or acquisitions in the future, additional funds will likely be required to meet our strategic needs, which may require us to raise additional funds in the debt or equity markets.

Capital expenditures for property and equipment were approximately $29.5 million and $26.5 million for the nine-month periods ended September 30, 2017 and 2016, respectively.

We currently believe that our existing cash balances, anticipated future cash flows from operations, equipment financing and borrowings under the Second Amended Credit Agreement will be adequate to fund our current and currently planned future operations for the next twelve months and the foreseeable future; however, if we pursue and complete significant transactions or acquisitions in the future, additional funds may be required to facilitate such transactions.

Critical Accounting Policies and Estimates

The SEC has requested that all registrants address their most critical accounting policies. The SEC has indicated that a “critical accounting policy” is one which is both important to the representation of the registrant’s financial condition and results and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We base our estimates on past experience and on various other assumptions our management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results will differ, and may differ materially from these estimates under different assumptions or conditions. Additionally, changes in accounting estimates could occur in the future from period to period. Our management has discussed the development and selection of our most critical financial estimates with the audit committee of our Board of Directors. The following paragraphs identify our most critical accounting policies:

Inventory Obsolescence. On a quarterly basis, our management reviews inventory quantities on hand for unmarketable and/or slow-moving products that may expire prior to being sold. This review includes quantities on hand for both raw materials and finished goods. Based on this review, we provide adjustments for any slow-moving finished good products or raw materials that we believe will expire prior to being sold or used to produce a finished good and any products that are unmarketable. This review of inventory quantities for unmarketable and/or slow-moving products is based on forecasted product demand prior to expiration lives.

Forecasted unit demand is derived from our historical experience of product sales and production raw material usage. If market conditions become less favorable than those projected by our management, additional inventory write-downs may be required. During the years ended December 31, 2016, 2015 and 2014, we recorded obsolescence expense of approximately $3.9 million, $2.8 million, and $2.3 million, respectively, and wrote off approximately $2.8 million, $2.5 million, and $2.4 million, respectively. Based on this historical trend, we believe that our inventory balances as of September 30, 2017 have been accurately adjusted for any unmarketable and/or slow-moving products that may expire prior to being sold.

Allowance for Doubtful Accounts. A majority of our receivables are with hospitals which, over our history, have demonstrated favorable collection rates. Therefore, we have experienced relatively minimal bad debts from hospital customers. In limited circumstances, we have written off bad debts as the result of the termination of our business relationships with foreign distributors. The most significant write-offs over our history have come from U.S. custom procedure tray manufacturers who bundle our products in surgical trays.

We maintain allowances for doubtful accounts relating to estimated losses resulting from the inability of our customers to make required payments. These allowances are based upon historical experience and a review of individual customer balances. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Stock-Based Compensation. We measure stock-based compensation cost at the grant date based on the value of the award and recognize the cost as an expense over the term of the vesting period. Judgment is required in estimating the fair value of share-based awards granted and their expected forfeiture rate. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

Income Taxes. Under our accounting policies, we initially recognize a tax position in our financial statements when it becomes more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax positions that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authorities assuming full knowledge of the position and all relevant facts. Although we believe our provisions for unrecognized tax positions are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our income tax provisions and accruals. The tax law is subject to varied interpretations, and we have taken positions related to certain matters where the law is subject to interpretation. Such differences could have a material impact on our income tax provisions and operating results in the period(s) in which we make such determination.

Goodwill and Intangible Assets Impairment and Contingent Consideration. We test our goodwill balances for impairment as of July 1 of each year, or whenever impairment indicators arise. We utilize several reporting units in evaluating goodwill for impairment. We assess the estimated fair value of reporting units using a combination of a guideline public company market-based approach and a discounted cash flow income-based approach. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, an impairment charge is recognized in an amount equal to the excess of the carrying amount of the reporting unit goodwill over the implied fair value of that goodwill. This analysis requires significant judgment, including estimation of future cash flows and the length of time they will occur, which is based on internal forecasts, and a determination of a discount rate based on our weighted average cost of capital. During our annual test of goodwill balances in 2017, which was completed during the third quarter of 2017, we determined that the fair value of each reporting unit with goodwill exceeded the carrying amount by a significant amount.

We evaluate the recoverability of intangible assets whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. This analysis requires similar significant judgments as those discussed above regarding goodwill, except that undiscounted cash flows are compared to the carrying amount of intangible assets to determine if impairment exists. All our intangible assets are subject to amortization.

