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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
for the fiscal year ended December 31, 2017

or

o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

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

Utah	**0-18592**	**87-0447695**
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(IRS Employer Identification No.)

1600 West Merit Parkway, South Jordan, Utah 84095
(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act: **Common Stock, No Par Value,** registered on the NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 definitions 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 x

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant, on June 30, 2017, which is the last day of the registrant's most recently completed second fiscal quarter (based upon the closing sale price of the registrant's common stock on the NASDAQ National Market System on June 30, 2017), was approximately $1,843,214,217. Shares of common stock held by each officer and director of the registrant and by each person who may be deemed to be an affiliate have been excluded.

As of February 23, 2018, the registrant had 50,266,889 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following document are incorporated by reference in Part III of this Report: the registrant's definitive proxy statement relating to the Annual Meeting of Shareholders scheduled for May 24, 2018.

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PART I

Unless otherwise indicated in this report, "Merit," "we," "us," "our," and similar terms refer to Merit Medical Systems, Inc. and our consolidated subsidiaries.

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 any 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. 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 actual results will likely differ, and could differ 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 future 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 managing growth, particularly if accomplished through acquisitions, and the integration of acquired businesses;
- risks relating to protecting our intellectual property;
- claims by third parties that we infringe their intellectual property rights which could cause us to incur significant legal or licensing expenses and prevent us from selling our products;
- greater scrutiny and regulation by governmental authorities, including risks relating to the subpoena we received in October 2016 from the U.S. Department of Justice seeking information on our marketing and promotional practices;
- risks relating to physicians' use of our products in unapproved circumstances;
- FDA regulatory clearance processes and any failure to obtain and maintain required regulatory clearances and approvals;
- disruption of our critical information systems or material breaches in the security of our systems;
- failure to comply with export control laws, customs laws, domestic procurement 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;
- risks relating to significant adverse changes in, or our failure to comply, with governing regulations;
- restrictions and limitations in our debt agreements and instruments, which could affect our ability to operate our business and our liquidity;
- expending significant resources for research, development, testing and regulatory approval or clearance of our products under development and any failure to develop the products, any failure of the products to be effective or any failure to obtain approvals for commercial use;
- violations of laws targeting fraud and abuse in the healthcare industry:

- risks relating to healthcare reform legislation negatively affecting our financial results, business, operations or financial condition;
- changes in the regulatory approval process and requirements in foreign countries, which could force us to incur additional expense or experience delays or uncertainties;
- loss of key personnel;
- product liability claims;
- failure to report adverse medical events to the FDA, which may subject us to sanctions that may materially harm our business;
- failure to maintain or establish sales capabilities on our own or through third parties, which may result in our inability to commercialize any of our products in countries where we lack direct sales and marketing capabilities;
- the addressable market for our product groups being smaller than our estimates;
- demands for price concessions resulting from consolidations in the healthcare industry, group purchasing organizations or public procurement policies;
- our inability to compete in markets, particularly if there is a significant change in relevant practices or technology;
- the effect of evolving U.S. and international laws and regulations regarding privacy and data protection;
- fluctuations in foreign currency exchange rates negatively impacting our financial results;
- termination or interruption of, or a failure to monitor, our supply relationships or increases in the price of our component parts, finished products, third-party services or raw materials, particularly petroleum-based products;
- our inability to accurately forecast customer demand for our products or manage our inventory;
- changes in international and national economic and industry conditions;
- inability to generate sufficient cash flow to fund our debt obligations, capital expenditures, and ongoing operations;
- risks relating to our revenues being derived from a few products and medical procedures;
- volatility of the market price of our common stock;
- risks relating to work stoppage, transportation interruptions, severe weather and natural disasters;
- fluctuations in our effective tax rate adversely affecting our business, financial condition or results of operation;
- limits on reimbursement imposed by governmental and other programs;
- failure to comply with applicable environmental laws and regulations; and
- other factors referenced in our press releases and in our reports filed with the Securities and Exchange Commission (the “SEC”).

All subsequent forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Our actual results will likely differ, and may differ materially, from anticipated results. 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. If we do update or correct one or more forward-looking statements, investors and others should not conclude that we will make additional updates or corrections. Additional factors that may have a direct bearing on our operating results are described under Item 1A “Risk Factors” beginning on page 22.

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.

Item 1. Business.

The Company

Merit Medical Systems, Inc. is a leading manufacturer and marketer of proprietary disposable medical devices used in interventional, diagnostic and therapeutic procedures, particularly in cardiology, radiology, oncology, critical care and endoscopy. We strive to be the most customer-focused company in healthcare. Each day we are determined to make a difference by understanding our customers' needs and innovating and delivering a diverse range of products that improve the lives of people and communities throughout the world. We believe that long-term value is created for our customers, employees, shareholders, and communities when we focus outward and are determined to deliver an exceptional customer experience.

Merit Medical Systems, Inc. was founded in 1987 by Fred P. Lampropoulos, Kent W. Stanger, Darla Gill and William Padilla. Initially we focused our operations on injection and insert molding of plastics and electronic and sensor-based technologies. Our first product was a specialized control syringe used to inject contrast solution into a patient's arteries for a diagnostic cardiac procedure called an angiogram. Since that time, our sales and product lines have expanded substantially, both through internal research and development projects and through strategic acquisitions.

Our business strategy focuses on four target areas as follows:

- enhancing growth and profitability through research and development, sales model optimization, cost discipline, and operational focus;
- optimizing our operational capability through lean processes, cost effective environments and asset utilization;
- targeting high-growth, high-return opportunities by understanding, innovating, and delivering in our core product groups; and
- maintaining a highly disciplined, customer-focused enterprise guided by strong core values to globally address unmet or underserved healthcare needs.

We conduct our operations through a number of domestic and foreign subsidiaries. Our principal offices are located at 1600 West Merit Parkway, South Jordan, Utah, 84095, and our telephone number is (801) 253-1600. See Item 2. "Properties." We maintain an Internet website at www.merit.com.

Products

We design, develop, market, and manufacture, through our own operations and contract manufacturers, approximately 190 innovative medical products that offer a high level of quality, value and safety to our customers, as well as the patients they serve. Our products are used in the following clinical areas: diagnostic and interventional cardiology; interventional radiology; neurointerventional radiology; vascular, general and thoracic surgery; electrophysiology; cardiac rhythm management; interventional pulmonology; interventional nephrology; orthopaedic spine surgery; interventional oncology; pain management; outpatient access centers; intensive care; computed tomography; ultrasound; and interventional gastroenterology. During the year ended December 31, 2017, net sales generated by our top ten selling products accounted for approximately 37% of our total net sales. Sales of our inflation devices (including our Big60® device sold within our endoscopy segment and kits and packs which include inflation devices, but also include other products) accounted for approximately 11.4%, 12.7% and 14.0% of our net sales for the years ended December 31, 2017, 2016 and 2015, respectively.

The success of our products is enhanced by the extensive experience of our management team in the healthcare industry, our experienced direct sales force and distributors, our ability to provide custom procedural solutions such as kits, trays and

procedural packs at the request of our customers, and our dedication to offering facility-unique solutions in the markets we serve worldwide.

We offer products focused in five core product groups: peripheral intervention, cardiac intervention, interventional oncology and spine, cardiovascular and critical care, and endoscopy. A number of our products are marketed within multiple product groups; accordingly, we do not maintain separate measures of profitability by product group. Based on industry data and our internal market information, we estimate that the addressable market opportunities (in terms of annual net sales), that we are targeting with our current or newly released product portfolios, for each of our core product groups are as follows:

- Peripheral Intervention: $2.3 billion (global)
- Cardiac Intervention: $1.8 billion (global)
- Cardiovascular and Critical Care: $3.4 billion (global)
- Interventional Oncology and Spine: $1.4 billion (global)
- Endoscopy: $496 million (U.S. domestic)

However, we operate in a competitive environment with many companies seeking to address the same market opportunities. Additionally, these opportunities may evolve significantly as a result of changes in customer preferences or the macroeconomic and regulatory environments in which we operate. For these and other reasons, we cannot guarantee the degree to which we will be able to realize increased net sales as a result of these, or any other, opportunities.

We currently conduct our business through two financial reporting segments: cardiovascular (which includes our peripheral intervention, cardiac intervention, interventional oncology and spine and cardiovascular and critical care product groups) and endoscopy. For information relating to our business segments, see Note 12 to our consolidated financial statements set forth in Item 8 of this report.

Peripheral Intervention

We strive to provide our customers, the healthcare providers, with superior products designed to alleviate patient suffering from peripheral vascular and non-vascular diseases. These technologies support the minimally invasive diagnosis and treatment of diseases in peripheral vessels and organs throughout the body excluding the heart. Our peripheral intervention product line is organized into product portfolios as follows: Access, Angiography, Intervention and Drainage & Biopsy products.

Peripheral Access Portfolio

We offer a broad line of devices used to gain and maintain vascular access. These products include access systems such as the micropuncture family kits consisting of the MAK™ (mini access kit), the S-MAK™ (stiff MAK) and the PAK™ (pedal access kit). Additionally, our extensive line of Prelude® sheath introducers and related products provide clinicians with smooth, convenient, and less traumatic access to the patient's vasculature. The Prelude® Short Sheath provides vascular access to dialysis grafts, along with our extensive line of micro access devices as previously described. We also offer a wide range of guide wires, diagnostic catheters, therapeutic infusion systems and safety products that can be used during dialysis-related procedures.

We have continued our strategic partnership with Bluegrass Vascular Technologies, and have continued the global distribution rights with respect to the Surfacer® Inside-Out® Access Catheter System. The Surfacer system, which received CE mark approval, is an innovative Inside-Out approach to restore access to the right internal jugular vein and to preserve treatment options in hemodialysis patients with occluded veins. Additionally, we believe the Surfacer system aligns with our existing peripheral access portfolio.

In 2017, we continued our focus on the HeRO® (Hemodialysis Reliable Outflow) Graft, 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 Super HeRO® Adapter and its accompanying HeRO Ally™ Revision Kit are the newest addition to our growing HeRO family of dialysis devices. This technology offers surgeons the safety and efficiency of the original HeRO graft, but with more graft options to choose from, including early cannulation grafts, which can eliminate the need for a bridging catheter.

The CentrosFLO® Long-Term Hemodialysis Catheters anchor our chronic dialysis line. With its self-centering distal tip design, the CentrosFLO is designed to maintain long-term patency, as shown by retrospective and prospective studies published in 2016. We also offer the ProGuide® Chronic Dialysis Catheter, a “workhorse” catheter for chronic dialysis.

We offer peritoneal dialysis catheters, accessories and implantation kits as part of our dialysis access product line, including the Flex-Neck® and ExxTended™ Peritoneal Dialysis Catheters. Additionally, we have expanded our peritoneal dialysis portfolio to include an implantation system for an over-the-wire catheter placement technique familiar to interventionists.

Peripheral Angiography Portfolio

The diagnosis and treatment of peripheral arterial disease ("PAD") is paramount to ensuring appropriate patient care and helping patients achieve an enduring productive lifestyle. We offer an extensive portfolio of diagnostic and interventional products for the diagnosis and treatment of PAD and work closely with the physicians to develop new products to aid in the treatment of this disease.

We market a portfolio of hydrophilic and diagnostic guide wires for use in angiographic and interventional procedures in both the radiology and cardiology arena. Diagnostic guide wires are used to traverse the vascular anatomy and aid in placing catheters and other therapeutic devices to their target location. The Merit Laureate® Hydrophilic Guide Wire has a consistent, lubricious coating intended to promote advancement through the vasculature, provide support for crossing difficult lesions, and facilitate smooth catheter exchanges by minimizing friction. Our pre-coated InQwire® Diagnostic Guide Wires are lubricious and available in a wide range of configurations designed to assist physicians when navigating the peripheral vasculature and placement of devices.

In 2017, we added the high performance InQwire® Amplatz guide wires to our product line, providing our customers with a more supportive guide wire portfolio that aids in stability within the vasculature for enhanced navigation and device delivery through the most difficult anatomy.

Catheters play an important role in the diagnosis of peripheral disease. They carry contrast media which allows the blood vessels and any anomalies to be visualized in the imaging process. Our Performa® and Impress® Diagnostic Catheter products are designed to provide solutions for traversing difficult peripheral vasculature during diagnostic procedures. These catheters work in tandem with our guide wires to aid in the diagnosis of peripheral artery disease and can be used to facilitate transradial access, a procedure which uses the wrist artery as the access entry point for peripheral procedures rather than the more traditional femoral artery approach.

Peripheral Intervention Portfolio

We market an extensive line of products designed to treat blood clots that obstruct the flow of blood in arteries and veins. Our therapeutic thrombolytic infusion systems include the Fountain® Infusion System and the Mistique® Infusion Catheter. These catheters are used to treat thrombus, or blood clots, in the peripheral vessels of the body, as well as native dialysis fistula and synthetic grafts. We offer standard and low-profile ASAP® Aspiration Catheters, which offer clinicians two options for the safe and efficient removal of fresh, soft emboli and thrombi from vessels.

For crossing tight, difficult lesions, we market our line of Merit SureCross® Support Catheters. Our SureCross catheters offer trackability, pushability and visibility utilized by physicians to cross partial and total chronic occlusions in the peripheral arteries.

Our vascular retrieval devices are single-use products designed for foreign body manipulation and retrieval and can be used to retrieve inferior vena cava filters, reposition indwelling venous catheters, strip fibrin sheath formation, and assist in recanalization of both arterial and venous chronic occlusions. We enhanced our EN Snare® Endovascular Snare System with a new robust delivery catheter and peel-away insertion tool, which simplifies the snare deployment process and increase reliability during use.

For more than two decades, we have offered inflation devices designed to accurately measure pressures during balloon and stent deployment. We offer the basixTOUCH™ Inflation Device for one-handed preparation and priming for faster preparation time. Many procedures today require high pressures. For these procedures, we offer the basixTOUCH40™ Inflation Device. Its 40 ATM (standard atmosphere) pressure capacity allows inflation of high pressure interventional balloons. Additionally, the BasixCompak™ Inflation Device and the Blue Diamond™ Digital Inflation Device feature an angled gauge for better viewing.

We expanded our Advocate™ Peripheral Angioplasty Balloon product line in 2017 with the launch of our 0.035” platform. The Advocate™ Peripheral Angioplasty Balloon products are intended for balloon dilation or percutaneous transluminal angioplasty of the iliac, femoral, popliteal, infra-popliteal and renal arteries.

Peripheral Drainage & Biopsy Portfolio

We have a broad line of drainage access products. Our One-Step™ Drainage Catheter, Safety Paracentesis Procedure Tray and Thoracentesis and Paracentesis Set are designed to provide clinicians with safe, convenient and cost-effective methods for removing unwanted fluid accumulation. Our Valved One-Step™ Centesis Catheters are designed with an integrated self-sealing valve to minimize the risk of air entering the pleural space and to prevent fluid leakage during thoracentesis and paracentesis procedures.

The ReSolve® Locking Drainage Catheter offers a convenient locking mechanism that we believe enhances patient comfort. A range of catheter fixation devices are also available including the StayFIX® Fixation Device and the Revolution™ Catheter Securement Device, which were designed to save time, enhance patient comfort and improve cost-effectiveness. We provide a wide selection of accessories that complement our drainage catheters, including tubing sets and drainage bags. For non-vascular applications, the mini access kit (MAK-NV™) is designed for easy visualization and quick access into the drainage area. For enhanced visibility, the kit features an echo-enhanced needle and radiopaque marker tip on the introducer.

In January 2017, we launched the CorVocet™ Biopsy System for soft tissue biopsy procedures. This exciting new product is designed to cut a full-core of tissue, providing large specimens for pathological examination. Its sleek lines, light weight, and ergonomic grip help facilitate one-handed priming, positioning, and deployment, which is especially beneficial during image-guided procedures. Additionally, the CorVocet is the first full-core biopsy needle with a customizable throw length for precision clinician control.

In August 2017, we acquired proprietary bone and spine biopsy products from Laurane Medical S.A.S. ("Laurane"), headquartered in Sonchamp, France. We are selling these biopsy products exclusively to the existing customer base until we have transferred all of the manufacturing processes to our Irish manufacturing facility. We anticipate a full launch of the Laurane bone and spine biopsy products in the second quarter of 2018.

Cardiac Intervention

We manufacture and sell a variety of products designed to aid in the treatment of various cardiac conditions specific to interventional cardiology and electrophysiology including cardiac rhythm management and lead management.

