

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1996.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number 0-18592

MERIT MEDICAL SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

Utah
(State or other jurisdiction
of incorporation or organization)

87-0447695
(I.R.S. Identification No.)

1600 West Merit Park Way, South Jordan UT, 84095
(Address of Principal Executive Offices)

(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

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

Common Stock	6,912,742
TITLE OR CLASS	Number of Shares Outstanding at August 13, 1996

MERIT MEDICAL SYSTEMS, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1: Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS
JUNE 30, 1996 AND DECEMBER 31, 1995

	June 30, 1996 (Unaudited)	December 31, 1995
ASSETS		
CURRENT ASSETS:		
Cash	\$ 428,781	\$ 270,841
Trade receivables - net	7,379,586	6,727,960
Employee and related party receivables	328,524	363,266
Irish Development Agency grant receivable	305,198	544,725
Inventories	12,985,549	12,156,795
Prepaid expenses and other assets	704,175	403,414
Deferred income tax assets	655,609	655,609
	-----	-----
Total current assets	22,787,422	21,122,610
	-----	-----
PROPERTY AND EQUIPMENT:		
Land	595,904	595,959
Building	985,013	782,195
Automobiles	139,491	174,651
Manufacturing equipment	8,429,197	7,959,952
Furniture and fixtures	3,175,558	3,005,093
Leasehold improvements	3,134,087	3,087,602
Construction-in-progress	3,148,687	1,465,945
	-----	-----
Total	19,607,937	17,071,397
Less accumulated depreciation and amortization	(6,594,026)	(5,479,589)
	-----	-----
Property and equipment - net	13,013,911	11,591,808
	-----	-----
OTHER ASSETS:		
Intangible assets - net	1,749,469	1,463,885
Deposits	38,518	46,984
Prepaid royalty - net	235,714	278,571
	-----	-----
Total other assets	2,023,701	1,789,440
	-----	-----
TOTAL	\$ 37,825,034	\$ 34,503,858
	=====	=====

Continued on Page 2
See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED BALANCE SHEETS (Continued)
 JUNE 30, 1996 AND DECEMBER 31, 1995

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 1996 (Unaudited)	December 31, 1995
CURRENT LIABILITIES:		
Line of credit	\$ 4,626,283	\$ 5,871,539
Current portion of long-term debt	1,073,585	778,088
Trade payables	2,573,332	3,056,289
Accrued expenses	2,178,048	1,715,075
Advances from employees	95,907	52,863
Income taxes payable	178,825	129,785
Total current liabilities	10,725,980	11,603,639
DEFERRED INCOME TAX LIABILITIES	572,650	616,652
LONG-TERM DEBT	4,339,453	1,778,953
DEFERRED CREDITS	961,621	1,066,513
Total liabilities	16,599,704	15,065,757
MINORITY INTEREST IN SUBSIDIARY	276,262	173,576
STOCKHOLDERS' EQUITY:		
Common stock - no par value; 10,000,000 shares authorized; 6,899,080 and 6,786,239 shares issued at June 30, 1996 and December 31, 1995, respectively	13,793,066	13,088,265
Retained earnings	7,172,534	6,153,629
Foreign currency translation adjustment	(16,532)	22,631
Total stockholders' equity	20,949,068	19,264,525
TOTAL	\$ 37,825,034	\$ 34,503,858

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 1996 and 1995 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
SALES	\$ 12,652,128	\$10,673,727	\$ 24,782,143	\$ 20,405,204
COST OF SALES	7,431,664	6,275,619	14,444,334	12,187,148
GROSS PROFIT	5,220,464	4,398,108	10,337,809	8,218,056

OPERATING EXPENSES:				
Selling, general and administrative	3,621,522	3,440,544	7,039,554	6,482,154
Research and development	575,469	541,369	1,191,313	1,063,473
TOTAL	4,196,991	3,981,913	8,230,867	7,545,627
INCOME FROM OPERATIONS	1,023,473	416,195	2,106,942	672,429
OTHER EXPENSE	184,132	105,699	346,746	148,905
INCOME BEFORE INCOME TAX EXPENSE	839,341	310,496	1,760,196	523,524
INCOME TAX EXPENSE	312,743	60,020	638,605	218,878
MINORITY INTEREST IN (INCOME) LOSS OF SUBSIDIARY	(40,140)	(1,516)	(102,686)	7,782
NET INCOME	\$ 486,458	\$ 248,960	\$ 1,018,905	\$ 312,428
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	\$.07	\$.04	\$.15	\$.05
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	7,107,358	6,864,474	7,024,424	6,864,600