Contingent consideration is an obligation by the buyer to transfer additional assets or equity interests to the former owner upon reaching certain performance targets. Certain of our business combinations involve the potential for the payment of future contingent consideration, generally based on a percentage of future product sales or upon attaining specified future revenue milestones. In connection with a business combination, any contingent consideration is recorded on the acquisition date based upon the consideration expected to be transferred in the future. We utilize a discounted cash flow method, which includes a probability factor for milestone payments, in valuing the contingent consideration liability. We re-measure the estimated liability each quarter and record changes in the estimated fair value through operating expense in our consolidated statements of income. Significant increases or decreases in our estimates could result in changes to the estimated fair value of our contingent consideration liability, as the result of changes in the timing and amount of revenue estimates, as well as changes in the discount rate or periods.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency Risk. Our principal market risk relates to changes in the value of the Euro (EUR), Chinese Yuan Renminbi (CNY), and British Pound (GBP) relative to the value of the U.S. Dollar (USD). We also have a limited market risk relating to the Hong Kong Dollar (HKD), Mexican Peso (MXN), Australian Dollar (AUD), Canadian Dollar (CAD), Brazilian Real (BRL), Swiss Franc (CHF), Swedish Krona (SEK), Danish Krone (DKK), Singapore Dollar (SGD), Japanese Yen (JPY), and South Korean Won (KRW). Our consolidated financial statements are denominated in, and our principal currency is, the U.S. Dollar. For the three-month period ended September 30, 2017, a portion of our net sales (approximately $53.4 million, representing approximately 29.8% of our aggregate net sales), was attributable to sales that were denominated in foreign currencies. All other international sales were denominated in U.S. Dollars. Our Euro-denominated revenue represents our largest single currency risk. However, our Euro-denominated expenses associated with our European operations (manufacturing sites, a distribution facility and sales representatives) provide a natural hedge. Accordingly, a strengthening of the U.S. Dollar against the Euro, will positively affect our net income. Excluding the effect of our hedging program, a strengthening U.S. Dollar against the Euro of 10% would increase our annual net income by approximately $2.2 million. Conversely, a weakening U.S. Dollar against the Euro of 10% would decrease our annual net income by approximately $2.2 million. A strengthening U.S. Dollar against the Chinese Yuan Renminbi of 10% would decrease our annual net income by approximately $5.5 million. Conversely, a weakening U.S. Dollar against the Chinese Yuan Renminbi of 10% would increase our annual net income by approximately $5.5 million dollars. During the three-month period ended September 30, 2017, using the foreign exchange rates in effect during the comparable prior-year period, exchange rate fluctuations of foreign currencies against the U.S. Dollar resulted in an increase in our gross revenues of approximately $1.0 million, or 0.6%, and an increase in gross margin of approximately $0.8 million, or 1.0% (or approximately 50 basis points in gross margin percentage), primarily as a result of favorable impacts to revenue due to sales denominated in EUR, CAD, BRL, and AUD, partially offset by unfavorable impacts due to decreases in manufacturing costs from our facility in Tijuana, Mexico denominated in MXN and from our facility in Ireland denominated in EUR.

We forecast our net exposure in various receivables and payables to fluctuations in value of various currencies, and we enter into foreign currency forward contracts to mitigate that exposure. As of September 30, 2017, we had entered into the following foreign currency forward contracts (which were not designated as hedging instruments) related to those balance sheet accounts (amounts in thousands and in local currencies):

Currency	Symbol	Forward Notional Amount
Euro	EUR	21,801
British Pound	GBP	1,128
Chinese Yuan Renminbi	CNY	39,954
Mexican Peso	MXN	17,537
Brazilian Real	BRL	8,500
Australian Dollar	AUD	4,599
Hong Kong Dollar	HKD	11,000
Swiss Franc	CHF	278
Swedish Krona	SEK	6,007
Canadian Dollar	CAD	1,968
Singapore Dollar	SGD	3,585
Japanese Yen	JPY	178,500
South Korean Won	KRW	1,800,000

We also forecast our net exposure related to sales and expenses denominated in foreign currencies. As of September 30, 2017, we had entered into foreign currency forward contracts, which qualified as cash flow hedges, with the following notional amounts (in thousands and in local currencies):

Currency	Symbol	Forward Notional Amount
Euro	EUR	5,555
Swiss Franc	CHF	1,088
Danish Krone	DKK	7,775
British Pound	GBP	2,550
Mexican Peso	MXN	64,425
Swedish Krona	SEK	10,805

See Note 10 to our consolidated financial statements for a discussion of our foreign currency forward contracts.