Two key program drivers in cardiac intervention during 2017 were the Think Radial™ Program and Think Interventional CRT™, which stands for cardiac resynchronization therapy. Think Radial is a global education program that provides clinicians with the training and tools to commence or further their practice of the transradial approach. The transradial approach uses the artery in the wrist as the entry point for either cardiac catheterization or peripheral procedures, rather than the more traditional femoral artery in the groin. In 2017, we hosted several Think Radial training courses at our facilities for interventional cardiologists and interventional radiologists from across the U.S., Europe and Canada.

The Think Interventional CRT therapy training program showcases a new interventional approach to implanting left ventricle leads. This approach utilizes new products and offers techniques to electrophysiologists who are relatively new to telescoping support catheters, subclavian vein venoplasty, and using snares to provide guidewire support. In 2017, our Think Interventional CRT training programs globally assisted with the training and education of electrophysiologists from across the U.S., Europe and Canada.

Our cardiac intervention product group is organized under product portfolios which include: Access, Angiography, Hemostasis, Intervention, and Electrophysiology.

Cardiac Access Portfolio

We offer a broad line of devices used to gain and maintain vascular access for cardiology procedures, including needles, scalpels, arm boards and sheath introducers. Our line of Prelude® Sheath Introducers is designed to provide clinicians with quick and convenient access to the patient's vasculature. The PreludeEASE™ Hydrophilic Sheath Introducer is our anchor product for radial access, designed to provide access to the radial artery while minimizing the potential for spasm with a hydrophilic coating that extends to the tip of the sheath.

To provide a more complete offering for radial access procedures, we offer the Rad Board® family of products. The Rad Board is designed to provide radiation protection to physicians, provide a larger work space for physicians and an area for patients to rest their arms during radial procedures.

Cardiac Angiography Portfolio

For angiography procedures, we market an array of diagnostic catheters including the Performa® line. We believe that these catheters offer physicians superior torque, high shaft strength for pushability and a large inner diameter for improved flow rates during a variety of angiographic procedures. Our MIV™ Radial Ventriculogram Pigtail Catheter addresses the difficulty in accessing the left ventricle from the radial artery, which occurs when using standard femoral approach catheters.

Cardiac Hemostasis Portfolio

Catheterization for diagnostic and interventional cardiology procedures generally takes one of two approaches, femoral or radial. We offer products to assist clinicians in obtaining and maintaining hemostasis following arterial catheterization by either approach. For hemostasis of the femoral artery, we offer the Safeguard® Pressure Assisted Device and for hemostasis of the radial artery, we now offer the PreludeSYNC™ hemostasis device, as well as our legacy Safeguard Radial™ device. These devices compete in a fast-growing segment within the interventional cardiology and radial compression markets. The PreludeSYNC was designed to address the market need for improved patient comfort and clinician use without compromising safety. To accomplish this, the device has a soft band with a secure hook and loop closure. To improve patient experience, the device comes packaged with creative, unique designs printed directly on the band, which is a first of its kind for our company. Additionally, we have recently provided the option to customize the bands for healthcare facilities. This can be with their logo or specific messaging, providing a personalized experience.

We have developed a broad line of clinically acclaimed hemostasis valves, MAP™ Merit Angioplasty Packs and angioplasty accessories. Hemostasis valves connect to catheters and allow passage of additional guide wires, balloon catheters and other devices into the vasculature, while reducing the amount of blood loss during the procedures. Our hemostasis valve line includes the Honor®, PhD™, AccessPLUS™, Access-9™, DoublePlay™, MBA™ and the Passage®.

Cardiac Intervention Portfolio

For more than two decades, we have offered an extensive line of inflation devices designed to accurately measure pressures during balloon and stent deployment. The basixTOUCH™ Inflation Syringe reduces preparation time through its single-handed preparation and priming features. The Blue Diamond™ Digital Inflation Device features an angled gauge for better viewing. Additionally, our IntelliSystem® and Monarch® Inflation Devices, as well as the BasixCOMPAK™ Inflation Syringe, offer clinicians a wide range of features and prices.

During coronary catheterization procedures, guiding catheters are used to gain access to the heart. Our line of Concierge® Guiding Catheters has an advanced braiding technology and proprietary polymer-blend shaft, which allow for an increased lumen size while maintaining exceptional support.

Pericardiocentesis is a procedure through which fluid is aspirated from the pericardial sac (the sac enveloping the heart). Our pericardiocentesis kit is designed as an organized, ready-to-use, convenient tray to assist the clinician in draining fluid quickly from the pericardial sac.

For angiography and angioplasty procedures we offer the Ostial PRO® Stent Positioning System, a medical-grade disposable guide wire system designed to provide consistent and precise stent implantation in aorto-ostial lesions during coronary or peripheral interventional procedures. Additional angiographic accessories include the Flow Control Switch™, an integrated, one-handed, single-channel switch designed with clinician and patient safety in mind.

Electrophysiology Portfolio

We offer innovative solutions to address lead implantation and therapeutic delivery in the rapidly-expanding cardiac rhythm management and electrophysiology markets.

Cardiac rhythm management (“CRM”) is the field of cardiac disease therapy that relates to the diagnosis and treatment of cardiac arrhythmias or the improper beating of the heart with pacemakers and implantable cardioverter defibrillators. Our CRM products include the Classic Sheath™, Prelude SNAP™, and Prelude SNAP™ Hydrophilic families of splittable hemostatic sheaths designed for the insertion of cardiac leads for pacemakers and implantable cardioverter defibrillators. We also offer the Worley™ Advanced LV Delivery System to aid in the insertion and implantation of left ventricular pacing leads, through the coronary sinus to the left lateral wall of the heart for heart failure patients. The Worley™ Advanced LV Delivery System has been shown to reduce lead implant failures, improve target lead location and reduce procedure times.

Electrophysiology is the study of diagnosing and treating abnormal electrical activities of the heart. Common electrophysiology procedures include diagnostic electrophysiology studies and therapeutic ablation procedures designed to treat arrhythmias. We offer the HeartSpan® Transseptal Needle, which is designed with a larger ergonomic handle, unique unibody needle design and optimal needle sharpness; the HeartSpan® Transseptal Sheath, which features an improved hemostasis valve for reduced blood loss and air embolism, smooth sheath to dilator transition for easier transseptal crossing, and reinforced stainless steel tubing for excellent torque response. In 2017 we updated this product line with new lengths and shapes to match market demands. Additionally, we launched a second generation HeartSpan® Steerable Sheath Introducer responding to user feedback with a variety of key features, most notably a neutral position indicator to help physicians with orientation.

Cardiovascular and Critical Care

Every year thousands of critical care patients experience Catheter Related Blood Stream Infections ("CRBSI"). CRBSI is one of the most frequent, costly, and mortal complications of central venous catheterization. In February 2017, we acquired the assets of Catheter Connections, Inc. to enhance our existing clinical safety product portfolio by providing a novel disinfectant cap, the DualCap® Disinfection and Protection System to minimize the potential of catheter associated infections. To complement the acquisition of Catheter Connections, we also acquired critical care assets from Argon Medical Devices, Inc. ("Argon") to create a broad business line of products and solutions for cardiac and critical care patients. Combined with a robust pipeline of product development projects, we believe the cardiovascular and critical care business is positioned to provide innovative solutions to meet the needs of critical care patients and clinicians for years to come.

Infection Prevention & Safety

Medical errors are cited as the third leading cause of death in the USA, with approximately 250,000 preventable deaths occurring annually. Color-coded Medallion® Syringes along with the Pen and Label (PAL™) Medication Labeling System comply with patient safety initiatives from the Joint Commission to reduce medication delivery errors. Contaminated fluids and needle stick injuries may spread infectious diseases to clinical workers and providers. Our ShortStop® Temporary Sharps Holders protect clinicians from accidental needlesticks while our family of BackStop® Disposable Basins meet the Occupational Safety & Health Administration (OSHA) guidelines for contaminated fluids and waste.

The recent acquisition of the DualCap augments our foundation of safety products to further prevent contamination and infection of invasive vascular lines. Unlike other cleaning alternatives in the marketplace, the DualCap prevents alcohol from entering the blood stream of male luer connections while reducing the time required to disinfect needleless connectors.

Hemodynamic Monitoring

Blood pressure monitoring assists in determining proper patient treatment. We have an extensive portfolio of fluid management and monitoring devices, including the Meritrans® Disposable Pressure Transducer and the TRAM® Manifolds with Integral Transducers. The acquisition of certain critical care products from Argon expanded our patient monitoring portfolio by providing the Safedraw® Closed Arterial Blood Sampling Kits, thermodilution catheters, and DTXPlus® Disposable Pressure Transducers. The acquisition further bolstered our kits, packs, and procedure tray business by adding the Careflow® Central Venous Catheters, Arterial Catheters, and Introducer Sheaths.

Interventional Oncology and Spine

In June 2017, we received 513(f)(2) (de novo) classification from the U.S. Food and Drug Administration ("FDA") to expand indication for our Embosphere® Microspheres. The indication now includes prostatic artery embolization (“PAE”) for symptomatic benign prostatic hyperplasia. Embosphere is the first embolic agent to receive FDA clearance for prostatic artery embolization, providing a non-surgical treatment option for millions of men who suffer from benign prostatic hyperplasia.

Benign prostatic hyperplasia is an enlarged prostatic gland and can cause lower urinary tract symptoms in men. The PAE procedure is performed through an incision in the patient’s upper thigh or wrist, and may use Embosphere Microspheres to occlude the prostatic arteries, reducing their blood supply and causing the prostate to shrink and improve symptoms.

In July 2017, we acquired the assets of Osseon LLC ("Osseon"). The Osseon product line, Osseoflex®, compliments and rounds out our portfolio for the treatment of vertebral compression fractures ("VCF"). The Osseoflex products include access kits, steerable needles, steerable and straight balloons, bone cement, as well as cement mixing and delivery systems. Osseon’s steerable products fit well with our unique brand of directional devices that allow users to navigate and target specific spine anatomy.

Vertebral Compression Fractures Portfolio

VCFs occur when a vertebra cracks, fractures or collapses due to osteoporosis or cancer. VCFs can be extremely painful and have debilitating effects on a patient's quality of life. Using our StabiliT® System, physicians treat VCFs by inserting small instruments through the skin into the fractured vertebra. Bone cement is injected through a hollow needle into the fractured bone. Our StabiliT® System is a comprehensive treatment system and includes access instruments, osteotomes, introducers, bone cement and corresponding mixing and delivery systems.

Ablation Portfolio

We offer our STAR™ Tumor Ablation System to cancer patients for the palliative treatment of painful metastatic tumors. Targeted radiofrequency ablation using the STAR System offers patients pain relief and improved quality of life in a minimally invasive treatment. This procedure requires an articulating radiofrequency, or RF, device to be placed through the skin into the vertebral body and inserted directly into the tumor to ablate the tumor. Thermocouples embedded in the RF device allow for constant monitoring of the temperature directly in the ablation zone, which is a key feature when performing ablations near vital structures like the spinal cord. The STAR system includes ablation instruments, introducers, osteotomes and our MetaSTAR® RF Generator.

Inflation Syringes

Our digital inflation devices, the IntelliSystem®, Monarch and Blue Diamond™ are used in discography, a technique used to determine whether a disc is the source of pain in patients with back or neck pain.

Oncology Portfolio

In the United States, we sell QuadraSphere® Microspheres for the treatment of hypervascularized tumors, including hepatoma, and arteriovenous malformations. Malignant hepatoma, also known as hepatocellular carcinoma, is a common cancer and the third leading cause of cancer deaths worldwide. QuadraSphere Microspheres are precisely calibrated and designed to offer controlled, targeted embolization, treating hepatocellular carcinoma by reducing or stopping the blood flow to the tumors.

In Europe, as well as Brazil, Russia, and in many other markets, excluding the U.S., we offer HepaSphere™ Microspheres for delivery of chemotherapy drugs in the treatment of primary and metastatic liver cancer.

Embolotherapy Portfolio

We offer Embosphere® Microspheres to treat hypervascularized tumors, including symptomatic uterine fibroids, embolization of the prostatic arteries for the treatment of symptomatic benign prostatic hyperplasia, and arteriovenous malformations in the United States as well as Europe and other international markets. Additionally, in certain markets outside of the U.S., we offer Embosphere Microspheres for hemostatic embolization.

We also offer polyvinyl alcohol particles, Bearing nsPVA®, globally for the treatment of hypervascularized tumors, including symptomatic uterine fibroids and vascular malformations.

Delivery Systems Portfolio

We manufacture a variety of microcatheters for the controlled and selective infusion of diagnostic, embolic, or therapeutic agents into vessels. The SwiftNINJA® steerable microcatheter articulates up to 180 degrees in opposing directions. This articulating feature allows physicians to treat diseases that in the past would have been too difficult to access due to challenging patient anatomies. We continue to offer our Merit Maestro® Microcatheter, which has a swan neck design that allows physicians to "seat" the catheter in the vessel. The SwiftNINJA and Maestro can be used for the controlled and selective infusion of diagnostic, embolic, or therapeutic materials into vessels. They are compatible with many key configurations of Embosphere, Quadrasphere, HepaSphere, Bearing nsPVA, and other competitive embolic products.

In 2017, we introduced the True Form™ Reshapable Guide Wire which was designed with the ability to be shaped and reshaped multiple times for vessel cannulation. True Form's stainless steel core provides excellent support, its hydrophilic coating increases trackability through vessels, the flexible shaft easily navigates tortuous anatomy, and its shapeable tip retains shape during procedures. In August 2017, we began offering the Merit Maestro® Microcatheter and True Form Reshapable Guide Wire packaged together to make it more convenient for customers to order their microcatheters and guide wires.

Endoscopy

Our endoscopy division, Merit Endotek, integrates advanced non-vascular stent technology with balloon dilators, inflation devices, guide wires, procedure kits, and other devices that are used by endoscopists in interventional gastroenterology, interventional pulmonology, and thoracic and general surgery. Merit Endotek has a dedicated marketing and sales organization serving these growing markets.

Merit Endotek sells a variety of non-vascular stents, including AERO® and AERO DV® Fully Covered Tracheobronchial Stents. These covered, self-expanding nitinol stents are used by interventional pulmonologists and thoracic surgeons to treat strictures and fistulae in the airways, and to offer palliation to patients suffering from strictures caused by cancer. The AEROmini® fully covered bronchial stent was launched in 2015 and features a low-profile delivery system designed to provide additional flexibility, and aid in the accurate placement of stents in difficult airway anatomy.

Merit Endotek's esophageal stents, the Alimaxx-ES™ and the EndoMAXX® fully covered esophageal stents, are used by interventional gastroenterologists, otolaryngologists and thoracic surgeons to palliate symptoms associated with malignant tumors and strictures affecting the esophagus, as well as to treat concomitant tracheoesophageal fistulae.

Merit Endotek's biliary stent systems are marketed under the Alimaxx-B® brand name. Alimaxx-B stent systems are used by interventional gastroenterologists to palliate symptoms associated with malignant tumors affecting the bile duct.

Merit Endotek's esophageal balloon dilator, the Elation® Fixed Wire Balloon Dilator, was introduced late in 2015, and is intended for use in adult and adolescent populations to endoscopically dilate strictures of the esophagus. In 2016, we added a wire-guided balloon dilator, intended for use in the alimentary tract, to the Elation product line, and in 2017, the Elation Pulmonary Balloon Dilator was introduced to the market. All of these devices can be paired with Merit Endotek's BIG60® inflation device.

Merit Endotek's BIG60® Inflation Device is a 60-mL syringe and gauge designed to inflate and deflate non-vascular balloon dilators while monitoring and displaying inflation pressures up to 12 atmospheres. Merit Endotek also offers Endotek-labeled versions of the BasixCOMPAK™ and Monarch Inflation Device to customers in pulmonology, gastroenterology, and thoracic surgery.

For non-vascular procedures, we market the MAXXWIRE® guide wire, our line of specialty guide wires that have pulmonology and gastroenterology applications.

For endoscopy and bronchoscopy procedures, we offer a variety of kits and accessories, including the AEROSIZER® tracheobronchial stent sizing device, the Brighton® Bipolar Probe, the BiliQUICK™ Cholangiography Rapid Refill Continuous Injection Kit, the TIO™ Three-in-One combination oral airway, bite block and oxygen administration device, the Vaclok® Negative Pressure Syringe, and the convenient BAL (bronchoalveolar lavage) Convenience Kit™. In 2017, Endotek introduced the TWISTER™ PLUS rotatable retrieval device for use in both gastroenterology and interventional pulmonology.