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1996 and 1995 (Unaudited)

	June 30, 1996	June 30, 1995
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,018,905	\$ 312,428
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,204,057	969,583
Bad debt expense	14,143	17,998
Losses on sales and abandonment of property and equipment	2,150	695
Deferred income taxes	(44,002)	(261,053)
Minority interest in income (loss) of subsidiary	102,686	(7,782)
Tax benefit attributable to appreciation of common stock options exercised		9,846
Changes in operating assets and liabilities:		
Trade receivables	(665,769)	(926,447)
Employee and related party receivables	34,742	8,162
Irish Development Agency grant receivable	(119,100)	(298,695)
Inventories	(828,754)	(1,541,331)
Prepaid expenses	(300,761)	(344,859)
Deposits	8,466	47,620
Trade payables	(482,957)	301,345
Accrued expenses	462,973	473,647
Advances from employees	43,044	40,280
Income taxes	49,040	185,871
Other	(39,163)	21,174
	-----	-----

Total adjustments	(559,205)	(1,303,946)
Net cash provided by (used in) operating activities	459,700	(991,518)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction advances receivable		2,184,630
Property and equipment	(1,230,254)	(3,495,864)
Intangible assets	(326,888)	(11,084)
Net cash used in investing activities	(1,557,142)	(1,322,318)

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See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 1996 AND 1995 (Unaudited)

	June 30, 1996	June 30, 1995
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from:		
deferred credits	320,404	
line of credit		851,971
issuance of common stock	704,801	312,047
long-term debt	2,200,000	1,508,658
Principal payments on:		
long-term debt	(689,833)	(275,918)
line of credit	(1,245,256)	
deferred credit	(34,734)	
Net cash provided by financing activities	1,255,382	2,396,758
NET INCREASE IN CASH	157,940	82,922
CASH AT BEGINNING OF PERIOD	270,841	155,836
CASH AT END OF PERIOD	\$ 428,781	\$ 238,758
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest (including capitalized interest of \$85,291 and \$72,092, respectively)	\$ 315,065	\$ 173,558
Income taxes	\$ 633,567	\$ 294,060

SUPPLEMENTAL DISCLOSURE OF NONCASH
INVESTING AND FINANCING ACTIVITIES:

During the six months ended June 30, 1996 and 1995 the Company issued notes payable totaling \$1,345,830 and \$488,714 respectively, for manufacturing equipment, furniture and fixtures, land and building.

See Notes to Consolidated Financial Statements

MERIT MEDICAL SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the financial position of the Company as of June 30, 1996 and December 31, 1995, and the results of its operations and cash flows for the three and six months ended June 30, 1996 and 1995. The results of operations for the three and six months ended June 30, 1996 and 1995 are not necessarily indicative of the results for a full year period.

2. Inventories. Inventories at June 30, 1996 and December 31, 1995 consisted of the following:

	June 30, 1996	December 31, 1995
	-----	-----
Raw materials	\$ 2,922,431	\$3,091,679
Work-in-process	4,693,133	3,337,315
Finished goods	5,369,985	5,727,801
	-----	-----
Total	\$12,985,549	\$12,156,795
	=====	=====

3. Income Taxes. For the three months ended June 30, 1995 the effective tax rate is lower than the federal statutory tax rate due to the recognition of tax benefits of approximately \$82,000 relating to losses incurred by the Company's foreign subsidiaries prior to April 1, 1995.

MERIT MEDICAL SYSTEMS, INC.