Interest Rate Risk. As discussed in Note 9 to our consolidated financial statements, we had outstanding borrowings of approximately $271.5 million under the Second Amended Credit Agreement as of September 30, 2017. Accordingly, our earnings and after-tax cash flow are affected by changes in interest rates. As part of our efforts to mitigate interest rate risk, on December 19, 2012, we entered into a LIBOR-based interest rate swap agreement having an initial notional amount of $150.0 million with Wells Fargo to fix the one-month LIBOR rate at 0.98%. As of September 30, 2017, a notional amount of $126.3 million remained on the interest rate swap agreement, which expires on December 19, 2017. On August 5, 2016, we entered into a pay-fixed, receive-variable interest rate swap having an initial notional amount of $42.5 million with Wells Fargo to fix the one-month LIBOR rate at 1.12%. The notional amount of this interest rate swap increases quarterly by an amount equal to the decrease of the hedge entered into on December 19, 2012, up to the amount of $175 million. The interest rate swap is scheduled to expire on July 6, 2021. These instruments are intended to reduce our exposure to interest rate fluctuations and were not entered into for speculative purposes. Excluding the amount that is subject to a fixed rate under the interest rate swap and assuming the current level of borrowings remained the same, it is estimated that our interest expense and income before income taxes would change by approximately $965,000 annually for each one percentage point change in the average interest rate under these borrowings.

In the event of an adverse change in interest rates, our management would likely take actions to mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, additional analysis is not possible at this time. Further, such analysis would not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2017. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended September 30, 2017, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

Management will continue to evaluate our internal control over financial reporting as we execute acquisition integration activities.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 13 “Commitments and Contingencies” set forth in the condensed notes to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report.

ITEM 1A. RISK FACTORS

In addition to other information set forth in this Report, readers should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" of the 2016 Form 10-K, which could materially affect our business, financial condition or future results. The risks described in the 2016 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Amended and Restated Articles of Incorporation dated February 28, 2017 (1)
3.2	Second Amended and Restated Bylaws (2)
10.1	Second Amendment to Second Amended and Restated Credit Agreement, dated March 20, 2017, entered into by and among Merit Medical Systems, Wells Fargo Bank, National Association and the lenders and subsidiary guarantors named therein (3)
10.2	Indemnification Agreement with Thomas J. Gunderson
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from the quarterly report on Form 10-Q of Merit Medical Systems, Inc. for the quarter ended September 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements

(1) Incorporated by reference from the Annual Report on Form 10-K filed on March 1, 2017.

(2) Incorporated by reference from the Current Report on Form 8-K filed on December 16, 2015.

(3) Incorporated by reference from the Current Report on Form 8-K filed on March 20, 2017.

SIGNATURES

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.

MERIT MEDICAL SYSTEMS, INC.
REGISTRANT

Date:	November 9, 2017	/s/ FRED P. LAMPROPOULOS FRED P. LAMPROPOULOS PRESIDENT AND CHIEF EXECUTIVE OFFICER
Date:	November 9, 2017	/s/ BERNARD J. BIRKETT BERNARD J. BIRKETT CHIEF FINANCIAL OFFICER

Exhibit 10.2

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the "Agreement") is made as of October 21, 2017 by and between Merit Medical Systems, Inc., a Utah corporation ("Company"), and Thomas J. Gunderson, an individual ("Indemnitee").

RECITALS

A. The Company is aware that because of the increased exposure to litigation costs, talented and experienced persons are increasingly reluctant to serve or continue serving as directors and officers of corporations unless they are protected by comprehensive liability insurance and indemnification.

B. The statutes and judicial decisions regarding the duties of directors and officers are often difficult to apply, ambiguous, or conflicting, and therefore often fail to provide such directors and officers with adequate guidance regarding the proper course of action.

C. The Board of Directors of the Company (the "Board"), has concluded that, in order to retain and attract talented and experienced individuals to serve as officers and directors of the Company and its subsidiaries and to encourage such individuals to take the business risks necessary for the success of the Company and its subsidiaries, the Company should contractually indemnify its officers and directors, and the officers and directors of its subsidiaries, in connection with claims against such officers and directors relating to their services to the Company and its subsidiaries and has further concluded that the failure to provide such contractual indemnification could be detrimental to the Company, its subsidiaries and shareholders.