Specialty Procedure Products

We provide coating services for medical tubes and wires under original equipment manufacturer (“OEM”) brands. We offer coated tubes and wires to customers on a spool or as further manufactured components like hypotubes, guide wire components, coated mandrels/stylets and coated needles. We operate a hypotube manufacturing facility in Galway, Ireland, which provides advanced laser cutting and ablation, passivation, cleaning and other hypotube manufacturing processes. Our Merit Hypotube™ is used as the catheter shaft in percutaneous transluminal coronary angioplasty and percutaneous transluminal angioplasty balloon catheters, as well as functional guide wires.

Customers and clinicians often have unique needs when performing procedures. We have a long history of manufacturing and selling syringes, stopcocks, high pressure tubing, safety solutions, and many more products used across the clinical care continuum. We work closely with customers to create standard and customized trays, packs, and kits to enable clinicians to more effectively perform clinical procedures. In October 2017, we acquired ITL Healthcare Pty. Ltd. ("ITL"), a custom procedure pack business located in Melbourne, Australia. The facility we acquired from ITL includes sterilization capabilities.

Our sensor division manufactures and sells microelectromechanical systems sensor components consisting of piezoresistive pressure sensors in various forms, including bare silicon die, die mounted on ceramic substrates, and fully calibrated components for numerous applications both inside and outside the healthcare industry.

Marketing and Sales

Target Market/Industry. Our principal target markets are peripheral intervention, cardiac intervention, interventional oncology, critical care and endoscopy. Within these markets our products are used in the following clinical areas: diagnostic and interventional cardiology; interventional radiology; neurointerventional radiology; vascular, general and thoracic surgery; electrophysiology; cardiac rhythm management; interventional pulmonology; interventional nephrology; orthopaedic spine surgery; interventional oncology; pain management; outpatient access centers; intensive care; computed tomography; ultrasound; and interventional gastroenterology.

According to U.S. government statistics, cardiovascular disease continues to be a leading cause of death and a significant health problem in the United States. Treatment options range from dietary changes to surgery, depending on the nature of the specific disease or disorder. Endovascular techniques, including angioplasty, stenting and endoluminal stent grafts, continue to represent important therapeutic options for the treatment of vascular disease. We derive a large percentage of our revenues from sales of products used during percutaneous diagnostic and interventional procedures such as angiography, angioplasty and stent placement, and we intend to pursue additional sales growth by building on our existing market position in both catheter technology and accessory products.

In addition to products used in the treatment of coronary and peripheral vascular disease and in electrophysiology, we continue our efforts to develop and distribute other devices used in our target markets. For example, we have developed and are distributing products used for percutaneous drainage. Prior to the widespread use of computed tomography or ultrasound imaging, surgery was necessary to drain internal fluid from body cavities and organs. Currently, percutaneous drainage is frequently prescribed as the treatment of choice for many types of fluid collections. Our family of drainage catheters and associated devices are used by physicians in interventional radiology, vascular surgery and cardiology catheter lab procedures.

Marketing Strategy. As part of our product sales and marketing efforts, we attend major medical conventions throughout the world pertaining to our target markets and invest in market development including physician training, peer-to-peer education, and patient outreach. We work closely with major healthcare facilities and key opinion leader physicians involving our primary target markets in the areas of training, therapy awareness programs, clinical studies and ongoing research.

We also offer products to service the dialysis access market. These products are used in renal replacement therapies, including the treatment of acute renal failure, chronic renal failure and end-stage renal disease. Our hemodialysis access products include catheters and kits for interventional radiologists and interventional nephrologists. Our family of peritoneal dialysis products is designed to support specific implantation techniques for interventional radiologists, interventional nephrologists and laparoscopic surgeons. We also offer a variety of products for dialysis access interventions for these customers.

We believe the development of Merit Endotek and the move into the areas of interventional gastroenterology, pulmonology and thoracic surgery will open new opportunities to sell our existing products, such as inflation devices, syringes, centesis catheters and procedure kits to those markets, but will also provide opportunities to market additional products incorporating our non-vascular stent, balloon dilator and guide wire technologies.

In general, our target markets are characterized by rapid change resulting from technological advances and scientific discoveries. We plan to continue to develop and launch innovative products to support clinical trends and to address the increasing demands of these markets.

Product Development Strategy. Our product development is focused on identifying and introducing a regular flow of profitable products that meet customer needs. To stay abreast of customer needs, we frequently seek suggestions from health care professionals working in the fields of medicine in which we offer or are developing products. Suggestions for new products and product improvements may also come from engineers, marketing, sales people, physicians and technicians who perform clinical procedures.

When we believe that a product suggestion demonstrates a sustainable competitive advantage, meets customer needs, fits strategically and technologically with our business and has a good potential financial return, we generally assemble a “project team” comprised of individuals from our sales, marketing, engineering, manufacturing, legal, and quality assurance departments. This team works to identify the customer requirements, integrate the design, compile necessary documentation and testing, and prepare the product for market introduction. We believe that one of our marketing strengths is our capacity to conceive, design, develop and introduce new products.

U.S. and International Sales. Sales of our products in the U.S. accounted for approximately 58%, 61% and 61% of our net sales for the years ended December 31, 2017, 2016 and 2015, respectively. In the U.S., we have a dedicated, direct sales

organization primarily focused on selling to end-user physicians, hospitals and clinics, major buying groups and integrated healthcare networks.

Internationally, we employ sales representatives and contract with independent dealer organizations and custom procedure tray manufacturers to distribute our products worldwide, including territories in Europe, Africa, the Middle East, Asia, South and Central America, Oceania, and Canada. In 2017, our international sales grew approximately 32% over our 2016 international sales, and accounted for approximately 42% of our net sales. China represents our most significant international sales market with net sales of approximately $73.4 million, $59.9 million, and $50.7 million for the years ended December 31, 2017, 2016 and 2015, respectively. With the recent and planned additions to our product lines, we believe our international sales will continue to increase.

Our largest non-U.S. market is China, which represented approximately 10% of our net sales in 2017. We maintain a distribution center and administrative office in Beijing. We also have small sales offices in Shanghai, Guangzhou, and Hong Kong. We sell our products through more than 400 distributors in mainland China, who are responsible for reselling the products, primarily to hospitals. We employ sales personnel throughout China who work with our distributors to promote the clinical advantages of our products to clinicians and other decision makers at hospitals. Under this “modified direct” sales approach, our salespeople are involved with promoting the advantages of our products to clinicians and other customers, while the distributors handle sales transactions and address issues related to fulfillment and inventory management.

In Europe, the Middle East, and Africa, we have both corporate (i.e., direct) and modified corporate sales operations. Our corporate sales operations are active throughout Europe, including the largest markets of the UK, France, Germany, and Sweden.

Our direct sales personnel are principally engaged in each of our product groups. Marketing teams responsible for each product group operate clinical education programs, often directed by leading subject matter personnel, who provide technical instruction on techniques and therapies to physicians, nurses, and technologists. We are currently conducting education programs specific to radial access, spinal intervention, surgical grafts, and electrophysiology.

We require our international dealers to store products and sell directly to customers within defined sales territories. Each of our products must be approved for sale under the laws of the country in which it is sold. International dealers are responsible for compliance with applicable anti-bribery laws, such as the U.S. Foreign Corrupt Practices Act, as well as all applicable laws and regulations in their respective countries.

In 2016, we began conversions from distributor-based sales models to direct sales models in Australia and Canada. We now supply hundreds of healthcare providers directly in Australia and Canada from Merit-operated distribution centers in those countries. In May 2017, we terminated our distribution agreement with Sheen Man Co., Ltd. and Sugan Co, Ltd., (collectively "Sugan"), a Japanese medical device distributor, and acquired the customer list Sugan used in the distribution of many of our products in Japan. In connection with our acquisition of the critical care division of Argon, we have implemented a modified direct sales approach (similar to the approach we are pursuing in China) to market and sell the majority of our products in Japan. Our goal with conversion is to obtain improved product pricing and more direct access to the end users of our products within these sales channels.

We consider training to be a critical factor in the success of our sales force. Members of our sales force are trained by our clinical marketers, our staff professionals, consulting physicians, and senior field trainers in their respective territories.

OEM Sales. Our global OEM division sells components and finished devices, including molded components, sub-assembled goods, custom kits and bulk non-sterile goods, to medical device manufacturers. These products may be combined with other components and products from other companies and sold under a Merit or third-party label. Products sold by our OEM division can be customized and enhanced to customer specifications, including packaging, labeling and a variety of physical modifications. Our OEM division serves customers with a staff of regional sales representatives based in the U.S., Europe and Asia, and a dedicated OEM Engineering and Customer Service Group.

Customers

We provide products to hospitals and clinic-based physicians, technicians and nurses. Hospitals and acute care facilities in the United States generally purchase our products through our direct sales force, distributors, OEM partners, or custom procedure tray manufacturers who assemble and combine our products in custom kits and packs. Outside the United States, hospitals and acute care facilities generally purchase our products through our direct sales force, or, in the absence of a sales force, through independent distributors or OEM partners.

In 2017, our U.S. sales force made sales accounting for approximately 42% of our net sales directly to U.S. hospitals and sales accounting for approximately six percent of our net sales through other channels, such as U.S. custom procedure tray manufacturers and distributors. We also sell products to other medical device companies through our U.S. OEM sales force, which accounted for approximately 10% of our 2017 net sales. The remaining 42% of our 2017 net sales was attributable to sales made to international markets by our direct sales force, international distributors, and our OEM sales force. Sales to our largest customer accounted for approximately two percent of net sales during the year ended December 31, 2017.

Research and Development

Our research and development operations have been central to our historical growth, and we believe they will be critical to our continued growth. In 2017, our commitment to innovation led to the introduction of several new products, improvements to our existing products and expansion of our product lines, as well as enhancements and new equipment in our research and development facilities.

Our research and development expenses were approximately $51.4 million, $45.2 million, and $40.8 million in 2017, 2016, and 2015, respectively.

We continue to develop new products and make improvements to our existing products utilizing many different sources. Our Chief Executive Officer and Executive Vice President of Global Research & Development, work closely with our sales and marketing teams to incorporate feedback from physicians and clinicians in the field, which can lead to innovative new products and improvements to our existing products.

Currently we have research and development facilities in:

- Dallas, Texas
- Galway, Ireland
- Jackson Township, New Jersey
- Malvern, Pennsylvania
- Paris, France
- Pearland, Texas
- San Jose, California
- Singapore
- South Jordan, Utah
- Tijuana, Mexico
- Venlo, The Netherlands
- West Jordan, Utah

Manufacturing

We manufacture many of our products utilizing our proprietary technology and our expertise in plastic injection and insert molding. We generally contract with third parties for the tooling of our molds, but we design and own most of our molds. We utilize our experience in injection and insert molding technologies in the manufacture of most of the custom components used in our products. We have received International Standards Organization (“ISO”) 13485:2003 certification for our facilities in Utah, Texas, Virginia, Pennsylvania, The Netherlands, Ireland, France, Singapore and Mexico. We have also received ISO 9001:2008 certification for our coatings facility in Venlo, The Netherlands and our Merit Sensor Systems, Inc. (“Merit Sensors”) facility in South Jordan, Utah. Merit Sensors develops and markets silicon pressure sensors and presently supplies a substantial portion of the sensors we utilize in our digital inflation devices and blood pressure sensors.

Given the specialization of our manufacturing personnel and processes in our Utah and Ireland facilities, we possess the capability to strategically shift the manufacture of more technologically advanced products to those facilities, and utilize the manufacturing capacity of our other facilities for more commoditized products. The actual determination of manufacturing location will be based upon multiple factors, including technological capabilities, market demand, acquisition and integration activities and economic and competitive conditions.

We currently produce and package all of our embolic products. Manufacturing of our embolic products includes the synthesis and processing of raw materials and third-party manufactured compounds.

We have packaging and manufacturing facilities located in Chester, Virginia; Galway, Ireland; Joinville, Brazil; Malvern, Pennsylvania; Melbourne, Australia; Paris, France; Pearland, Texas; Singapore; South Jordan and West Jordan, Utah; Tijuana, Mexico; and Venlo, The Netherlands. See Item 2. “Properties.”

We have distribution centers located in Auckland, New Zealand; Bangalore, India; Beijing and Hong Kong, China; Chester, Virginia; Joinville, Brazil; Maastricht, The Netherlands; Malvern, Pennsylvania; Melbourne, Australia; Toronto, Canada; Podolsk, Russia; Seoul, South Korea; South Jordan, Utah; Tijuana, Mexico; and Tokyo, Japan.

We believe that our variety of suppliers for raw materials and components necessary for the manufacture of our products, as well as our long-term relationships with such suppliers, promote stability in our manufacturing processes. Historically, we have not been materially affected by interruptions with such suppliers; however, we are experiencing a growing trend from suppliers of polymer resins to refuse to supply resin to medical device manufacturers or require that we assume additional risks due to the potential for product liability claims. There can be no assurance that we will not experience supply disruptions in the future. We seek to develop and have relationships with potential back-up suppliers for materials and components in the event of supply interruptions.

Competition

The medical products industry is highly competitive. Many of our competitors are much larger than us and have access to greater resources. We also compete with smaller companies that sell single or limited numbers of products in specific product lines or geographies. We compete globally in several market areas, including diagnostic and interventional cardiology; interventional radiology; neurointerventional radiology; vascular, general and thoracic surgery; electrophysiology; cardiac rhythm management; interventional pulmonology; interventional nephrology; orthopaedic spine surgery; interventional oncology; pain management; outpatient access centers; intensive care; computed tomography; ultrasound; and interventional gastroenterology.

The principal competitive factors in the markets in which our products are sold are quality, price, value, device features, customer service, breadth of line, and customer relationships. We believe our products have achieved market acceptance primarily due to the quality of materials and workmanship of our products, clinical outcomes, their innovative design, our willingness to customize our products to fit customer needs, and our prompt attention to customer requests. Our products are priced competitively, but generally not below prices for competing products. Some of our primary competitive strengths are our relative stability in the marketplace; a comprehensive, broad line of ancillary products; and our history of introducing a variety of new products and product line extensions to the market on a regular basis.

In the interventional cardiology and the radiology markets as well as the gastroenterology, endoscopy, general surgery, thoracic surgery and pulmonology markets, we compete with large international, multi-divisional medical supply companies such as Cordis Corporation (Cardinal Health); Boston Scientific Corporation; Medtronic; Abbott; Teleflex; Becton, Dickinson and Company (including the operations previously conducted by C.R. Bard) ("BD"); Cook Incorporated; Stryker Corporation ("Stryker"); 3M; ICU Medical and Terumo Corporation. Medium-size companies we compete with include B. Braun; Uresil; BTG; Olympus Medical; Edwards Lifesciences; Argon; CONMED; AngioDynamics; Medcomp and U.S. Endoscopy.

Based on available industry data, with respect to the number of procedures performed, we believe we are a leading provider of digital inflation technology in the world. In addition, we believe we are one of the market leaders in the United States for analog inflation devices. We believe we are a market leader in the United States for control syringes, waste-disposal systems, tubing and manifolds. We anticipate the recent and planned additions to our product lines will help us compete even more effectively in both the U.S. and international markets. There is no assurance that we will be able to maintain our existing competitive advantages or compete successfully in the future.

We derive a substantial majority of our revenues from sales of products used in diagnostic angiography, interventional cardiology and radiology procedures. We believe medical professionals are starting to use new interventional methods, procedures and devices, as well as drugs, for the treatment and prevention of cardiovascular disease. These new methods, procedures, devices and drugs may render some of our products obsolete or limit the markets for our products. However, with the advent of vascular stents and other procedures, we have experienced continued growth in sales of our products.

In the vertebral augmentation market, our main competitors are Medtronic and Stryker. Both Medtronic and Stryker offer products to treat vertebral compression fractures (including the CareFusion products Stryker acquired from BD, but only Medtronic offers products to treat metastatic spine tumors.

Within the field of uterine fibroid embolization ("UFE") and PAE, we believe we are a market share leader. Based on both research and clinical studies conducted on our product for UFE and PAE, we believe we offer physicians consistent and

predictable product performance, ease of use, targeted delivery, and durable vessel occlusion, and therefore satisfactory short- and long-term clinical outcomes validated by peer-reviewed publications, when compared to our competitors.

Our primary embolotherapy product has been Embosphere Microspheres. Currently, the primary products with which our microspheres and embolic particles compete are Beadblock® and DC Bead®, sold by BTG plc; Embozene™ and Contour® sold by Boston Scientific, Inc; PVA Foam Embolization Particles, sold by Cook Medical; HydroPearl®, sold by Terumo International Systems ("Terumo"); and Gelfoam®, sold by Pfizer Inc. Our principal competitors in UFE are BTG plc, Boston Scientific and Terumo, as well as companies selling or developing non-embolotherapy solutions to treat uterine fibroids.