ITEM 2:

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations. The Company achieved significant increases in sales and income for the three and six months ended June 30, 1996 compared to the same periods in 1995. The following table sets forth certain operational data as a percentage of sales for the three and six months ended June 30, 1996 and 1995:

	Three Months Ended June 30,		Six Months Ended June 30,	
	----- 1996	----- 1995	----- 1996	----- 1995
Sales	100.0 %	100.0 %	100.0 %	100.0 %
Gross Margin	41.3	41.2	41.7	40.3
Operating Expenses	33.2	37.3	33.2	37.0
Income From Operations	8.1	3.9	8.5	3.3
Other Expense	1.5	1.0	1.4	.7
Net Income	3.8	2.3	4.1	1.5

Sales. Sales for the second quarter and for the six months of 1996 increased 19% and 21% respectively, compared to the same periods for 1995. This increase was largely attributable to growth of 22% and 29% in the sales of custom kits for the three and six months ended June 30, 1996 respectively, when compared to the same periods for 1995. Custom kits represented 56% and 54% of sales for the three months ended June 30, 1996 and 1995, respectively. For the six months ended June 30, 1996 and 1995, custom kits represented 57% and 53% of total

sales, respectively. In March 1995, the Company began transitioning from sales through a dealer network in Germany, France, the U.K. and Ireland to a direct sales force. Direct international sales in these countries for the three months ended June 30, 1996 was \$1.3 million compared to \$355,671 for the same period in 1995, an increase of 256%. For the six months ended June 30, 1996 direct international sales was \$2.4 million compared to \$362,731 for the same period in 1996, an increase of 573%.

Gross Margin. Gross margin as a percentage of sales for the second quarter of 1996 was 41.3% compared to 41.2% for the same period in 1995. For the six months ended June 30, 1996, gross margin was 41.7% as compared to 40.3% for the same period in 1995. The increase in gross margin for the three and six months ended June 30, 1996 was primarily due to manufacturing efficiencies and economies of scale achieved in the Company's new facility in South Jordan, Utah. Gross margins were also favorably impacted by increased direct sales in Western Europe at retail prices compared to wholesale prices to dealers as the Company replaced its dealers with a direct sales force in Germany, France, the U.K. and Ireland. Sentir, the Company's semiconductor subsidiary, also contributed to the gross margin improvement due to economies of scale on higher sales volume with gross margins of approximately 48%.

MERIT MEDICAL SYSTEMS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Expenses. Operating expenses decreased to 33.2% of sales for the second quarter and for the first six months of 1996 compared to 37.3% and 37.0% for the same periods in 1995. The improvement in both periods is primarily due to economies of scale associated with increasing sales volumes and a continuing Company wide focus on achieving greater individual productivity. Product research and development expenses were 4.5% and 4.8% of sales, respectively, for the three and six months ended June 30, 1996, compared to 5.1% and 5.2% for the same periods in 1995. Such expenses are expected to be approximately five percent of sales on an annual basis.

Operating Income. During the quarter ended June 30, 1996, the Company reported income from operations of over \$1.0 million, an increase of 146% compared to income from operations of \$416,195 for the comparable period in 1995. Operating income for the first six months of 1996 was \$2.1 million, an increase of 213% as compared to income from operations of \$672,429 for the same period in 1995. The increase in the three and six months ended June 30, 1996 was primarily the result of lower operating expenses as a percent of sales.

Liquidity and Capital Resources. At June 30, 1996, the Company's working capital was \$12.1 million which represented a current ratio of 2.1 to 1. During 1995, the Company increased an available secured bank line of credit to \$8.5 million and obtained \$2.2 million in term debt which was drawn down in February of 1996. The line of credit bears interest at .25 percent over the bank's prime rate and contains various conditions and restrictions. At June 30, 1996, the outstanding balance under the line of credit was \$4.6 million. Historically, the Company has incurred significant expenses in connection with product development and introduction of new products. Substantial capital has also been required to finance growth in inventories and receivables. The Company's principal source of funding for these and other expenses has been the sale of equity and cash generated from operations. Based on the Company's current rate of growth and expansion plans, additional debt or equity financing may be required by the fourth quarter of 1996. There are no present commitments or arrangement for additional financing. If such financing is required and unavailable, the Company may be required to slow its growth or expansion plans, particularly in international markets.

MERIT MEDICAL SYSTEMS, INC.

PART II - OTHER INFORMATION

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

The Company held its Annual Meeting of Shareholders (the "Annual Meeting") on May 30, 1996 in South Jordan Utah. The following items of business were considered at the Annual Meeting:

A: Election of Directors

Five persons were elected as members of the Board of Directors to serve until the next annual meeting in 1996 or until their respective successors have been duly elected and qualified. They are as follows:

	Shares Voted For -----
Fred P. Lampropoulos	5,202,913
Kent W. Stanger	5,203,313
Rex C. Bean	5,203,783
Richard W. Edelman	5,203,783
James Ellis	5,204,183
Michael Stillabower	5,204,183

B. Amendment of the Long Term Incentive Stock Option Plan

A proposal to amend the Long Term Incentive Stock Option Plan was presented at the Annual Meeting and such proposal was approved by the shareholders of the Company. The number of shares voted for such proposal was 2,894,640. The number of shares voted against such proposal was 627,417. The number of shares abstaining from voting or broker non votes was 1,825,096.