D. Indemnitee's willingness to serve as a director of the Company is predicated, in substantial part, upon the Company's willingness to indemnify Indemnitee in accordance with the principles reflected above, to the fullest extent permitted by the laws of the State of Utah, and upon the other undertakings set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises made in this Agreement, and for other good and valuable consideration, the receipt and legal sufficiency of which is hereby acknowledged, the Company and Indemnitee, intending to be legally bound hereby, hereby agree as follows:

1. **Definitions**.

(a) **Agent**. "Agent" with respect to the Company means any person who is or was a director, officer, employee or other agent of the Company or a subsidiary; or is or was serving at the request of, for the convenience of, or to represent the interests of, the Company or a subsidiary as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including without limitation any employee benefit plan whether or not subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA")); or was a director, officer, employee or agent of a predecessor corporation (or other predecessor entity or enterprise) of the Company or a subsidiary, or was a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including without limitation any employee benefit plan whether or not subject to the ERISA) at the request of, for the convenience of, or to represent the interests of such predecessor.

(b) **Change in Control**. "Change in Control" shall mean, and shall be deemed to have occurred if, on or after the date of this Agreement: (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) or group acting in concert, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company acting in such capacity or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then outstanding voting securities; (ii) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board and any new director whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; (iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least eighty percent (80%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or (iv) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of (in one transaction or a series of related transactions) all or substantially all of the Company's assets.

(c) **Company**. References to the "Company" shall include, in addition to Merit Medical Systems, Inc., any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger to which Merit Medical Systems, Inc. (or any of its wholly-owned subsidiaries) is a party which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(d) **Expenses**. "Expenses" means all direct and indirect costs of any type or nature whatsoever (including, without limitation, all reasonable attorneys' and experts' fees, costs of investigation and related disbursements) reasonably incurred by Indemnitee in connection with the investigation (whether formal or informal), settlement, defense or appeal of a Proceeding covered hereby or the establishment or enforcement of a right to indemnification under this Agreement, including without limitation in the case of an appeal the premium for, and other costs relating to, any costs bond or supercedes bond or other appeal bond or its equivalent.

(e) **Independent Legal Counsel**. "Independent Legal Counsel" shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 2(i) hereof, who shall not have otherwise performed services for the Company or Indemnitee within the preceding three years (other than with respect to matters concerning the rights of Indemnitee under this Agreement, or of other Indemnitees under similar indemnity agreements).

(f) **Other References**. References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(g) **Proceeding**. "Proceeding" means any threatened, pending, or completed claim, suit, action, proceeding or alternative dispute resolution mechanism, or any hearing or investigation, whether civil, criminal, administrative, investigative or otherwise, including without limitation any situation which Indemnitee believes in good faith might lead to the institution of any such proceeding.

(h) **Reviewing Party**. "Reviewing Party" shall mean, subject to the provisions of Section 2(g), any person or body appointed by the Board in accordance with applicable law to review the Company's obligations hereunder and under applicable law, which may include a member or members of the Board, Independent Legal Counsel or any other person or body not a party to the particular Proceeding for which Indemnitee is seeking indemnification, as set forth in Section 2(i).

2. **Indemnification**.

(a) **Third Party Proceedings**. The Company shall defend, indemnify and hold harmless Indemnitee to the fullest extent permitted by the Utah Revised Business Corporation Act (the "Act") if Indemnitee is or was a party or is threatened to be made a party to any Proceeding (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was or is claimed to be an Agent of the Company, or any subsidiary of the Company, by reason of any action or inaction on the part of Indemnitee while an Agent of the Company, against all Expenses and liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld)) actually and reasonably incurred by Indemnitee in connection with such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe Indemnitee's conduct was unlawful.

(b) **Proceedings By or in the Right of the Company**. The Company shall defend, indemnify and hold harmless Indemnitee to the fullest extent permitted by the Act if Indemnitee was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company or any subsidiary of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was or is claimed to be an Agent of the Company, all Expenses and liabilities of any type whatsoever (including, but not limited to, legal fees, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld)), in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and its stockholders, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudicated by court order or judgment to be liable to the Company in the performance of Indemnitee's duty to the Company and its stockholders unless and only to the extent that the court in which such action or proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses, which such court shall deem proper.

(c) **Presumptions; Burden of Proof**. In making any determination concerning Indemnitee's right to indemnification, there shall be a presumption that Indemnitee has satisfied the applicable standard of conduct, and the Company may overcome such presumption only by its adducing clear and convincing evidence to the contrary. For purposes of this Agreement, the termination of any Proceeding by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by this Agreement or applicable law. In addition, neither the failure of any Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by any Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified under this Agreement under applicable law, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. Any determination concerning Indemnitee's right to indemnification that is adverse to Indemnitee may be challenged by Indemnitee in the courts of the State of Utah. No determination by the Company (including without limitation by its directors or any Independent Legal Counsel) that Indemnitee has not satisfied any applicable standard of conduct shall be a defense to any claim by Indemnitee for indemnification or reimbursement or advance payment of Expenses by the Company hereunder or create a presumption that Indemnitee has not met any applicable standard of conduct.