Proprietary Rights and Litigation

We rely on a combination of patents, trade secrets, trademarks, copyrights and confidentiality agreements to protect our intellectual property. We have a number of U.S. and foreign-issued patents and pending patent applications, including patents and rights to patent applications acquired through strategic transactions, which relate to various aspects of our products and technology. The duration of our patents is determined by the laws of the country of issuance and, for the U.S., is typically 20 years from the date of filing of the patent. As of December 31, 2017, we owned or had a license to more than 1,000 U.S. and international patents and patent applications. Additionally, we hold exclusive and non-exclusive licenses to a variety of third-party technologies covered by patents and patent applications. In the aggregate, our intellectual property assets are critical to our business, but no single patent, trademark or other intellectual property asset is of material importance to our business.

The Merit® name and logo are trademarks in the U.S. and other countries. In addition to the Merit name and logo, we have used, registered or applied for registration of other specific trademarks and service marks to help distinguish our products, technologies and services from those of our competitors in the U.S. and foreign countries. See “Products” above. The duration of our trademark registrations varies from country to country; in the U.S. we generally can maintain our trademark rights and renew any trademark registrations for as long as the trademarks are in use. As of December 31, 2017, we owned over 300 U.S. and foreign trademark registrations and trademark applications.

There is substantial litigation regarding patents and other intellectual property rights in the medical device industry. At any given time, we may be involved as either a plaintiff or a defendant, as well as a counter-claimant or counter-defendant, in patent, trademark, and other intellectual property infringement actions. If a court rules against us in any intellectual property litigation we could be subject to significant liabilities, be forced to seek licenses from third parties, or be prevented from marketing certain products. In addition, intellectual property litigation is costly and may consume significant time of employees and management.

Regulation

U.S. Regulation. The Food and Drug Administration (“FDA”) and other federal, state and local authorities regulate our products and product-related activities. Under the Federal Food, Drug, and Cosmetic Act (“FDCA”) and accompanying regulations, the FDA regulates the design, development, clinical trials, testing, manufacture, packaging, labeling, storage, distribution and promotion of medical devices. We believe our products and procedures are in material compliance with all applicable FDA regulations, but the regulations are subject to change. We cannot predict the effect, if any, that these changes may have on our business. In addition, if we experience regulatory problems with a product or manufacturer, we could become subject to fines, delays or suspensions of regulatory clearances, seizures or recalls of products, operating restrictions, and criminal prosecution. Such actions could have a material adverse effect on our business, financial condition or results of operations.

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 2018. The investigation is ongoing and at this time 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.

Overview of the FDA Regulation of Devices. The FDCA establishes a risk-based classification system for medical devices and applies regulatory controls commensurate with the risk posed by a device:

- Class I devices are those for which safety and effectiveness can be reasonably assured by adherence to the FDA’s general regulatory controls, which include compliance with the applicable portions of the FDA’s Quality System Regulations (QSRs), facility registration and product listing, reporting of certain adverse medical events and malfunctions, and compliance with the FDA’s restrictions against misbranding and adulteration. While most Class I devices are exempt

from the 510(k) premarket notification process (assuming they are within the limitations of the exemption), some Class I devices also require 510(k) clearance by the FDA.

- Class II devices are subject to the FDA's general controls, including the design control requirements of the QSRs, and any other special controls deemed necessary by the FDA to provide reasonable assurance of the safety and effectiveness of the device. While most Class II devices require premarket review and clearance by the FDA through the 510(k) premarket notification procedure, some Class II devices are exempt from the 510(k) premarket notification process (assuming they are within the limitations of the exemption).

- Class III devices are those deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting or implantable devices, or those devices deemed not substantially equivalent to a legally marketed predicate device. Class III devices include those devices for which the FDA has determined that general and special controls alone are insufficient to assure the safety and effectiveness of the device.

FDA Premarket Review. In general, we cannot introduce a new medical device into the market until we obtain market clearance through a 510(k) premarket notification or approval through a premarket approval ("PMA") application. Some devices, typically lower-risk devices, are subject to specific exemptions from premarket review. In addition, in limited cases, devices may come to the market through alternative procedures, such as a de novo classification request or humanitarian device exemption.

To obtain 510(k) clearance, a device manufacturer must submit a premarket notification to the FDA demonstrating that the device is substantially equivalent to another legally marketed predicate device. A predicate device is a device that has been cleared through the 510(k) process; a device that was legally marketed prior to May 28, 1976; a device that has been down-classified by the FDA to Class I or Class II; or a device that the FDA has previously determined to be exempt from the 510(k) process. To be substantially equivalent, the notification must show that the new device has the same intended use and the same technology as the predicate device, or, if the new device has different technology, that the device is as safe and effective as the predicate device and does not raise different questions of safety and effectiveness. Performance testing is generally required to demonstrate substantial equivalence, and, for some devices, clinical data may be required. The standards and data requirements necessary for the clearance of a new device may be unclear or may be subject to change. In addition, the FDA may publish or adopt special controls it deems necessary to provide a reasonable assurance of the safety and effectiveness of a device, which might include standards for the testing and clearance of a new device. The 510(k) clearance procedure usually takes between three months and one year from the date a 510(k) notification is submitted, but it may take longer. The FDA may find that substantial equivalence has not been shown and, as a result, require additional clinical or non-clinical testing to support a 510(k) or require the submission of a de novo classification request or PMA application for the device.

A de novo classification is an alternate pathway to classify novel devices that are low to moderate risk but for which no substantially equivalent predicate device exists. Clearance of a de novo request generally takes six months to one year from the time of submission of the de novo request, although it can take longer.

A PMA application is required for Class III devices. The application must demonstrate that there is reasonable assurance that the device is safe and effective for its intended use based on valid scientific evidence. The PMA application process can be expensive, generally takes several years to complete and typically includes, among other things, human clinical trials, manufacturing facility inspection, bench tests and laboratory and animal studies, which can be costly to conduct. There is also a substantial "user fee" that must be paid to the FDA in connection with the submission of each PMA application. The FDA may determine that additional information, including clinical data, be submitted before a determination is made, which could significantly delay the introduction of new devices. If the FDA approves the PMA application, it may place restrictions on the device. If the FDA's evaluation of the PMA application is not favorable, the FDA may deny approval of the PMA application or issue a "not approvable" letter. The FDA may also require additional testing or clinical trials prior to approval or as a condition of approval.

If human clinical trials of a medical device are required for FDA clearance or approval and the device presents a significant risk, the sponsor of the trial must file an investigational device exemption ("IDE") application with the FDA prior to commencing human clinical trials in the USA. Submission of an IDE application does not ensure that the FDA will issue the IDE. If the IDE application is approved, there can be no assurance the FDA will determine that the data derived from the trials support the safety and effectiveness of the device or warrant the continuation of clinical trials. An IDE supplement must be approved by the FDA before a sponsor or investigator may make a change to the investigational plan in such a way that may affect its scientific soundness, study indication or the rights, safety or welfare of human subjects. For clinical trials involving a device that does not present a significant risk, the sponsor is not required to obtain approval of an IDE, but the sponsor must obtain the review and approval of an institutional review board. Both significant risk and non-significant risk trials are subject to additional FDA regulations, including a requirement to obtain informed consent and reporting and recordkeeping requirements. We, the FDA, or the institutional review

board, may suspend a clinical trial at any time for various reasons, including a belief that the risks to study subjects outweigh the anticipated benefits.

The FDA clearance and approval processes for medical devices are expensive, uncertain and lengthy. There can be no assurance that we will be able to obtain necessary regulatory clearances or approvals for any product on a timely basis or at all. Delays in receipt of or failure to receive such clearances or approvals, the loss of previously received clearances or approvals, or the failure to comply with existing or future regulatory requirements could have a material adverse effect on our business, financial condition or results of operations. In addition, if the FDA discovers that an applicant has submitted false or misleading information, the FDA may refuse to review submissions until certain requirements are met pursuant to its Application Integrity Policy, which specifies procedures that the FDA personnel should follow to ensure the integrity of data and information in applications submitted for FDA review and approval.

We are currently conducting a clinical trial to obtain PMA approval from the FDA to claim the use of the QuadraSphere Microspheres with doxorubicin for the treatment of liver cancer in the United States. In order for us to obtain FDA approval to promote the use of QuadraSphere Microspheres for the purposes indicated in our clinical trial, we will need to complete the trial and submit positive clinical data to the FDA. If we cannot enroll study subjects in sufficient numbers to complete the necessary studies, if there is a disruption in the supply of materials for the trials or depending on other factors, we will likely not be able to complete the trial. Even if we complete the clinical trial, the FDA may require us to undertake additional testing, or the trial results may not be sufficient to obtain FDA approval for other reasons, including inconclusive or negative results of our trials or those conducted by our competitors or other third parties. If we do not obtain FDA approval of the product use claimed in a clinical trial, we will not be able to promote the subject product for the indicated treatment of the specific disease or condition in the United States. A clinical study involving the use of our EndoMAXX EVT Valved Esophageal Stent to relieve dysphagia in patients with malignant stricture of the esophagus was completed. As a result of the data obtained during the study, it was decided that we would not pursue a 510(k) clearance to promote the device.

Changes in Cleared or Approved Devices. Certain modifications to our marketed devices, including certain manufacturing changes, product enhancements and product line extensions, require new 510(k) clearance or approval of a PMA supplement. For devices marketed under an approved PMA, we must submit a PMA supplement to the FDA for review and approval prior to making a change to the device that affects the safety or effectiveness of the device, including changes to the design, manufacturing or labeling of the device. Likewise, for 510(k)-cleared devices, we must obtain new FDA 510(k) clearance when there is a major change or modification in the intended use or indications for use or a change or modification of the device that could significantly affect the safety or effectiveness of the device. In some cases, clinical data may be required to support a PMA supplement or 510(k) premarket notification for a device modification. The FDA may determine that a modified device is not substantially equivalent to the marketed device or may require that additional information, including clinical data, be submitted before a determination is made, either of which could significantly delay the introduction of modified devices.

Quality System Requirements. The FDCA requires us to comply with the Quality System Regulation (“QSR”) and various foreign regulations require compliance with ISO 13485 or national law requirements pertaining to all aspects of our product design and manufacturing processes, including requirements for packaging, labeling, record keeping, personnel training, supplier qualification, design controls, complaint handling, corrective and preventive actions and internal auditing. The FDA and foreign regulators enforce these requirements through periodic inspections of medical device manufacturers. These requirements are complex, technical and require substantial resources to remain compliant. Our failure or the failure of our suppliers to maintain compliance with these requirements could result in the shutdown of our manufacturing operations or the recall of our products, which would have a material adverse effect on our business. If one of our suppliers fails to maintain compliance with our quality requirements, we may have to qualify a new supplier and could experience manufacturing delays as a result. We also could be subject to injunctions, product seizures, or civil or criminal penalties.

Labeling and Promotion. Our labeling and promotional activities are also subject to scrutiny by the FDA and foreign regulators. Labeling includes not only the label on a device, but also includes any descriptive or informational literature that accompanies or is used to promote the device. Among other things, labeling violates the law if it is false or misleading in any respect or it fails to contain adequate directions for use. Moreover, product claims that are outside the approved or cleared labeling violate the FDCA and other applicable regulations. If the FDA determines that our promotional materials constitute promotion of an uncleared or unapproved use, or otherwise violate the FDCA, it could request that we modify our promotional materials or subject us to regulatory or enforcement actions, including the issuance of an untitled letter, a notice of violation, a warning letter, injunction, seizure, civil fines or criminal penalties. Allegations of off-label promotion can also result in enforcement action by federal, state, or foreign enforcement authorities and trigger significant civil or criminal penalties, including exclusion from the Medicare and Medicaid programs and liability under the False Claims Act, discussed further below.

Our product promotion is also subject to regulation by the Federal Trade Commission (the “FTC”), which has primary oversight of the advertising of unrestricted devices. The Federal Trade Commission Act prohibits unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce, as well as unfair or deceptive practices such as the dissemination of any false or misleading advertisement pertaining to medical devices. FTC enforcement can result in orders requiring, among other things, limits on advertising, corrective advertising, consumer redress, rescission of contracts and such other relief as the FTC may deem necessary.

In addition, under the federal Lanham Act and similar state laws, competitors and others can initiate litigation relating to advertising claims.

Import Requirements. To import a medical device into the United States, the importer must file an entry notice and bond with the United States Bureau of Customs and Border Protection (“CBP”). All devices are subject to FDA examination before release from the CBP. Any article that appears to be in violation of the FDCA may be refused admission and a notice of detention and hearing may be issued. If the FDA ultimately refuses admission, the CBP may issue a notice for redelivery and assess liquidated damages for up to three times the value of the lot. Additionally, the laws of the United States require imported articles to have their labels accurately marked with the appropriate country of origin, the violation of which may result in confiscation, fines and penalties.

Export Requirements. Products for export from Europe or the United States are subject to foreign countries' import requirements and the exporting requirements of the FDA or European regulating bodies, as applicable. In particular, international sales of medical devices manufactured in the United States that are not approved or cleared by the FDA for use in the United States, or are banned or deviate from lawful performance standards, are subject to FDA export requirements and we may not be able to export such products.

Foreign countries often require, among other things, an FDA certificate for products for export, also called a Certificate to Foreign Government. To obtain this certificate from the FDA, the device manufacturer must apply to the FDA. The FDA certifies that the product has been granted clearance or approval in the United States and that the manufacturing facilities were in compliance with the QSR at the time of the last FDA inspection.

Additionally, the export of our products to certain countries is subject to restrictions due to trade and economic sanctions imposed by the United States, the European Union (the "EU") and other governments and organizations. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, and other federal statutes and regulations, including those established by the Office of Foreign Assets Control (“OFAC”). Under these laws and regulations, as well as other export control laws, customs laws, sanctions laws and other laws governing our operations, various government agencies may require export licenses and may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities.

Additional Post-market Requirements. Medical device manufacturers are also subject to other post-market requirements, including product listing and establishment regulations, compliance with the FDA’s requirements for unique device identifiers, reports of corrections and removals and other requirements. Medical Device Reporting (“MDR”) requirements of the FDA, vigilance reporting requirements under the European Medical Devices Directive and similar regulations in other foreign markets, require manufacturers to report to the FDA or an equivalent foreign regulatory body any incident in which their device may have caused or contributed to a death or serious injury, or has malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of the device or a similar device were to recur. Our obligation to report under the MDR regulations is triggered on the date on which we become aware of an adverse event and the nature of the event. If we fail to comply with our MDR reporting obligations, the FDA could issue warning letters or untitled letters, take administrative actions, commence criminal prosecution, impose civil monetary penalties, revoke our device clearances, seize our products, or delay the clearance of our future products.

The FDA regularly inspects companies to determine compliance with the QSRs and other post-market requirements. Failure to comply with statutory requirements and the FDA’s regulations can result in an FDA Form 483 (which is issued by the FDA at the conclusion of an inspection when an investigator has observed any conditions that may constitute violations), public warning letters, monetary penalties against a company or its officers and employees, suspension or withdrawal of regulatory approvals, operating restrictions, total or partial suspension of production, injunctions, product recalls, product detentions, refusal to provide export certificates, seizure of products and criminal prosecution.

Foreign Regulations. Medical device laws and regulations are also in effect in many countries outside of the United States. These laws and regulations vary significantly from country to country and range from comprehensive device approval

requirements for some or all of our medical device products to more basic requests for product data or certification. The number, scope, complexity, and cost of these requirements are increasing.

Foreign regulatory approval processes for medical devices are expensive, uncertain and lengthy. There can be no assurance that we will be able to obtain necessary regulatory approvals for any product on a timely basis or at all. Delays in receipt of or failure to receive such approvals, the loss of previously received approvals, or the failure to comply with existing or future regulatory requirements could have a material adverse effect on our business, financial condition or results of operations.

The regulatory framework for medical devices in the European Economic Area underwent a significant revision in 2017, which has introduced new regulatory requirements to obtain CE Mark approval. The new Medical Device Regulations (“MDR”) include a three-year transition period which is scheduled to end in 2020. The MDR includes increasingly stringent requirements in multiple areas, such as pre-market clinical evidence (some of which are now in effect), review of high-risk devices, labeling and post-market surveillance. Under the MDR, pre-market clinical data will now be required to obtain CE Mark approval for high-risk, new and modified medical devices. We believe these new requirements have the potential to be expensive and time-consuming to implement and maintain and could have a material adverse effect on our business.