C. Adoption of the Merit Medical Systems, Inc. 1996 Employee Stock Purchase Plan.

A proposal to adopt the Employee Stock Purchase Plan was presented at the Annual Meeting and such proposal was approved by the shareholders of the Company. The number of shares voted for the proposal was 3,429,081. The number of shares voted against such proposal was 117,296. The number of shares abstaining from voting or broker non votes was 1,800,776.

D. Amendment to Articles of Incorporation.

A proposal to amend the Articles of Incorporation was presented at the Annual Meeting and such proposal was approved by the shareholders of the Company. The number of shares voted for the proposal was 3,066,014. The number of shares voted against such proposal was 594,928. The number of shares abstaining from voting or broker non votes was 1,686,211.

E. Selection of Auditors.

A proposal to ratify the appointment of Deloitte & Touche LLP as the independent auditor of the Company for 1995 was presented at the Annual Meeting and such proposal was approved by the shareholders of the Company. The number of shares voted for the proposal was 5,317,828. The number of shares voted against such proposal was 12,350. The number of shares abstaining from voting was 16,775.

MERIT MEDICAL SYSTEMS, INC.

PART II - OTHER INFORMATION

ITEM 6: Exhibits and Reports on Form 8-K

- (a) Reports on Form 8-K - none
- (b) Exhibits

S - K No.	Description	Exhibit No.
3	Articles of Incorporation as Amended	1
10	Amendment to Long Term Incentive Stock Option Plan	2
27	Financial Data Schedule	3

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: AUGUST 13, 1996

/s/ FRED P. LAMPROPOULOS
FRED P. LAMPROPOULOS
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Date: AUGUST 13, 1996

/s/ KENT W. STANGER
KENT W. STANGER
VICE PRESIDENT AND CHIEF FINANCIAL
OFFICER

(The Articles of Incorporation, as amended, have been restated in electronic format in accordance with Rule 102(c) of Regulation S-T for purposes of filing with the SEC)

ARTICLES OF INCORPORATION

OF

MERIT MEDICAL SYSTEMS, INC.

We, the undersigned natural persons, over the age of eighteen (18) years, acting as incorporators of a corporation under the Utah Business Corporation Act, adopt the following Articles of Incorporation for such corporation.

ARTICLE I
NAME

The name of the corporation is Merit Medical Systems, Inc.

ARTICLE II
DURATION The period of its duration is perpetual.

ARTICLE III
PURPOSES

The purpose or purposes for which the corporation is organized are:

A. To engage in the business of developing medical devices and equipment for research and commercial use; and to engage in such other activities as are incidental to or connected with the operation of such business;

B. To borrow money and contract debts, when necessary for the transaction of its business, or for the exercise of its corporate rights, privileges, or franchises, or for any other lawful purpose of its incorporation; to issue bonds, promissory notes, bills of exchange, debentures, and other obligations and evidences of indebtedness, payable at specified time or times, or payable upon the happening of a specified event or events, whether secured by mortgage, pledge, or otherwise or unsecured, for money borrowed, or in payment for property purchased, or acquired, or for any other lawful objects;

C. To conduct business, have one or more offices, and hold, purchase, sell or otherwise dispose of, mortgage, or convey real and personal property in this state, and in any of the several states, territories, possessions and dependencies of the United States, the District of Columbia, and any foreign countries;

D. To do all and everything necessary and proper for the accomplishment of the objects enumerated in these Articles of Incorporation, or any amendment thereof, or necessary or incidental to the protection and benefit of the corporation and, in general, to carry on any lawful business necessary or incidental to the attainment of the objects of the corporation, whether or not such business is similar in nature to the objects set forth in these Articles of Incorporation or any amendment thereof.

ARTICLE IV
AUTHORIZED SHARES

The aggregate number of shares which the corporation shall have authority to issue shall be 10,000,000 common shares, no par value. All shares issued by the corporation shall be fully paid and nonassessable and shall have equal rights.