(d) **Reliance as a Safe Harbor**. For purposes of this Agreement, and without creating any presumption as to a lack of good faith if the following circumstances do not exist, Indemnitee shall be deemed to have acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company if Indemnitee's actions or omissions to act are taken in good faith reliance upon the records of the Company, including its financial statements, or upon information, opinions, reports or statements furnished to Indemnitee by other Agents of the Company or any of its subsidiaries in the course of their duties, or by committees of the Board or by any other person (including legal counsel, accountants and financial advisors) as to matters Indemnitee reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company. In addition, the knowledge and/or actions, or failures to act, of any Agent of the Company shall not be imputed to Indemnitee for purposes of determining the right to indemnity hereunder.

(e) **Actions Where Indemnitee Is Deceased**. If Indemnitee was or is a party, or is threatened to be made a party, to any Proceeding by reason of the fact that Indemnitee is or was an Agent of the Company, or by reason of anything done or not done by Indemnitee in any such capacity, and prior to, during the pendency of, or after completion of, such Proceeding, Indemnitee shall die, then the Company shall defend, indemnify and hold harmless the estate, heirs and legatees of Indemnitee against any and all Expenses and liabilities reasonably incurred by or for such persons or entities in connection with the investigation, defense, settlement or appeal of such Proceeding on the same basis as provided for Indemnitee in Sections 2(a) and 2(b) above.

(f) **Extent of Insurance**. The Expenses and liabilities covered hereby shall be net of any payments made by D&O Insurance carriers or others.

(g) **Review of Indemnification Obligations**. Notwithstanding the foregoing, in the event any Reviewing Party shall have determined (in a written opinion, in any case in which Independent Legal Counsel is the Reviewing Party) that Indemnitee is not entitled to be indemnified hereunder under applicable law: (i) the Company shall have no further obligation under Section 2(a) or Section 2(b) to make any payments to Indemnitee not made prior to such determination by such Reviewing Party; and (ii) the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company) for all Expenses theretofore paid to Indemnitee to which Indemnitee is not entitled hereunder under applicable law; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee is entitled to be indemnified hereunder under applicable law, any determination made by any Reviewing Party that Indemnitee is not entitled to be indemnified hereunder under applicable law shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expenses theretofore paid in indemnifying Indemnitee until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expenses shall be unsecured and no interest shall be charged thereon.

(h) **Indemnitee Rights on Unfavorable Determination; Binding Effect**. If any Reviewing Party determines that Indemnitee substantively is not entitled to be indemnified hereunder in whole or in part under applicable law, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by such Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Absent such litigation, any determination by any Reviewing Party shall be conclusive and binding on the Company and Indemnitee.

(i) **Selection of Reviewing Party; Change in Control**. A determination, if required by applicable law, with respect to Indemnitee's entitlement to indemnification shall be made in accordance with the provisions of this paragraph (i). If there has not been a Change in Control, a Reviewing Party shall be selected by the Board, and if there has been such a Change in Control (other than a Change in Control which has been approved by a majority of the Board who were directors immediately prior to such Change in Control), any Reviewing Party with respect to all matters thereafter arising concerning the rights of Indemnitee to indemnification of Expenses under this Agreement or any other agreement or under the Company's Articles of Incorporation or Bylaws as now or hereafter in effect, or under any other applicable law, if desired by Indemnitee, shall be Independent Legal Counsel selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be entitled to be indemnified hereunder under applicable law and the Company agrees to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to indemnify fully such counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto. Notwithstanding any other provision of this Agreement, the Company shall not be required to pay Expenses of more than one Independent Legal Counsel in connection with all matters concerning a single Indemnitee, and such Independent Legal Counsel shall be the Independent Legal Counsel for any or all other Indemnitees unless: (i) the employment of separate counsel by one or more Indemnitees has been previously authorized by the Board in writing; or (ii) an Indemnitee shall have provided to the Company a written statement that such Indemnitee has reasonably concluded that there may be a conflict of interest between such Indemnitee and the other Indemnitees with respect to the matters arising under this Agreement.