Reimbursement. Our products are generally used in medical procedures that are covered and reimbursed by governmental payers, such as Medicare, and/or private health plans. In general, these third-party payers cover a medical device and/or related procedure only when the payer determines that healthcare outcomes are supported by medical evidence and the device or procedure is medically necessary for the diagnosis or treatment of the patient’s illness or injury. Even if a device has received clearance or approval for marketing by the FDA, there is no certainty that third-party payers will cover and reimburse for the cost of the device and related procedures. Because of increasing cost-containment pressures, some private payers in the U.S. and government payers in foreign countries may also condition payment on the cost-effectiveness of the device or procedure. Even if coverage is available, third-party payers may place restrictions on the circumstances in which they provide coverage or may offer reimbursement that is not sufficient to cover the cost of our products. If healthcare providers such as hospitals and physicians cannot obtain adequate coverage and reimbursement for our products or the procedures in which they are used, this may affect demand for our products and our business, financial condition, results of operations, or cash flows could suffer a material adverse impact.

Patient Protection and Affordable Care Act. The Patient Protection and Affordable Care Act (“Affordable Care Act”) has changed the way healthcare in the United States is financed by both governmental and private insurers and has significantly affected the medical device industry. This law contains a number of provisions, including provisions governing enrollment in federal healthcare programs, reimbursement changes, the increased funding of comparative effectiveness research for use in healthcare decision-making, and enhancements to fraud and abuse requirements and enforcement, that we believe affect existing government healthcare programs and result in the development of new programs. The Affordable Care Act imposed on medical device manufacturers a 2.3% excise tax on U.S. sales of certain medical devices, which adversely affected our gross profit and earnings for our marketed products in 2015. The U.S. Congress suspended the excise tax for the 2016 and 2017 tax years and recently extended the suspension until January 1, 2020. We cannot predict whether any new action will be taken and whether the suspension will continue past 2020. If the excise tax is not repealed or further suspended, it will likely adversely impact our future results of operations.

Additionally, the long-term viability of the Affordable Care Act, and its impact on our business and results of operations, remains uncertain. For instance, in December 2017, the United States enacted the Tax Cuts and Jobs Act, which, among other things, eliminated the tax penalty for not obtaining health coverage (beginning in 2019). Additionally, members of the U.S. Congress have suggested other changes that may impact individual insurance marketplaces. These and other legislative and executive initiatives may significantly change the scope and impact of the Affordable Care Act and, in turn, the medical device industry. See Note 5 of the notes to our consolidated financial statements for further information on the Tax Cuts and Jobs Act.

The U.S. Physician Payment Sunshine Act, and similar state laws, also include annual reporting and disclosure requirements for device manufacturers aimed at increasing the transparency of the interactions between device manufacturers and healthcare providers. Reports submitted under these new requirements are placed in a public database. Other jurisdictions outside the United States have also begun adopting similar physician transparency laws. In addition to the burden of establishing processes for compliance, if we fail to provide these reports, or if the reports we provide are not accurate, we could be subject to significant penalties.

Anti-Corruption Laws. Anti-bribery and anti-corruption laws are in place in the United States and in many jurisdictions throughout the world. In the United States, the Foreign Corrupt Practices Act (the "FCPA") prohibits corruptly offering, paying, or promising to pay anything of value to foreign officials for the purpose of obtaining or maintaining business. Anti-bribery laws present particular challenges in the medical device industry because in many countries including China, hospitals are state-owned or operated by the government, and doctors and other hospital employees are considered foreign government officials. The FCPA

also requires that we maintain fair and accurate books and records and devise and maintain an adequate system of internal accounting controls. Among other requirements to implement compliance, we are required to train our U.S. and international employees, and to train and monitor foreign third parties with whom we contract, *e.g.*, distributors, to ensure compliance with these anti-corruption laws. Failing to comply with the FCPA or any other anti-corruption law could result in fines, penalties or other adverse consequences. In addition, the Chinese government has also sponsored anti-corruption campaigns from time to time, which could have a chilling effect on any future marketing efforts by us to new hospital customers. There have been recent occurrences in which certain hospitals have denied access to sales representatives from medical device companies because the hospitals wanted to avoid the perception of corruption. If this attitude becomes widespread among our potential customers, our ability to promote our products to hospitals may be adversely affected.

As we expand our operations in China and other jurisdictions internationally, we will need to increase the scope of our compliance programs to address the risks relating to the potential for violations of the FCPA and other anti-bribery and anti-corruption laws. Our compliance programs will need to include policies addressing not only the FCPA, but also the provisions of a variety of anti-bribery and anti-corruption laws in multiple foreign jurisdictions, including China, provisions relating to books and records that apply to us as a public company, and include effective training for our personnel and relevant third-parties.

Anti-Kickback Statutes. The federal healthcare Anti-Kickback Statute prohibits persons from, among other things, knowingly and willfully offering or paying remuneration, directly or indirectly, to a person to induce the purchase, order, lease, or recommendation of a good or service for which payment may be made in whole or part under a federal healthcare program such as Medicare or Medicaid, unless the arrangement fits within one of several statutory exemptions or regulatory "safe harbors." The definition of remuneration has been broadly interpreted to include anything of value, including, for example, gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash and waivers of payments. Violations can result in significant penalties, imprisonment and exclusion from Medicare, Medicaid and other federal healthcare programs. Exclusion of a manufacturer would preclude any federal healthcare program from paying for the manufacturer's products. In addition, kickback arrangements can provide the basis for an action under the False Claims Act, which is discussed in more detail below. A party's failure to fully satisfy a regulatory "safe harbor" provision may result in increased scrutiny by government enforcement authorities.

Government officials have recently increased enforcement efforts on the sales and marketing activities of pharmaceutical, medical device and other healthcare companies, and recently have brought cases against individuals or entities that allegedly offered unlawful inducements to potential or existing customers to procure their business. Settlements of these government cases have involved significant fines and penalties and, in some instances, criminal pleas.

In addition to the Anti-Kickback Statute, many states have their own anti-kickback laws. Often, these laws closely follow the language of the federal law, although they do not always have the same exceptions or safe harbors. In some states, these anti-kickback laws apply with respect to all payers, including commercial health insurance companies.

False Claims Laws. The False Claims Act prohibits any person from knowingly presenting, or causing to be presented, a false claim for payment to the federal government or knowingly making, or causing to be made, a false statement to get a false claim paid. Manufacturers can be held liable under false claims laws, even if they do not submit claims to the government, if they are found to have caused submission of false claims. Under the Affordable Care Act, a violation of the Anti-Kickback Statute is deemed to be a violation of the False Claims Act. The False Claims Act also includes whistleblower provisions that allow private citizens to bring suit against an entity or individual on behalf of the United States and to recover a portion of any monetary recovery. Many of the recent, highly publicized settlements in the healthcare industry relating to sales and marketing practices have been cases brought under the False Claims Act. Most states also have adopted statutes or regulations similar to the federal laws, which apply to items and services reimbursed under Medicaid and other state programs. Sanctions under the Federal Claims Act and state laws may include civil monetary penalties, exclusion of a manufacturer's products from reimbursement under government programs, criminal fines and imprisonment.

Labor Standards Laws. We are also subject to corporate social responsibility ("CSR") laws and regulations which require us to monitor the labor standards in our supply chain, including the California Transparency in Supply Chains Act, the UK Modern Slavery Act, and U.S. Federal Acquisition Regulations regarding Combating Trafficking in Persons. These CSR laws and regulations may impose additional processes and supplier management systems and have led certain key customers to impose additional requirements on medical device companies, including audits, as a prerequisite to selling products to such customers, which could result in increased costs for our products, the termination or suspension of certain suppliers, and reductions in our margins and profitability.

Privacy and Security. The Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), and accompanying rules, require certain

entities, referred to as "covered entities" (including most healthcare providers and health plans), to comply with established standards, including standards regarding the privacy and security of protected health information ("PHI"). HIPAA further requires that covered entities enter into agreements meeting certain regulatory requirements with their "Business Associates," as such term is defined by HIPAA, which, among other things, obligate the Business Associates to safeguard the covered entity's PHI against improper use and disclosure. In addition, a Business Associate may face significant statutory and contractual liability if the Business Associate breaches the agreement or causes the covered entity to fail to comply with HIPAA. Additionally, many state laws regulate the use and disclosure of health information and require notification in the event of breach of such information.

Although we do not believe we are a "covered entity" under HIPAA and do not meet the definition of "Business Associate, we are committed to maintaining the security and privacy of patients' health information and believe that we meet the expectations of the HIPAA rules in all material respects. However, to the extent we become subject to HIPAA, whether through a change in our business model or an enforcement action brought by the U.S. government, we would be directly subject to a broader range of requirements under HIPAA, HITECH, the rules issued thereunder and their respective civil and criminal penalties.

The EU has recently adopted a comprehensive overhaul of its data protection regime from the current national legislative approach to a single EU privacy regulation, the General Data Protection Regulation ("GDPR"), which applies as of May 25, 2018. The GDPR extends the scope of the EU data protection law to all companies processing personal data in the context of the activities of an establishment of a controller or a processor in the EU, regardless of whether the processing takes place in the EU or not. In addition, it applies to the processing of personal data of data subjects who are in the EU by a controller or processor not established in the EU, where the processing activities are related to: (a) the offering of goods or services, irrespective of whether a payment of the data subject is required, to such data subjects in the EU; or (b) the monitoring of their behavior as far as their behavior takes place within the EU. The GDPR provides for a harmonization of the data protection regulations throughout the EU. It imposes a strict data protection compliance regime with severe penalties of up to the greater of 4% of worldwide turnover or €20 million and includes new rights such as the "portability" of personal data. Although the GDPR will apply across the EU without a need for local implementing legislation, it contains a number of opener clauses enabling the EU member states to provide for additional legislation. In addition, local data protection authorities will still have the ability to interpret the GDPR, which has the potential to create inconsistencies on a country-by-country basis. We are evaluating the rule and its requirements and are implementing changes to our business practices to comply with the GDPR.

We post on our websites our privacy policies and practices regarding the collection, use and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any applicable regulatory requirements or orders, or privacy, data protection, information security or consumer protection-related privacy laws and regulations in one or more jurisdictions, could result in proceedings or actions against us by governmental entities or others, including class action privacy litigation in certain jurisdictions, subject us to significant fines, penalties, judgments and negative publicity, require us to change our business practices, increase the costs and complexity of compliance, and adversely affect our business. Data protection, privacy and information security have become the subject of increasing public, media and legislative concern. If our customers were to reduce their use of our products and services as a result of these concerns, our business could be materially harmed. As noted above, we are also subject to the possibility of security and privacy breaches, which themselves may result in a violation of these privacy laws.

Environmental, Health and Safety Regulations. We are subject to various federal, state, local and foreign laws and regulations relating to the protection of the environment, as well as public and employee health and safety. In the course of our business, we are involved in the handling, storage and disposal of certain chemicals. The laws and regulations applicable to our operations include provisions that regulate the release or discharge of hazardous or other regulated materials into the environment. These environmental laws and regulations may impose "strict liability," rendering a person liable without regard to negligence or fault on the part of such person. Such environmental laws and regulations may expose us to liability for the conduct of, or conditions caused by, others, or for acts that were in non-compliance with all applicable laws at the time the acts were performed. Failure to comply with applicable environmental laws could have a material adverse effect on our business. Our operations are also subject to various laws and regulations relating to occupational health and safety. We maintain safety, training and maintenance programs as part of our ongoing efforts to ensure compliance with applicable laws and regulations. Compliance with applicable health and safety laws and regulations has required and continues to require expenditures. Environmental, health and safety legislation and regulations change frequently. Changes in those regulations could have a material adverse effect on our business, operations or financial condition.

Seasonality

Our worldwide sales have not historically reflected a significant degree of seasonality; however, customer purchases have historically been lower during the third quarter of the year, as compared to other quarters. This reflects, among other factors, lower demand during summer months in countries in the northern hemisphere.

Employees

As of December 31, 2017, we employed 4,876 people. None of our U.S. employees are subject to collective bargaining agreements; however, certain of our European employees are subject to such agreements. We believe our employee relations are generally good. Although our European employees will likely continue to be subject to collective organizing and bargaining activities, we do not expect such activities to materially affect our future operations.

Recent Developments

On February 14, 2018, we completed the acquisition of two product lines from BD pursuant to the terms of an asset purchase agreement, dated as of November 15, 2017 (the "BD Agreement"). The acquisition occurred in connection with BD's acquisition of C.R. Bard, Inc. ("Bard"). The purchase price for the acquired product lines and related assets was $100.1 million, subject to adjustment for fluctuations in the value of transferred inventory. We financed the acquisition through borrowings under our existing credit facility.

Under the BD Agreement, we acquired soft tissue core needle biopsy products under the trade names of Achieve® Programmable Automatic Biopsy System, Temno® Biopsy System, and Tru-Cut® Biopsy Needles (which were previously sold by BD) as well as the Aspira® Pleural Effusion Drainage Kits and the Aspira® Peritoneal Drainage System (which were previously sold by Bard).

Available Information

We file annual, quarterly and current reports and other information with the SEC. These materials can be inspected and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Copies of these materials may also be obtained by mail at prescribed rates from the SEC's Public Reference Room at the above address. Information about the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC's Internet website is www.sec.gov.

We make available, free of charge, on our Internet website, located at www.merit.com, our most recent Annual Report on Form 10-K, our most recent Quarterly Reports on Form 10-Q, any Current Reports on Form 8-K filed since our most recent Annual Report on Form 10-K, and any amendments to such reports as soon as reasonably practicable following the electronic filing of such report with the SEC. In addition, we provide electronic or paper copies of such filings free of charge upon request.

Financial Information About Foreign and Domestic Sales

For financial information relating to our foreign and domestic sales see Note 12 to our consolidated financial statements set forth in Item 8 of this report.

Item 1A. Risk Factors.

Our business, operations and financial condition are subject to certain risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, our actual results will vary, and may vary materially, from those anticipated, estimated, projected or expected. Among the key factors that may have a direct bearing on our business, operations or financial condition are the factors identified below:

We may be unable to successfully manage growth, particularly if accomplished through acquisitions, and the integration of acquired businesses may present significant challenges that could harm our operations.

Successful implementation of our business strategy will require that we effectively manage any associated growth. To manage growth effectively, our management will need to continue to implement changes in certain aspects of our business, to improve our information systems, infrastructure and operations to respond to increased demand, to attract and retain qualified personnel, and to develop, train, and manage an increasing number of management-level and other employees. Growth could place an increasing strain on our management, financial, product design, marketing, distribution and other resources, and we could experience operating difficulties. Any failure to manage growth effectively could have a material adverse effect on our business, operations or financial condition.

Over the past several years, we completed a series of significant acquisitions. As we grow through acquisitions, we face the additional challenges of integrating the operations, culture, information management systems and other characteristics of the acquired entity with our own. Efforts to integrate future acquisitions may be hampered by delays, the loss of certain employees, suppliers or customers, proceedings resulting from employment terminations, culture clashes, unbudgeted costs, and other issues, which may occur at levels that are more severe or prolonged than anticipated.

We have incurred, and will likely continue to incur, significant expenses in connection with negotiating and consummating various acquisition transactions, and we may inherit significant liabilities in connection with prospective acquisitions, including regulatory, infringement, product liability, discrimination or other legal claims or issues. In addition, we may not realize competitive advantages, synergies or other benefits anticipated in connection with any such acquisition. If we do not adequately identify targets for, or manage issues related to, our future acquisitions, such acquisitions may have an adverse effect on our business, operations or financial condition.

We may not be able to effectively protect our intellectual property, which could harm our business and financial condition.

Our ability to remain competitive is dependent, in part, upon our ability to protect our intellectual property rights and prevent other companies from using our intellectual property. We seek to protect our intellectual property rights through a combination of confidentiality and license agreements, and through patent, trademark, copyright and trade secret laws. However, all these measures afford only limited protection and may be challenged, invalidated, or circumvented by third parties. Additionally, these measures may not prevent competitors from duplicating our products or gaining access to our proprietary information and technology. Third parties may copy all or portions of our products or otherwise use our intellectual property without authorization, and we may not be able to prevent the unauthorized disclosure or use of our technical knowledge or trade secrets by consultants, vendors, former employees and current employees, despite the existence of nondisclosure and confidentiality agreements and other contractual restrictions, all of which could have an adverse effect on our business, operations, or financial condition.

Third parties may also develop similar or superior technology independently or by designing around our patents. In addition, the laws of some foreign countries do not offer the same level of protection for our intellectual property as the laws of the U.S. Further, no assurances can be given that any patent application we have filed or will file will result in a patent being issued, or that any existing or future patents will afford adequate or meaningful protection against competitors or against similar technologies. All of our patents will eventually expire and some of our patents, including patents protecting significant elements of our technology, will expire within the next several years.