Dividends may be paid upon the common shares as and when declared by the Board of Directors out of any funds legally available therefor.

In the event of any liquidation, dissolution or winding up of the affairs of the corporation, the holders of the common shares shall be entitled to share ratably in all assets then remaining for distribution to the shareholders.

ARTICLE V
MINIMUM PAID-IN CAPITAL

The corporation will not commence business until consideration of the value of at least \$1,000 has been received for the issuance of shares.

ARTICLE VI

DIRECTORS

The corporation shall have a minimum of three (3) and a maximum of nine (9) directors as shall be set by the Bylaws of the corporation. Until their successors are duly elected and qualified, the original directors shall be the following:

Fred P. Lampropoulos	2407 Karren Street Holladay, Utah 84124
Cynthia Lampropoulos	2407 Karren Street Holladay, Utah 84124
Peter C. Lampropoulos	8777 Alta Canyon Drive Sandy, Utah 84092

ARTICLE VII

LIMITATION OF LIABILITY OF DIRECTORS

To the fullest extent permitted by the Utah Revised Business Corporation Act or any other applicable law as now in effect or as it may hereafter be amended, a director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for any action taken or any failure to take any action, as a director.

Neither any amendment nor repeal of this Article VII, nor the adoption of any provision in these Articles of Incorporation inconsistent with this Article VII, shall eliminate or reduce the effect of this Article VII in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article VII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VIII

PREEMPTIVE RIGHTS; CUMULATIVE VOTING

A. The corporation shall have the right to purchase its own shares to the extent of its unreserved and unrestricted earned surplus and also to the extent of its unreserved and unrestricted capital surplus.

B. The Board of Directors of the corporation may designate such committee or committees as it determines in accordance with law to exercise such authority as the Board of Directors shall delegate in the resolution designating such committee or committees.

C. The shareholders shall not have preemptive rights to acquire additional securities of the corporation; and there shall be no cumulative voting by shareholders at any election of directors of the corporation.

ARTICLE IX

REGISTERED AGENT

The initial registered agent of the corporation shall be Fred P. Lampropoulos, and the address of the initial registered office of the corporation shall be 2407 Karren Street, Holladay, Utah 84124.

ARTICLE X

INCORPORATORS

The incorporators of the corporation are the following:

Fred P. Lampropoulos	2407 Karren Street Holladay, Utah 84124
Richard L. Blanck	City Centre I, Suite 900 175 East Fourth South Salt Lake City, Utah 84111
Karen Fisher	City Centre I, Suite 900 175 East Fourth South Salt Lake City, Utah 84111

ARTICLE XI

INDEMNIFICATION

The corporation shall indemnify its officers, directors, agents, incorporators and other persons against liabilities incurred by them that result from their acts that are performed in furtherance of the business of the corporation to the full extent now or hereafter permitted by the laws of the State of Utah.

ARTICLE XII
Vote Required to Approve Fundamental Changes

As to the following matters, the affirmative vote of two-thirds of the shares entitled to vote shall be required to approve any proposed shareholder action which otherwise requires shareholder approval under the Utah Revised Business Corporation Act: (a) to merge or consolidate the corporation with or into another corporation; (b) to sell, exchange, transfer or otherwise dispose of all or substantially all of the corporation's property and assets; (c) to dissolve or liquidate the corporation; or (d) to amend, change or delete this Article XII from the Articles of Incorporation.

AMENDMENT NO. 2

TO

MERIT MEDICAL SYSTEMS, INC.

LONG TERM INCENTIVE STOCK OPTION PLAN
(As Amended and Restated)

THIS AMENDMENT NO. 2 (the "Amendment") is made and entered into effective as of the 25th day of March, 1996 by Merit Medical Systems, Inc., a Utah corporation (the "Corporation").

RECITALS:

WHEREAS, the Corporation adopted the Merit Medical Systems, Inc. Long Term Incentive Stock Option Plan (the "Original Plan") effective December 1, 1988; and

WHEREAS, the Corporation amended the Original Plan several times prior to 1992, and effective May 1, 1992, the Corporation amended and restated the Original Plan, as amended, (the "Amended and Restated Plan"); and

WHEREAS, the Corporation subsequently adopted Amendment No.1 to the Amended and Restated Plan to provide for the grant of stock options to directors of the Corporation pursuant to a formula plan that meets the criteria of Rule 16b-3(c)(2)(ii) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the Amended and Restated Plan, as amended by Amendment No. 1 is hereinafter referred to as the "Amended and Restated Plan"); and

WHEREAS, the Corporation has determined it advisable and in the best interests of the Corporation to execute this Amendment to amend the Amended and Restated Plan as set forth below.