3. **No Employment Rights**. Nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment or service. Indemnitee specifically acknowledges that Indemnitee's employment with or services to the Company or any of its subsidiaries is at will and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment agreement between Indemnitee and the Company (or any of its subsidiaries), other applicable formal severance policies duly adopted by the Board or, with respect to service as a director or officer of the Company, the Company's Articles of Incorporation and Bylaws, as applicable.

4. **Expenses; Indemnification Procedure**.

(a) **Advancement of Expenses**. The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any civil or Proceeding referred to in Section 2(a) or Section 2(b) hereof (including amounts actually paid in settlement of any such Proceeding if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby.

(b) **Notice/Cooperation by Indemnitee**. Promptly after receipt by Indemnitee of notice of the commencement or threat of any Proceeding covered hereby, Indemnitee shall notify the Company of the commencement or threat thereof, provided that any failure to so notify shall not relieve the Company of any of its obligations hereunder, except to the extent that such failure prejudices the Company's ability to perform its obligations hereunder. Notice to the Company shall be directed to the Chief Executive Officer of the Company and shall be given in accordance with the provisions of Section 13(i) below. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) **Notice to Insurers**. If, at the time of the receipt of a notice of a claim pursuant to Section 4(b) hereof, the Company has D&O Insurance (as defined in Section 7(a) below) in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies.

(d) Indemnitee shall be entitled to retain one or more counsel from time to time selected by Indemnitee in Indemnitee's reasonable discretion to act as its counsel in and for the investigation, defense, settlement or appeal of each Proceeding. The Company shall not waive any privilege or right available to Indemnitee in any such Proceeding.

(e) The Company shall bear all reasonable fees and Expenses (including invoices for advance retainers) of such counsel, and all reasonable fees and Expenses invoiced by other persons or entities, in connection with the investigation, defense, settlement or appeal of each such Proceeding. Such fees and Expenses are referred to herein as "Covered Expenses."

(f) Until a determination to the contrary under Section 5 hereof is made, the Company shall advance all Covered Expenses in connection with each Proceeding. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement which shall constitute an undertaking providing that Indemnitee undertakes to the fullest extent permitted by law to repay the advance if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement.

(g) **Selection of Counsel**. In the event the Company shall be obligated hereunder to provide indemnification for or make any advancement of Expenses with respect to the Expenses of any Proceeding, the Company, if appropriate, shall be entitled to assume the defense of such Proceeding with counsel selected by the Company, subject to approval by Indemnitee (which approval shall not be unreasonably withheld), upon the delivery to Indemnitee of written notice of the Company's election to do so. After delivery of such notice and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees or expenses of separate counsel subsequently retained by or on behalf of Indemnitee with respect to the same Proceeding; provided that: (i) Indemnitee shall have the right to employ Indemnitee's separate counsel in any such Proceeding at Indemnitee's expense; and (ii) if (A) the employment of separate counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense, or (C) the Company shall not continue to retain such counsel to defend such Proceeding, then the fees and expenses of Indemnitee's separate counsel shall be Expenses for which Indemnitee may receive indemnification or advancement of Expenses hereunder.

(h) Each advance to be made hereunder shall be paid by the Company to Indemnitee within ten (10) business days following delivery of a written request therefor by Indemnitee to the Company.

(a) The Company acknowledges the potentially severe damage to Indemnitee should the Company fail timely to make such advances to Indemnitee.

(b) The Company shall not settle any Proceeding if, as a result of such settlement, any fine or obligation is imposed on Indemnitee without Indemnitee's prior written consent.

5. **Determination of Right to Indemnification**.

(a) To the extent Indemnitee has been successful on the merits or otherwise in defense of any Proceeding, claim, issue or matter covered hereby, Indemnitee need not repay any of the Expenses advanced in connection with the investigation, defense or appeal of such Proceeding.

(b) Indemnitee shall have the right to advancement by the Company prior to the final disposition of any Proceeding of any and all Expenses relating to, arising out of or resulting from any Proceeding paid or incurred by Indemnitee or which Indemnitee determines are reasonably likely to be paid or incurred by Indemnitee.

(c) Subject to the provisions of Section 2(g), notwithstanding a determination by a Reviewing Party or a court that Indemnitee is not entitled to indemnification with respect to a specific Proceeding, Indemnitee shall have the right to apply to the courts of the State of Utah for the purpose of enforcing Indemnitee's right to indemnification pursuant to this Agreement.