Filing, prosecuting and defending our intellectual property in all countries throughout the world may be prohibitively expensive. Litigation may be necessary in the future to enforce our intellectual property rights, protect our trade secrets or to determine the validity and scope of proprietary rights claimed by others. Any such lawsuits that we might initiate could be expensive, take significant time and divert management's attention from our business. Litigation also puts our patents at risk of being invalidated or interpreted narrowly. Additionally, we may provoke third parties to assert claims against us. Moreover, the legal systems of certain countries, particularly certain developing countries, do not favor the aggressive enforcement of patent and other intellectual property protection, which makes it difficult to stop infringement. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially valuable.

Third parties claiming that we infringe their intellectual property rights could cause us to incur significant legal or licensing expenses and prevent us from selling our products.

Our commercial success will depend in part on not infringing or violating the intellectual property rights of others. From time to time, third parties may claim that we have infringed their intellectual property rights, including claims regarding patents, copyrights, trademarks, and trade secrets. We may not be aware of whether our products do or will infringe existing or future patents or the intellectual property rights of others. Because of constant technological change in the medical device industry in which we compete, the extensive patent coverage of existing technologies, and the rapid rate of issuance of new patents, it is possible that the number of these claims may grow. In addition, former employers of our former, current, or future employees may assert claims that such employees have improperly disclosed to us the confidential or proprietary information of these former employers. Any such claim, with or without merit, could result in costly litigation, distract management from day-to-day operations and harm our brand or reputation, which in turn could harm our business or results of operations. If we are not successful in defending such claims, we could be required to stop selling, delay shipments of, or redesign, our products, discontinue the use of related trademarks, technologies or designs, pay monetary amounts as damages, enter into royalty or licensing arrangements or satisfy indemnification obligations that we have with some of our customers. Royalty or licensing arrangements that we may seek in such circumstances may not be available to us on commercially reasonable terms or at all and we may not be able to redesign applicable products in a way to avoid infringing the intellectual property rights of others. We have made and expect to continue making significant expenditures to investigate, defend and settle claims related to the use of technology and intellectual property rights as part of our strategy to manage this risk.

The medical device industry is experiencing greater scrutiny and regulation by governmental authorities. Moreover, in October 2016, we received a subpoena from the U.S. Department of Justice seeking information on our marketing and promotional practices. If governmental authorities determine that we have violated laws or regulations, including in respect of our marketing or promotional practices, our company or our employees may be subject to various penalties, including civil or criminal penalties.

Our medical devices and business activities are subject to rigorous regulation by the FDA and other federal, state and foreign governmental authorities. These authorities and members of Congress have been increasing their scrutiny of the medical device industry. In recent years, the U.S. Congress, Department of Justice, the Office of Inspector General of the Department of Health and Human Services and the Department of Defense have issued subpoenas and other requests for information to medical device manufacturers, primarily related to financial arrangements with healthcare providers, regulatory compliance and product promotional practices. If we fail to comply with applicable regulatory requirements, we may be subjected to a wide variety of sanctions and enforcement actions, including warning letters that require corrective action, injunctions, product seizures or recalls, suspension of product manufacturing, revocation of approvals, exclusion from participation in government healthcare programs, civil fines and criminal penalties.

In October 2016, we received a subpoena from the U.S. Department of Justice seeking information on certain of our marketing and promotional practices. Although we are in the process of responding to the subpoena, we may not be able to resolve this matter, or similar matters that may arise in the future, without our company or employees incurring significant fines, penalties, or other adverse civil or criminal consequences. Even if we are successful in resolving the pending matter without such consequences, we have incurred, and anticipate that we will continue to incur, substantial costs in connection with the matter. The pending matter, or other governmental proceedings, could significantly impact our reputation and divert management's attention and resources from growing our business, which in turn could harm our business, results of operations, financial condition and ability to obtain financing on reasonable terms or at all.

We anticipate that government authorities will continue to scrutinize our industry closely, and that additional regulation by government authorities may increase compliance costs, exposure to litigation and other adverse effects on our operations.

Use of our products in unapproved circumstances could expose us to liabilities.

The marketing approvals from the FDA and other regulators of certain of our products are, or are expected to be, limited to specific uses. We are prohibited from marketing or promoting any unapproved use of our product. However, physicians may use these products in ways or circumstances other than those strictly within the scope of the regulatory approval. The use of our products for unauthorized purposes could arise from our sales personnel or distributors violating our policies by providing information or recommendations about such unauthorized uses. Consequently, claims may be asserted by the FDA or other enforcement agencies that we are not in compliance with applicable laws or regulations or have improperly promoted our products for uncleared or unapproved uses. The FDA or such other agencies could require a recall of products or allege that our promotional activities misbrand or adulterate our products or violate other legal requirements, which could result in investigations, prosecutions, fines or other civil or criminal actions.

The FDA regulatory clearance process is expensive, time-consuming and uncertain, and the failure to obtain and maintain required regulatory clearances and approvals could prevent us from commercializing our products.

Before we can introduce a new device or a new use of or a claim for a cleared device in the United States, we must generally obtain market clearance from the FDA through the 510(k) premarket notification process or through a PMA application, unless an exemption for lower-risk devices or an alternative procedure, such as a de novo classification request or a humanitarian device exemption, applies. The FDA clearance and approval processes for medical devices are expensive, uncertain and time-consuming.

If human clinical trials of a medical device are required for FDA clearance or approval and the device presents a significant risk, the sponsor of the trial must file an IDE application with the FDA prior to commencing such trials in the U.S. Submission of an IDE application does not ensure that the FDA will issue the IDE. If the IDE application is approved, there can be no assurance the FDA will determine that the data derived from the trials support the safety and effectiveness of the device or warrant the continuation of clinical trials. For clinical trials involving a device that does not present a significant risk, the sponsor is not required to obtain approval of an IDE, but the sponsor must obtain the review and approval of an institutional review board. Both significant risk and non-significant risk trials are subject to additional FDA regulations, including a requirement to obtain informed consent and reporting and recordkeeping requirements. We, the FDA, or the institutional review board, may suspend a clinical trial at any time for various reasons, including a belief that the risks to study subjects outweigh the anticipated benefits.

We are also required to seek FDA clearance for certain manufacturing changes, product enhancements and product line extensions, which may require new 510(k) clearance or approval of a PMA supplement. For devices marketed under an approved PMA, we must submit a PMA supplement to the FDA for review and approval prior to making a change to the device that affects the safety or effectiveness of the device, including changes to the design, manufacturing or labeling of the device. Likewise, for 510(k)-cleared devices, we must obtain new FDA 510(k) clearance when there is a major change or modification in the intended use or indications for use or a change or modification of the device that could significantly affect the safety or effectiveness of the device. In some cases, clinical data may be required to support a PMA supplement or 510(k) premarket notification for a device modification.

The FDA requires every manufacturer to make the determination regarding the need for a new 510(k) submission or a PMA supplement in the first instance, but the FDA may review the manufacturer's decisions not to seek a new 510(k) or PMA supplement. We may make changes to our cleared products without seeking additional clearances or approvals if we believe such clearances or approvals are not necessary. However, the FDA may disagree and determine that such a modified device is not substantially equivalent to the marketed device or may require additional information, including clinical data, to be submitted before a determination is made, in which case we may be required to delay the introduction and marketing of our modified products, redesign our products, conduct clinical trials to support any modifications and pay significant regulatory fines or penalties. In addition, the FDA may not approve or clear our products for the indications that are necessary or desirable for successful commercialization.

There is no assurance that we will be able to obtain the necessary regulatory clearances or approvals for any product on a timely basis or at all. Further, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions which may prevent or delay approval or clearance of our products under development or impact our ability to modify our currently cleared products on a timely basis. Delays in receipt of, or failure to obtain, regulatory clearances for any product enhancements or new products we develop would result in delayed or no realization of revenue from such product enhancements or new products and in substantial additional costs, which could decrease our profitability.

In addition, we are required to continue to comply with applicable FDA and other regulatory requirements once we have obtained clearance for a product. We cannot assure you that we will successfully maintain the clearances we have received or may receive in the future. In addition, our existing clearances can be revoked if any issues arise that bring into question our products' safety or effectiveness. The loss of previously received clearances or approvals, or the failure to comply with existing or future regulatory requirements could also have a material adverse effect on our business.

We rely on the proper function, availability and security of information technology systems to operate our business and a material disruption of critical information systems or a material breach in the security of our systems may adversely affect our business and customer relationships.

We rely on information technology systems (including technology from third party providers) to process, transmit, and store electronic information in our day-to-day operations, including sensitive personal information and proprietary or confidential information. We also rely on our technology infrastructure, among other functions, to interact with customers and suppliers, fulfill orders and bill, collect and make payments, ship products, provide support to customers, fulfill contractual obligations and otherwise conduct business. Our internal information technology systems, as well as those systems maintained by third-party providers, may be subjected to computer viruses or other malicious codes, unauthorized access attempts, and cyber-attacks, any of which could result in data leaks or otherwise compromise our confidential or proprietary information and disrupt our operations. Cyber-attacks are becoming more sophisticated and frequent, and there can be no assurance that our protective measures will prevent security breaches that could have a significant impact on our business, reputation and financial results, particularly attacks that result in our intellectual property and other confidential information being accessed or stolen. Cyber-attacks could also result in unauthorized access to our systems and products, including personal information of individuals, which could also result in actions by regulatory bodies or civil litigation. If we fail to monitor, maintain or protect our information technology systems and data integrity effectively or fail to anticipate, plan for or manage significant disruptions to these systems, we could, among other things, lose customers, be subject to fraud, breach our agreements with or duties toward customers, physicians, other health care professionals and employees, be subject to regulatory sanctions or penalties, incur expenses or lose revenues or suffer other adverse consequences. Unauthorized tampering, adulteration or interference with our products may also create issues with product functionality that could result in a loss of data, risk to patient safety, and product recalls or field actions. Any of these events could have a material adverse effect on our business, operations or financial condition.

We are subject to export control laws, customs laws, sanctions laws and other laws governing our operations in the U.S. and other countries. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, results of operations and financial condition.

Our global operations expose us to trade and economic sanctions and other restrictions imposed by the United States, the EU and other governments and organizations. The U.S. Departments of Justice, Commerce, State and Treasury and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, export control laws, and other federal statutes and regulations, including those established by the Office of Foreign Asset Control. Under these laws and regulations, as well as other export control laws, customs laws, sanctions laws and other laws governing our operations, various government agencies may require export licenses, may seek to impose modifications to business practices, including cessation of business activities in sanctioned countries or with sanctioned persons or entities and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions. A violation of these laws or regulations could adversely impact our business, results of operations and financial condition.

A significant adverse change in, or failure to comply with, governing regulations could adversely affect our business, operations or financial condition.

We have extensive global operations, which necessitate that we seek various regulatory approvals for our products in the jurisdictions where our products are sold. Different regulatory requirements for product approvals and our need to comply with different regulatory regimes could impact our business.

Substantially all of our products are “devices,” as defined in the FDCA, and the manufacture, distribution, record keeping, labeling and advertisement of substantially all of our products are subject to regulation by the FDA in the United States and equivalent regulatory agencies in various foreign countries in which our products are manufactured, distributed, labeled, offered or sold. Further, we are subject to regular review and periodic inspections at our facilities with respect to compliance with the FDCA, QSR, ISO standards and similar requirements of foreign countries, which may cover, among others, the procedures and documentation of the design, testing, production, control, quality assurance, labeling, packaging, sterilization, storage and shipment of medical devices. Costs to comply with regulations, including, for instance, regulations for medical devices enacted by the EU in May 2017 and effective in 2020, and costs associated with remediation can be significant. Additionally, failure to comply with such requirements, or later discovery of previously unknown problems with our products or our third-party manufacturers’ manufacturing processes, including any failure to take satisfactory corrective action in response to an adverse QSR inspection, could result in total or partial suspension of production or distribution, a regulatory agency’s refusal to grant pending or future clearances or approvals for our products, withdrawal or suspension of regulatory clearances or approvals, clinical holds, warning letters or untitled letters or refusal to permit the import or export of our products.

The agreements and instruments governing our debt contain restrictions and limitations that could significantly affect our ability to operate our business, as well as significantly affect our liquidity.

We have entered into a Second Amended and Restated Credit Agreement with Wells Fargo Bank, National Association, as administrative agent, swingline lender and a lender, Wells Fargo Securities, LLC, as sole lead arranger and sole bookrunner and the lenders who are or may become party thereto, which was amended on September 28, 2016, March 20, 2017 and December 13, 2017 (as amended, the "Second Amended Credit Agreement"). The Second Amended Credit Agreement contains a number of significant covenants that could adversely affect our ability to operate our business, our liquidity or our results of operations. These covenants restrict, among other things, our incurrence of indebtedness, creation of liens or pledges on our assets, mergers or similar combinations or liquidations, asset dispositions, repurchases or redemptions of equity interests or debt, issuances of equity, payment of dividends and certain distributions and entry into related party transactions.

We have pledged substantially all of our assets as collateral for the Second Amended Credit Agreement. Our breach of any covenant in the Second Amended Credit Agreement, not otherwise cured, waived or amended, could result in a default under that agreement and could trigger acceleration of the underlying obligations. Any default under the Second Amended Credit Agreement could adversely affect our ability to service our debt and to fund our planned capital expenditures and ongoing operations. The administrative agent and lenders under the Second Amended Credit Agreement have available to them the remedies typically available to lenders and secured parties, including the ability to foreclose on the collateral we have pledged. Any default under the Second Amended Credit Agreement would at a minimum harm our ability to service our debt and to fund our prospective capital expenditures and ongoing operations. It could lead to an acceleration of indebtedness and foreclosure on our assets.

As currently amended, the Second Amended Credit Agreement provides for potential borrowings of up to $525.0 million. Such increased borrowing limits may make it more difficult for us to comply with leverage ratios and other restrictive covenants in the Second Amended Credit Agreement. We may also have less cash available for operations and investments in our business, as we will be required to use additional cash to satisfy the minimum payment obligations associated with this increased indebtedness.

We will be required to expend significant resources for research, development, testing and regulatory approval or clearance of our products under development and these products may not be developed successfully or approved for commercial use.

Most of our products under development will require significant additional research, development, engineering and, in some cases, preclinical and clinical testing, as well as regulatory approval or clearance and a commitment of significant additional resources prior to their commercialization. It is possible that our products may not:

- be developed successfully;
- be proven safe or effective in clinical trials;
- offer therapeutic or other improvements over current treatments and products;
- meet applicable regulatory standards or receive regulatory approvals or clearances;
- be capable of production in commercial quantities at acceptable costs and in compliance with regulatory requirements;
- be successfully marketed; or
- be covered by private or public insurers.

We are currently conducting one clinical trial in an effort to obtain approval from the FDA that would enable us to expand our efforts to commercialize the QuadraSphere Microspheres. EU regulations do not currently require such applications for these classes of medical device. In order for us to obtain FDA approval to promote the use of QuadraSphere Microspheres for the purposes indicated in our clinical trial, we will need to complete the trial and submit positive clinical data to the FDA. If we cannot enroll study subjects in sufficient numbers to complete the necessary study, if there is a disruption in the supply of materials for the trial or if any other factors preclude us from completing the trial in a timely manner, we will likely not be able to complete the trial. Even if we complete the clinical trial, the FDA may require us to undertake additional testing, or the trial results may not be sufficient to obtain FDA approval for other reasons, including inconclusive or negative results of our trials or those conducted by our competitors or other third parties. Any clinical trials we undertake in the future will likely be subject to these and similar risks. If we do not obtain FDA approval or clearance of the product use claimed in a clinical trial, we will not be able to promote the subject product for the indicated treatment of the specific disease or condition in the United States.

We are subject to laws targeting fraud and abuse in the healthcare industry, the violation of which could adversely affect our business or financial results.

Our operations are subject to various state and federal laws targeting fraud and abuse in the healthcare industry, including the federal Anti-Kickback Statute and other anti-kickback laws, which prohibit any person from knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, to induce or reward either the referral of an individual, or the furnishing or arranging for an item or service, for which payment may be made under federal healthcare programs, such as the Medicare and Medicaid programs. Violations of these fraud and abuse-related laws are punishable by criminal or civil sanctions, including substantial fines, imprisonment and exclusion from participation in healthcare programs such as Medicare and Medicaid, any of which could harm our business or financial results.