NOW THEREFORE, upon these premises, the Amended and Restated Plan is hereby modified, altered and amended in the following respects only:

1. Amendments.

a. The annual limitation on the number of shares available for issuance under the Plan shall be eliminated and the maximum number of shares which may be issued under the Amended and Restated Plan (including any shares issued or issuable in connection with any awards granted prior to the date of this Amendment) shall be increased from 1,400,000 to 2,400,000. In addition, the Amended and Restated Plan is amended to limit the number of shares for which awards may be granted to a single participant in a calendar year to 100,000. Section 4(b) shall be amended accordingly to read in its entirety as follows:

" (b) Shares Subject to the Plan. The maximum number of Shares for which Awards may be granted under the Plan shall be 2,400,000. The limitations set forth in this Section 4(b) shall be subject to adjustment as provided in Section 7. In addition, the maximum number of shares for which Awards may be granted to any single Participant during any one (1) calendar year is 100,000."

b. The formula plan provisions of the Amended and Restated Plan as set forth in Section 10 are hereby amended to provide that each director is to receive an option to purchase 7,500 shares of Common Stock automatically each year, on the first business day immediately following the annual meeting of the Corporation's shareholders, and to provide that such options shall be fully exercisable on the date of grant. Section 10(c)(ii) and 10(f) are amended accordingly to read in their entirety as follows:

"(c) . . . (ii) Annual Grant. Subject to the limitation in Section 10(n), Nonstatutory Stock Options to purchase 7,500 shares of Common Stock

(adjusted pursuant to Section 10(l)) shall be granted automatically each year, on the first business day immediately following the annual meeting of the Corporation's shareholders, to each individual who has been elected or reelected to serve as a Director of the Corporation at the annual meeting of the Corporation's shareholders."

" (f) Exercisability. Except as otherwise set forth in Section 10(h), an annual grant of a Formula Award shall vest and become exercisable as follows:

Formula Awards granted prior to March 25, 1996 shall become exercisable in accordance with the following Schedule:

Period of Optionee's Continuous Service
as a Director of the Corporation

Portion of
Formula Award
that is Exercisable

One year from date of grant. . . .20%
Two years from date of grant . . .40%
Three years from date of grant . .60%
Four years from date of grant. . .80%
Five years from date of grant. .100%

Formula Awards granted after March 25, 1996 shall be fully exercisable on the date of grant.

Notwithstanding the above, an Optionee shall not be able to exercise any Formula Award granted under this Section 10 unless six months and one day have elapsed since the date this Section 10 was adopted by the shareholders of the Corporation."

c. The formula award provisions of the Amended and Restated Plan are hereby further amended to provide that the change in control provisions of the Incentive Plan shall apply to formula awards granted after the date of this amendment. Section 10(m) is amended accordingly to read in its entirety as follows:

" (m) Change in Control. In the event of a Change in Control, the provisions of Section 8 shall apply to Formula Awards granted to a Director after March 25, 1996 under this Section 10."

2. Shareholder Approval. The Amendment shall be effective as of March 25, 1996, subject to shareholder approval of this Amendment at the Corporation's Annual Meeting of Shareholders.

3. Ratification. In all respects, other than as specifically set forth in Section 1 above, the Amended and Restated Plan shall remain unaffected by this Amendment, the Amended and Restated Plan shall continue in full force and effect, subject to the terms and conditions thereof, and in the event of any conflict, inconsistency, or incongruity between the provisions of this Amendment and any provisions of the Amended and Restated Plan, the provisions of this Amendment shall in all respects govern and control.

IN WITNESS WHEREOF, the Corporation has duly executed this Amendment to be effective as of the date first written above.

MERIT MEDICAL SYSTEMS, INC.,
a Utah corporation

By /s/ Kent W. Stanger
Its: Chief Financial Officer

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MERIT MEDICAL SYSTEMS, INC.'S CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT FOR THE PERIOD ENDING JUNE 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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