(d) Subject to the provisions of Section 2(i), the Company shall indemnify Indemnitee against all Expenses reasonably incurred by Indemnitee in connection with any Proceeding under Sections 5(b) or 5(c) and against all Expenses reasonably incurred by Indemnitee in connection with any other Proceeding between the Company and Indemnitee involving the interpretation or enforcement of the rights of Indemnitee under this Agreement unless a court of competent jurisdiction finds that each of the material claims and/or defenses of Indemnitee in any such Proceeding were frivolous or made in bad faith.

(e) The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by the Act, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Articles of Incorporation, the Company's Bylaws or by statute. In the event of any change after the date of this Agreement to the Act or in any applicable law, statute or rule which expands the right of a Utah corporation to indemnify a member of its board of directors or an officer, employee, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of any change to the Act or in any applicable law, statute or rule which narrows the right of a Utah corporation to indemnify its Agent, such change, to the extent not otherwise required by the Act or such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 9 hereof.

(f) **Nonexclusivity**. The indemnification and the payment of Expense advances provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Articles of Incorporation, its Bylaws, any other agreement, any vote of shareholders or disinterested directors, the Act, or otherwise. The indemnification and the payment or advancement of Expenses provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though subsequent thereto Indemnitee may have ceased to serve in such capacity.

(g) **No Duplication of Payments**. The Company shall not be liable under this Agreement to make any payment in connection with any Proceeding to the extent Indemnitee has otherwise actually received payment (under any insurance policy, provision of the Company's Articles of Incorporation, Bylaws or otherwise) of the amounts otherwise payable hereunder.

(h) **Partial Indemnification**. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Proceeding, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

6. **Mutual Acknowledgement**. Both the Company and Indemnitee acknowledge that in certain instances, Federal law or public policy may override applicable state law and prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the Securities and Exchange Commission (the "SEC") has taken the position that indemnification is not permissible for liabilities arising under certain federal securities laws, and federal legislation prohibits indemnification for certain ERISA violations. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. **Officer and Director Liability Insurance**.

(a) The Company hereby covenants and agrees with Indemnitee that, subject to Section 7(b), the Company shall obtain and maintain in full force and effect directors' and officers' liability insurance ("D&O Insurance"), in reasonable amounts as the Board shall determine from established and reputable insurers with an AM Best rating of A.VI or better, but no less than the amounts in effect upon initial procurement of the D&O Insurance. In all policies of D&O Insurance, Indemnitee shall be named as an insured.

(b) Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance if the Board determines in good faith that the premium costs for such insurance are (i) disproportionate to the amount of coverage provided after giving effect to exclusions, and (ii) substantially more burdensome to the Company than the premiums charged to the Company for its initial D&O Insurance.

(c) To the extent the Company maintains liability insurance applicable to directors, officers, employees, agents or fiduciaries, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are provided to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, agents or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent or fiduciary.

8. **Severability**. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 8. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

1. **Exceptions**. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) **Claims Initiated by Indemnitee**. To indemnify or advance expenses to Indemnitee with respect to Proceedings or claims initiated or brought voluntarily by Indemnitee and not by way of defense, other than: (i) Proceedings under Sections 5(b) or 5(c); (ii) Proceedings brought to establish or enforce a right to indemnification under this Agreement or the provisions of the Company's Articles of Incorporation or Bylaws unless a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such Proceeding were not made in good faith or were frivolous; or (iii) proceedings or claims instituted by Indemnitee with the approval by the Board;

(b) **Unauthorized Settlement**. To indemnify Indemnitee under this Agreement for any amounts paid in settlement of a Proceeding covered hereby without the prior written consent of the Company to such settlement, which consent will not be unreasonably withheld provided that the Company's consent is not required if the Company is refusing to indemnify or advance Expenses to Indemnitee;

(c) **Insured Claims**. To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) to the extent such expenses or liabilities have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors; liability insurance maintained by the Company; or

(d) **Claims Under Section 16(b)**. To indemnify Indemnitee for expenses or the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended, or any similar successor statute.

10. **Witness Expenses**. The Company agrees to compensate Indemnitee for the reasonable value of Indemnitee's time spent, and to reimburse Indemnitee for all Expenses (including reasonable attorneys' fees and travel costs) reasonably incurred by Indemnitee, in connection with being a witness, or if Indemnitee is threatened to be made a witness, with respect to any Proceeding, by reason of Indemnitee serving or having served as an Agent of the Company.