We are also subject to the FCPA, the U.K. Bribery Act, and similar anti-bribery laws in non-U.S. jurisdictions. These laws generally prohibit companies and their intermediaries from illegally offering things of value to any individual for the purpose of obtaining or retaining business. As we continue to expand our business activities internationally, compliance with the FCPA and other anti-bribery laws presents greater challenges to our operations. If our employees or agents violate the provisions of the FCPA or other anti-bribery laws, we may incur fines or penalties, which could have a material adverse effect on our operating results or financial condition.

Healthcare reform legislation has negatively affected our financial results and may have a material adverse effect on our business, operations or financial condition.

The Affordable Care Act was enacted into law in March 2010, and most of the core pieces of the Affordable Care Act are now in effect. Certain other provisions of the legislation are not yet effective. There are many programs and requirements for which the details have not yet been fully established or consequences not fully understood, and it is unclear what the full impact

of the legislation will be. The law imposes on medical device manufacturers a 2.3% excise tax on U.S. sales of certain medical devices. Although this tax has been suspended until January 1, 2020, during the year ended December 31, 2015 we incurred $4.3 million related to this tax, which reduced our gross profit by 0.8%. We cannot predict whether the suspension will be continued beyond January 1, 2020. If the excise tax is not repealed or further suspended, it will likely adversely impact our future results of operations. In addition, the costs of compliance with the Affordable Care Act's reporting and disclosure requirements, frequently identified as the Sunshine Act, with regard to payments or other transfers of value made to healthcare providers may have a material, negative impact on our results of operations and our cash flows.

Additionally, the long-term viability of the Affordable Care Act, and its impact on our business and results of operations, remains uncertain. For instance, in December 2017, the United States enacted the Tax Cuts and Jobs Act, which, among other things, eliminated the tax penalty for not obtaining health coverage (beginning in 2019). Additionally, members of the U.S. Congress have suggested other changes that may impact individual insurance marketplaces. These and other legislative and executive initiatives may significantly change the scope and impact of the Affordable Care Act and, in turn, the medical device industry.

We are subject to the regulations of our medical devices in foreign countries in which we sell our products and we will be required to expend significant resources for obtaining regulatory approval or clearance of our products and there may be delays and uncertainty in obtaining regulatory approval.

To be able to sell our products in foreign countries, we must obtain regulatory approvals and comply with the regulations of those countries. These regulations, including the requirements for approvals and the time required for regulatory review, vary from country-to-country.

The EU requires that manufacturers of medical devices obtain the right to affix the CE mark, for compliance with the Medical Device Directive (93/42/EEC), as amended, to medical devices before selling them in member countries of the EU. The CE mark is an international symbol of adherence to quality assurance standards and compliance with applicable European medical device directives. In order to obtain the authorization to affix the CE mark to products, a manufacturer must obtain certification that its processes and products meet certain European quality standards.

In April 2017, the EU adopted the Medical Device Regulation to replace the Medical Device Directive (93/42/EEC), as amended. The Medical Device Regulation will apply after a three-year transition period and imposes stricter requirements for the marketing and sale of medical devices and grants Notified Bodies increased post-market surveillance authority.

Complying with and obtaining regulatory approval in foreign countries have caused or may cause us to experience more uncertainty, risk, expense and delay in commercializing products in certain foreign jurisdictions, which could affect our ability to obtain approvals for our products in those jurisdictions and adversely impact our net sales, market share and operating profits from our international operations.

We are dependent upon key personnel.

Our success is dependent on key management personnel, including Fred P. Lampropoulos, our Chairman of the Board, President and Chief Executive Officer. Mr. Lampropoulos is not subject to any agreement prohibiting his departure, and we do not maintain key man life insurance on his life. The loss of Mr. Lampropoulos, or of certain other key management personnel, could have a materially adverse effect on our business and operations. Our success also depends on, among other factors, the successful recruitment and retention of key operating, manufacturing, sales and other personnel.

Our products may be subject to product liability claims.

Our products are used in connection with invasive procedures and in other medical contexts that entail an inherent risk of product liability claims. If medical personnel or their patients suffer injury or death in connection with the use of our products, whether as a result of a failure of our products to function as designed, an inappropriate design, inadequate disclosure of product-related risks or information, improper use, or for any other reason, we could be subject to lawsuits seeking significant compensatory and punitive damages. Product liability claims may be brought by individuals or by groups seeking to represent a class. We have previously faced claims by patients claiming injuries from our products. To date, these claims have not resulted in material harm to our operations or financial condition. The outcome of this type of personal injury litigation is difficult to assess or quantify. We maintain product liability insurance; however, there is no assurance that this coverage will be sufficient to satisfy any claim made against us. Moreover, any product liability claim brought against us could result in significant costs, divert our management's attention from other business matters or operations, increase our product liability insurance rates, or prevent us from securing insurance coverage in the future. As a result, any lawsuit seeking significant monetary damages may have a material adverse effect on our business, operations or financial condition.

In addition, the occurrence of such an event or claim could result in a recall of products from the market or a safety alert relating to such products. Such a recall could result in significant costs, reduce our revenue, divert management's attention from our business, and harm our reputation.

Our products may cause or contribute to adverse medical events that we are required to report to the FDA, and if we fail to do so, we may be subject to sanctions that may materially harm our business.

Our products are subject to medical device reporting regulations, which require us to report to the FDA any incident in which our products may have caused or contributed to a death or serious injury, or in which our products malfunctioned and, if the malfunction were to recur, it could likely cause or contribute to a death or serious injury. Our obligation to report under the medical device reporting regulations is triggered on the date on which we become aware of an adverse event and the nature of the event. We may fail to report adverse events of which we become aware within the prescribed timeframe. We may also fail to recognize that we have become aware of a reportable adverse event, especially if it is not reported to us as an adverse event or if it is an adverse event that is unexpected or if the product characteristic that caused the adverse event is removed in time from our products. If we fail to comply with our medical device reporting obligations, the FDA could issue warning letters or untitled letters, take administrative actions, commence criminal prosecution, impose civil monetary penalties, revoke our device clearances, demand or initiate a product recall, seize our products, or delay the clearance of our future products.

We generally offer a limited warranty for the return of product due to defects in quality and workmanship. We attempt to estimate our potential liability for future product returns and establish reserves on our financial statements in amounts that we believe will be sufficient to address our warranty obligations; however, our actual liability for product returns may significantly exceed the amount of our reserves. If we underestimate our potential liability for future product returns, or if unanticipated events result in returns that exceed our historical experience, our financial condition and operating results could be materially harmed.

We lack direct sales and marketing capabilities in many countries, and are wholly dependent on our distributors for the commercialization of our products in these countries. If we are unable to maintain or establish sales capabilities on our own or through third parties, we may not be able to commercialize any of our products in those countries.

We have no or limited direct sales or marketing capabilities in some of the regions and countries in which our products are sold, including, among others, China, Japan, Russia and India. We have entered into distribution agreements with third parties to market and sell our products in those countries in which we do not have a direct sales force and in those countries in which we utilize a "modified direct" sales approach. If we are unable to maintain or enter into such distribution arrangements on acceptable terms, or at all, we may not be able to successfully commercialize our products in certain countries. Moreover, to the extent that we enter into distribution arrangements with other companies, our revenues, if any, will depend on the terms of any such arrangements and the efforts of others. These efforts may turn out not to be sufficient and our third-party distributors may not effectively sell our products. In addition, although our contract terms require our distributors to comply with all applicable laws regarding the sale of our products, including anti-competition, anti-corruption, anti-money laundering and sanctions laws, we may not be able to ensure proper compliance. If our distributors fail to effectively market and sell our products in full compliance with applicable laws, our results of operations and business could be impacted.

Our employees, independent contractors, consultants, manufacturers and distributors may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, independent contractors, consultants, manufacturers and distributors may engage in fraudulent conduct or other illegal activity. Misconduct by these parties could include intentional, reckless or negligent conduct or disclosure of unauthorized activities to us that violates healthcare laws and regulations of the FDA and other federal, state and international authorities, manufacturing standards, and laws that require the true, complete and accurate reporting of financial information or data. We have adopted a code of business conduct and ethics, and a global anti-corruption policy, but it is not always possible to identify and deter misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant civil, criminal and administrative penalties.

The size of the market for our product groups has not been established with precision and may be smaller than we estimate.

Our estimates of the annual total addressable market for our cardiac intervention, peripheral intervention, interventional oncology and spine, and cardiovascular and critical care and endoscopy product groups are based on a number of internal and

third-party estimates, including published industry data. While we believe these factors have historically provided and may continue to provide us with effective tools in estimating the total market for our products, these estimates may not be correct and the conditions supporting our estimates may change at any time, thereby reducing the predictive accuracy of the underlying factors we consider in our analysis. As a result, our estimates of the annual total addressable market for our products may prove to be incorrect. If the actual number of patients who would benefit from our products and the annual total addressable market for our products is smaller than we have estimated, our sales growth may be impaired and our business adversely impacted. Even if the markets are as large as projected, there is no assurance that our market share or aggregate sales will increase as a result of the size of addressable markets.

Consolidation in the healthcare industry, group purchasing organizations or public procurement policies could lead to demands for price concessions, which may harm our ability to sell our products at prices necessary to support our current business strategies.

Healthcare costs have risen significantly over the past decade, which has resulted in or led to numerous cost reform initiatives by legislators, regulators and third-party payers. Cost reform has triggered a consolidation trend in the healthcare industry to aggregate purchasing power, which may create more requests for pricing concessions in the future. Additionally, group purchasing organizations, independent delivery networks, public procurement policies and large single accounts may continue to use their market power to consolidate purchasing decisions for hospitals and healthcare service providers. We expect that market demand, government regulation, third-party coverage and reimbursement policies and societal pressures will continue to change the healthcare industry worldwide, resulting in further business consolidations and alliances among our customers, which may exert further downward pressure on the prices of our products.

We may be unable to compete in our markets, particularly if there is a significant change in relevant practices or technology.

The markets in which our products compete are highly competitive. We face competition from many companies which are larger, better established, have greater financial, technical and other resources and possess a greater market presence than we do. Such resources and market presence may enable our competitors to more effectively market competing products or to market competing products at reduced prices in order to gain market share.

In addition, our ability to compete successfully is dependent, in part, upon our response to changes in technology and upon our efforts to develop and market new products which achieve significant market acceptance. Competing companies with substantially greater resources than us are actively engaged in research and development of new methods, treatments, drugs, and procedures to treat or prevent cardiovascular disease that could limit the market for our products and eventually make some of our products obsolete. A reduction in the demand for a significant number of our products, or a few key products, could have a material adverse effect on our business, operations or financial condition.

Our business is subject to complex and evolving U.S. and international laws and regulation regarding privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation and could result in claims, changes to our business practices, penalties, increased cost of operations, or declines in user growth or engagement, or otherwise harm our business.

The U.S. and many other countries in which we conduct our operations have adopted laws and regulations protecting certain data, including medical and personal data, and requiring data holders and controllers to implement administrative, logical and technical controls and procedures. In addition, regulatory authorities around the world are considering a number of additional proposals concerning data protection. These laws and regulations have been, and may continue to be, inconsistent with each other, requiring different approaches in different jurisdictions. In addition, the interpretation and application of medical and personal data protection laws in the U.S., Europe, China and elsewhere are often uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. These legislative and regulatory proposals, if adopted, and such interpretations could, in addition to the possibility of fines, result in an order requiring that we change our data practices, which could have an adverse effect on our business and results of operations. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Recent legal developments in Europe have created compliance uncertainty regarding certain transfers of personal data from the European Union (“EU”) to the United States and other non-EU jurisdictions. For example, the GDPR, scheduled to come into application in the EU on May 25, 2018, will apply to all of our activities conducted from an establishment in the EU or related to products and services that we offer to EU users. The GDPR will create a range of new compliance obligations, which could cause us to change our business practices, and will significantly increase financial penalties for noncompliance (including possible fines of up to 4% of global annual turnover for the preceding financial year or €20 million (whichever is higher) for the most serious infringements).

Fluctuations in foreign currency exchange rates may negatively impact our financial results.

As our operations have grown outside the United States, we have also become increasingly subject to market risk relating to foreign currency. Those fluctuations could have a negative impact on our margins and financial results. During 2017, 2016 and 2015, the exchange rate between all applicable foreign currencies and the U.S. Dollar resulted in an increase in net sales of approximately $0.6 million, a decrease of approximately $4.9 million and a decrease of approximately $11.3 million, respectively.

For the year ended December 31, 2017, approximately $215.8 million, or 29.7%, of our net sales were denominated in foreign currencies, with our Euro-denominated sales representing our largest single currency risk. If the rate of exchange between foreign currencies declines against the U.S. Dollar, we may not be able to increase the prices we charge our customers for products whose prices are denominated in those respective foreign currencies. Furthermore, we may be unable or elect not to enter into hedging transactions which could mitigate the effect of declining exchange rates. As a result, if the rate of exchange between foreign currencies declines against the U.S. Dollar, our financial results may be negatively impacted.

Termination or interruption of, or a failure to monitor, our supply relationships and increases in the price of our component parts, finished products, third-party services or raw materials, particularly petroleum-based products, could have an adverse effect on our business, operations or financial condition.

We rely on raw materials, component parts, finished products and third-party services in connection with our business. For example, substantially all of our products are sterilized by only a few different entities. Additionally, many of our products have components that are manufactured using resins, plastics and other petroleum-based materials which are available from a limited number of suppliers. We are experiencing a growing trend among suppliers of polymer resins to refuse to supply resin to the medical device manufacturers or to require such manufacturers to assume additional risks due to the potential for product liability claims. Additionally, there is no assurance that crude oil supplies will be uninterrupted or that petroleum-based manufacturing materials will be available for purchase in the future. Any interruption to the supply of polymers or petroleum-based resins could have an adverse effect on our ability to produce, or on the cost to produce, our products.

The availability and price of these materials is affected by a variety of factors beyond our control, including the willingness of suppliers to sell into the medical device industry, changes in supply and demand, general economic conditions, labor costs, fuel-related transportation costs, competition, import duties, tariffs, currency exchange rates and political uncertainty around the world. Our suppliers may pass some of their cost increases on to us, and if such increased costs are sustained or increase further, our suppliers may pass further cost increases on to us. In addition to the effect on resin prices, transportation costs generally increase based on the effect of higher crude oil prices, and these increased transportation costs may be passed on to us.

We are also subject to CSR laws and regulations which require us to monitor the labor standards in our supply chain, including the California Transparency in Supply Chains Act, the UK Modern Slavery Act, and U.S. Federal Acquisition Regulations regarding Combating Trafficking in Persons. These CSR labor laws and regulations may impose additional processes and supplier management systems and have led certain key customers to impose additional requirements on medical device companies, including audits, as a prerequisite to selling products to such customers, which could result in increased costs for our products, the termination or suspension of certain suppliers, and reductions in our margins and profitability.

Our ability to recover such increased costs may depend upon our ability to raise prices on our products. Due to the highly competitive nature of the healthcare industry and the cost-containment efforts of our customers and third-party payers, we may be unable to pass along cost increases through higher prices. If we are unable to fully recover these costs through price increases or offset these increases through cost reductions or we experience terminations or interruption of our relationships with our suppliers we could experience lower margins and profitability, and our results of operations, financial condition and cash flows could be materially harmed.

We may be unable to accurately forecast customer demand for our products and manage our inventory.

To ensure adequate supply, we must forecast our inventory needs and place orders with our suppliers based on estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be negatively affected by many factors, including our failure to accurately manage our expansion strategy and customer acceptance of new products, product introductions by our competitors, an increase or decrease in customer demand for our products or for products of our competitors, unanticipated changes in general market conditions or regulatory matters and weakening of economic conditions or consumer confidence in future economic conditions. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, which would impact our gross margin. Conversely, if we underestimate customer demand for our products,

our manufacturing facilities may not be able to deliver products to meet our order requirements, which could damage our reputation and customer relationships.

International and national economic and industry conditions constantly change, and could harm our business and results of operations.

Our business and our results of operation are affected by many changing economic, industry and other conditions beyond our control, including, for instance, potential changes to the economic relationship between the United States and Mexico, China, and other countries in which we operate as a result of the new U.S. administration, and other changes and developments that we cannot anticipate, each of which could harm our business and results of operations. Actual or potential changes in international, national, regional and local economic, business and financial conditions, including recession, inflation and trade protection measures, may negatively affect consumer preferences, perceptions, spending patterns or demographic trends, any of which could harm our business or results of operations. Our customers may experience financial difficulties or be unable to borrow money to fund their operations, which may harm their ability or decision to purchase or pay for our products. Disruptions in the credit markets have previously resulted, and could again result, in volatility, decreased liquidity, widening of credit spreads, and reduced availability of financing. There can be no assurance that future financing will be available to us on acceptable terms, if at all. An inability to obtain necessary additional financing on acceptable terms may have an adverse impact on us and on our ability to implement our business plan.