11. **Attorneys' Fees**. In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

12. **Duration**. All agreements and obligations of the Company contained herein shall continue during the period that Indemnitee is an Agent of the Company and shall continue thereafter (a) so long as Indemnitee may be subject to any possible claim for which Indemnitee may be indemnified hereunder (including any rights of appeal thereto) and (b) throughout the pendency of any Proceeding (including any rights of appeal thereto) commenced by Indemnitee to enforce or interpret Indemnitee's rights under this Agreement, even if, in either case, Indemnitee may have ceased to serve in such capacity at the time of any such Proceeding.

13. <u>**Miscellaneous.**</u>

(a) **Governing Law**. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Utah, without giving effect to principles of conflict of law.

(b) **Consent to Jurisdiction**. The Company and Indemnitee each hereby irrevocably consent to the jurisdiction of the courts of the State of Utah for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement **and agree that any action instituted under this Agreement shall be commenced, prosecuted and continued only in the federal and state courts located in the State of Utah in and for Salt Lake County, which shall be the exclusive and only proper forum for adjudicating such a claim**.

(c) **Entire Agreement; Enforcement of Rights**. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(d) **Construction**. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(e) **Counterparts**. This Agreement may be signed in counterparts. This Agreement constitutes a separate agreement between the Company and Indemnitee and may be supplemented or amended as to Indemnitee only by a written instrument signed by the Company and Indemnitee, with such amendment binding only the Company and Indemnitee. All waivers must be in a written document signed by the party to be charged. No waiver of any of the provisions of this Agreement shall be implied by the conduct of the parties. A waiver of any right hereunder shall not constitute a waiver of any other right hereunder.

(f) **Interpretation of Agreement**. This Agreement shall be interpreted and enforced so as to provide indemnification to Indemnitee to the fullest extent now or hereafter permitted by the Act.

(g) **Subrogation**. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company to effectively bring suit to enforce such rights.

(h) **Continuation of Indemnity; Binding Effect**. Indemnitee’s rights hereunder shall continue after Indemnitee has ceased acting an Agent of the Company and the benefits hereof shall inure to the benefit of the heirs, executors and administrators of Indemnitee. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(i) **Notices**. All notices, demands, consents, requests, approvals and other communications required or permitted hereunder shall be in writing and shall be deemed to have been properly given if hand delivered (effective upon receipt or when refused), or if sent by a courier freight prepaid (effective upon receipt or when refused), in the case of the Company, at the addresses listed below, or to such other addresses as the parties may notify each other in writing.

To Company: Merit Medical Systems, Inc.
Attention: Chief Executive Officer
1600 West Merit Parkway
South Jordan, Utah 84095

To Indemnitee: At Indemnitee's residence address and facsimile number on the records of the Company from time to time.

(j) **Evidence of Coverage**. Upon request by Indemnitee, the Company shall provide evidence of the liability insurance coverage required by this Agreement. The Company shall promptly notify Indemnitee of any change in the Company's D&O Insurance coverage.

[*Remainder of Page Intentionally Left Blank; Signatures appear on the following page*.]

The parties hereto have agreed and accept this Agreement as of the day and year set forth on the first page of this Agreement.

MERIT MEDICAL SYSTEMS, INC.

By: /s/ Fred P. Lampropoulos
Name: Fred P. Lampropoulos
Title: Chief Executive Officer

INDEMNITEE:

/s/ Thomas J. Gunderson
Thomas J. Gunderson, an individual

[*Signature Page to Indemnification Agreement*]

EXHIBIT 31.1

CERTIFICATION

I, Fred P. Lampropoulos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the “Report”) of Merit Medical Systems, Inc. (the “Registrant”);

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 general 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 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: November 9, 2017

/s/ Fred P. Lampropoulos

Fred P. Lampropoulos
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

CERTIFICATION

I, Bernard J. Birkett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (the “Report”) of Merit Medical Systems, Inc. (the “Registrant”);

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 controls 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 general 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 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: November 9, 2017

/s/ Bernard J. Birkett

Bernard J. Birkett
Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

Certification of Principal 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 on Form 10-Q of Merit Medical Systems, Inc. (the "Company") for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission (the "Report"), I, Fred P. Lampropoulos, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(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.

Date: November 9, 2017

/s/ Fred P. Lampropoulos
Fred P. Lampropoulos
President and Chief Executive Officer
(principal executive officer)

This certification accompanies the foregoing Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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 on Form 10-Q of Merit Medical Systems, Inc. (the “Company”) for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission (the “Report”), I, Bernard J. Birkett, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(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.

Date: November 9, 2017	/s/ Bernard J. Birkett
	Bernard J. Birkett
	Chief Financial Officer
	(principal financial officer)

This certification accompanies the foregoing Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. A signed original of this certification has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.