In particular, the new U.S. Administration has called for and may introduce substantial changes to fiscal, healthcare, trade and tax policies and legislation, which may include comprehensive tax reform and changes to existing trade agreements, including, but not limited to, the North American Free Trade Agreement ("NAFTA"). Such changes may have a significant impact on our operations and financial results. In particular, the potential enactment of tariffs on goods imported into the U.S., including but not limited to, goods imported from Mexico where we manufacture many of our products that we sell internationally, could adversely affect our gross profit margins. If enacted, any legislation by the U.S. federal government that restricts trade, such as tariffs, trade barriers, and other protectionist or retaliatory measures taken by governments in Europe, Asia, and other regions, could adversely impact our ability to sell products and services internationally. We cannot predict the impact, if any, of these changes to our business. If economic conditions worsen or fail to improve, changes in legislation impact the relationship between the U.S. and Mexico and other countries in which we operate or the continuity of NAFTA and other trade agreements, or new legislation is passed related to the healthcare system, fiscal or tax policies, customer demand may not materialize to the levels we require to achieve our anticipated financial results, which could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the EU, commonly referred to as "Brexit". As a result of the referendum, negotiations are under way to determine the future terms of the United Kingdom's relationship with the EU, including the terms of trade. As it stands, the United Kingdom will depart the EU on March 30, 2019 but the terms of its withdrawal and the nature of its future relationship with the EU are still being decided. In December 2017, EU leaders announced an agreement to begin the next phase of negotiations, with talks on a transition period after March 2019 to begin in early 2018 and discussions on the future UK-EU relationship, including trade and security, to begin in March 2018. It is possible that there will be greater restrictions on the movement of goods and people between the United Kingdom and the EU countries and increased regulatory complexities, which could affect our ability to sell products in certain EU countries and in the United Kingdom. Brexit could adversely affect European and worldwide economic and market conditions and could further contribute to instability in global financial and foreign exchange markets, including volatility in the value of the British pound and Euro, to which we have significant exposure. In addition, other European countries may seek to conduct referenda with respect to continuing membership with the EU. The uncertainties surrounding Brexit are such that we do not know to what extent such changes will impact our business.

The above developments, and others that we cannot anticipate, could adversely affect our business, operations and financial results.

We depend on generating sufficient cash flow to fund our debt obligations, capital expenditures, and ongoing operations.

We are dependent on our cash on hand and free cash flow to fund our debt obligations, capital expenditures and ongoing operations. Our ability to service our debt and to fund our planned capital expenditures and ongoing operations will depend on our ability to continue to generate cash flow. If we are unable to generate sufficient cash flow or we are unable to access additional liquidity sources, we may not be able to service or repay our debt, operate our business, respond to competitive challenges, or fund our other liquidity and capital needs.

A significant portion of our revenues is derived from a few products and medical procedures.

A significant portion of our revenues is attributable to sales of our inflation devices. During the year ended December 31, 2017, sales of our inflation devices (including our Big60® device sold within our endoscopy segment and kits and packs which include inflation devices, but also include other products) accounted for approximately 11.4% of our net sales. Any material decline in market demand, or change in OEM supplier preference, for our inflation devices could have an adverse effect on our business, operations or financial condition.

In addition, the products that have accounted for a majority of our historical revenues are designed for use in connection with a few related medical procedures, including angioplasty, stent placement procedures, and spinal procedures. If subsequent developments in medical technology or drug therapy make such procedures obsolete, or alter the methodology of such procedures so as to eliminate the usefulness of our products, we may experience a material decrease in demand for our products and experience deteriorating financial performance.

The market price of our common stock has been, and may continue to be, volatile.

The market price of our common stock has at times been, and may in the future be, volatile for various reasons, including those discussed in these risks factors, which could have a material adverse effect on our business, operations or financial condition. Other events that could cause volatility in our stock, include without limitation, variances in our financial results; analysts' and other projections or recommendations regarding our common stock specifically or medical technology stocks generally; any restatement of our financial statements or any investigation of us by the SEC, the FDA or another regulatory authority; or a decline, or rise, of stock prices in the capital markets generally.

We are subject to work stoppage, transportation, severe weather, natural disasters and related risks.

We manufacture products at various locations in the United States and foreign countries and sell our products worldwide. We depend on third-party transportation companies to deliver supplies necessary to manufacture our products from vendors to our various facilities and to move our products to customers, operating divisions, and other subsidiaries located worldwide. Our manufacturing operations, and the operations of the transportation companies on which we depend, may be harmed by natural disasters or significant human events, such as a war, civil unrest, terrorist attack, riot, strike, slowdown, or similar events. Any disruption in our manufacturing or transportation could materially harm our ability to meet customer demands or our operations.

Furthermore, our manufacturing operations could be affected by many other factors beyond our control, including severe weather conditions and natural disasters, including hurricanes, earthquakes and tornadoes. These conditions could cause substantial damage to our facilities, interrupt our production and disrupt our ability to deliver products to our customers.

Fluctuations in our effective tax rate may adversely affect our business, financial condition or results of operation.

We are subject to taxation in numerous countries, states and other jurisdictions. Our effective tax rate is derived from a combination of applicable tax rates in the various countries, states and other jurisdictions in which we operate. In preparing our financial statements, we estimate the amount of tax that will become payable in each of these jurisdictions. Our effective tax rate may, however, differ from the estimated amount due to numerous factors, including a change in the mix of our profitability from country to country and changes in tax laws. Relevant authorities may also disagree with tax positions we have taken and assess further taxes. On December 22, 2017, the U.S. government enacted comprehensive federal tax legislation commonly referred to as the Tax Cuts and Jobs Act of 2017 ("TCJA"). The TCJA makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among others, that will generally be effective for taxable years beginning after December 31, 2017. These changes could have a material impact on the value of our U.S. deferred tax assets, result in significant one-time charges in the current or future taxable years and increase our future U.S. tax expense. We continue to evaluate the TCJA and its requirements, as well as its application to our business and its impact on our effective tax rate. At this stage, it is unclear how many U.S. states will incorporate these federal law changes, or portions thereof, into their tax codes. The implementation by us of new practices and processes designed to comply with, and benefit from, the TCJA and its rules and regulations could require us to make substantial changes to our business practices, allocate additional resources, and increase our costs, which could negatively affect our business, results of operations and financial condition. In addition, further changes in the tax laws of foreign jurisdictions could arise, including as a result of recommendations issued by the Organisation for Economic Cooperation and Development, or the OECD, which could, if implemented, result in substantial changes to numerous long-standing tax positions and principles. These contemplated changes, to the extent adopted by OECD members or other countries, could increase tax uncertainty and may adversely affect our provision for income taxes. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations, which could have an adverse effect on our business, financial condition or results of operation.

Limits on reimbursement imposed by governmental and other programs may adversely affect our business and results of operation.

We sell our products to hospitals and other healthcare providers around the world that typically receive reimbursement for the services provided to patients from third-party payers such as government programs (e.g., Medicare and Medicaid in the U.S.) and private insurance programs. The ability of our customers to obtain appropriate reimbursement for the cost of our products from governmental and private third-party payers is critical to our business. Limits on reimbursement imposed by such programs may adversely affect the ability of hospitals and others to purchase our products, which could adversely affect our business and results of operations.

Third-party payers, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In general, a third-party payer covers a medical procedure only when the plan administrator is satisfied that the product or procedure is reasonable and necessary to the patient's treatment; however, the cost-effectiveness of the treatment may also be a condition. In addition, in the United States, no uniform policy of coverage and reimbursement for procedures using our products exists among third-party payers. Therefore, coverage and reimbursement for procedures using our products can differ significantly from payer to payer. In addition, payers continually review new and existing technologies for possible coverage and can, without notice, deny or reverse coverage or alter pre-authorization requirements for new or existing products and procedures. We cannot provide assurance that we will be successful in any efforts we may potentially undertake to reverse such non-coverage decisions. If we are not successful in reversing non-coverage policies, or if third-party payers that currently cover or reimburse certain procedures reverse or limit their coverage of such procedures in the future, or if other third-party payers issue similar policies, our business could be adversely impacted.

Further, we believe that future coverage and reimbursement may be subject to increased restrictions, such as additional preauthorization requirements, both in the United States and in international markets. Third-party coverage and reimbursement for procedures using our products or any of our products in development for which we may receive regulatory approval may not be available or adequate in either the United States or international markets, which could have an adverse impact on our business.

Our failure to comply with applicable environmental laws and regulations could affect our business, operations or financial condition.

We manufacture and assemble certain products that require the use of hazardous materials that are subject to various national, federal, state and local laws and regulations governing the protection of the environment, health and safety. While the cost of compliance with such laws and regulations has not had a material adverse effect on our results of operations historically, compliance with future regulations may require additional capital investments. Additionally, because we use hazardous and other regulated materials in our manufacturing processes, we are subject to certain risks of future liabilities, lawsuits and claims resulting from any substances we manufacture, dispose of or release. Any accidental release may have an adverse effect on our business, operations or financial condition. We cannot predict what additional environmental, health and safety legislation or regulations will be enacted or become effective in the future or how existing or future laws or regulations will be administered or interpreted with respect to our operations, capital expenditures, results of operations or competitive position. Compliance with more stringent laws or regulations or adverse changes in the interpretation of existing laws or regulations by government agencies could have a material adverse effect on our business, operations or financial condition, and could require substantial expenditures.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our world headquarters is located in South Jordan, Utah, with our principal office for European operations located in Galway, Ireland. We also support our European operations from a European distribution and customer service facility located in Maastricht, The Netherlands. In addition, we lease office space in Bangalore, India; Beijing, Hong Kong, GuangZhou and Shanghai, China; Buccinasco, Italy; Dubai, UAE; Melbourne, Australia; Moscow, Russia; Toronto, Canada; Rockland, Massachusetts; São Paulo, Brazil; Selangor, Malaysia; Seoul, Republic of Korea; Tokyo, Japan; and Versailles, France. Our principal manufacturing and packaging facilities are located in Chester, Virginia; Galway, Ireland; Joinville, Brazil; Malvern, Pennsylvania; Melbourne, Australia; Paris, France; Pearland, Texas; Singapore; South Jordan and West Jordan, Utah; Tijuana, Mexico; and Venlo, The Netherlands. Our research and development activities are conducted principally at facilities located in South Jordan and West Jordan, Utah; Pearland and Dallas, Texas; Malvern, Pennsylvania; Jackson Township, New Jersey; San Jose, California; Galway, Ireland; Paris, France; Singapore; and Venlo, The Netherlands.

The following is a summary of the approximate square footage of our facilities as of December 31, 2017:

	Owned	Leased	Total
U.S.	552,207	492,473	1,044,680
International	344,181	554,907	899,088
Total	896,388	1,047,380	1,943,768

Operations associated with our cardiology segments utilize all of our facilities, while our operations associated with our endoscopy segment are conducted primarily from our facilities located in South Jordan, Utah and Pearland and Dallas, Texas.

In connection with our acquisition of the Argon critical care division in January 2017, we acquired a manufacturing and warehouse facility in Singapore and an office in Tokyo, Japan. The Singapore facility, which totals approximately 68,000 square feet, is located on property leased from a Singapore governmental agency. The Singapore land lease is scheduled to expire on August 30, 2019. The Argon Tokyo office is approximately 2,600 square feet and the lease expired on November 22, 2017 and was not renewed.

In connection with our acquisition of ITL Healthcare Pty. Ltd. ("ITL") in October 2017, we acquired a lease to a packaging facility located in Melbourne, Australia totaling approximately 52,000 square feet.

We believe our existing and proposed facilities will generally be adequate for our present and future anticipated levels of operations.

Item 3. Legal Proceedings.

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, contract disputes, and employment or other matters that are significant to our business. Based upon our review of currently available information, we do not believe that any such actions are likely to be, individually or in the aggregate, materially adverse to our business, financial condition, results of operations or liquidity.

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 2018. We have incurred, and anticipate that we will continue to incur, substantial costs in connection with the matter. 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.

Item 4. Mine Safety Disclosures.

The disclosure required by this item is not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Price for the Common Stock

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol "MMSI." The following table sets forth high and low sale prices for the Common Stock for the periods indicated.

For the year ended December 31, 2017	High	Low
First Quarter	$ 31.70	$ 24.23
Second Quarter	$ 38.55	$ 28.00
Third Quarter	$ 42.60	$ 36.25
Fourth Quarter	$ 45.90	$ 36.21

For the year ended December 31, 2016	High	Low
First Quarter	$ 19.49	$ 15.47
Second Quarter	$ 20.59	$ 17.94
Third Quarter	$ 25.08	$ 19.61
Fourth Quarter	$ 26.85	$ 20.70

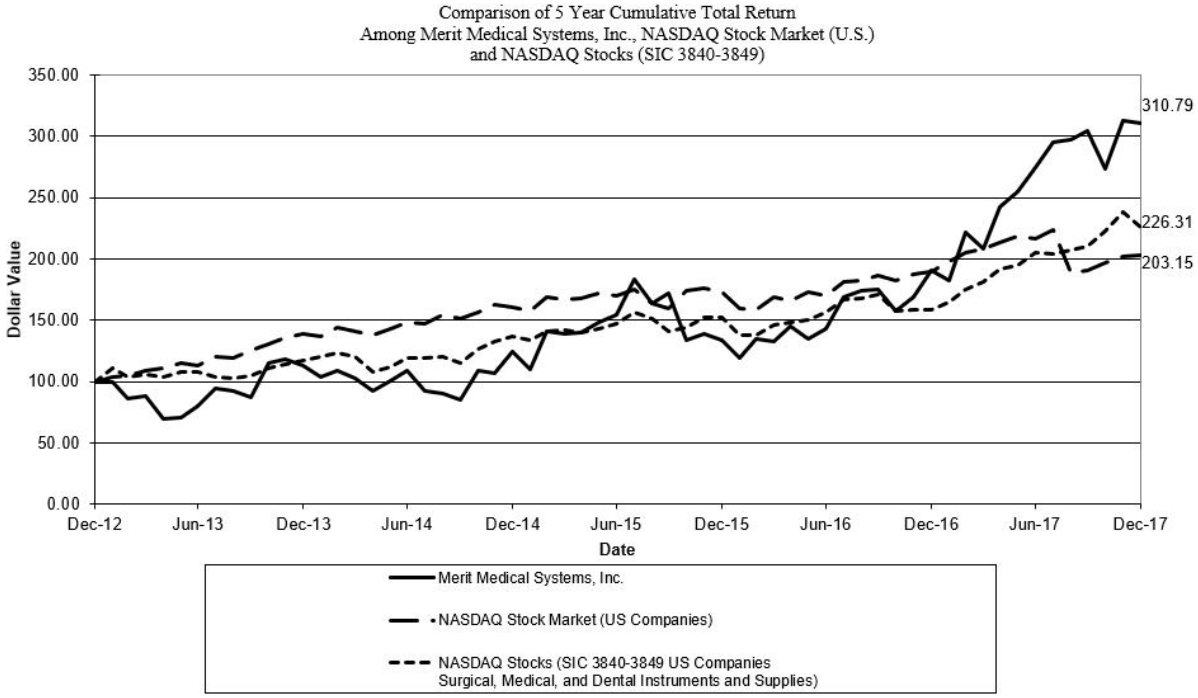
As of February 23, 2018, the number of shares of Common Stock outstanding was 50,266,889 held by approximately 115 shareholders of record, not including shareholders whose shares are held in securities position listings.

Dividends

We have never declared or paid cash dividends on the Common Stock. We presently intend to retain any future earnings for use in our business and, therefore, do not anticipate paying any dividends on the Common Stock in the foreseeable future. In addition, (i) 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 (which may prevent such funds from being used to pay dividends), and (ii) our Second Amended Credit Agreement contains covenants prohibiting the declaration and distribution of a cash dividend at any time prior to the termination of the Second Amended Credit Agreement.

Performance

The following graph compares the performance of the Common Stock with the performance of the NASDAQ Stock Market (U.S. Companies) and NASDAQ Stocks (SIC 3840-3849 U.S. Companies - Surgical, Medical and Dental Instruments and Supplies) for a five-year period by measuring the changes in Common Stock prices from December 31, 2012 to December 31, 2017.



	12/2012	12/2013	12/2014	12/2015	12/2016	12/2017
Merit Medical Systems, Inc.	$ 100	$ 113	$ 125	$ 134	$ 191	$ 311
NASDAQ Stock Market (U.S. Companies)	100	139	161	173	190	203
NASDAQ Stocks (SIC 3840-3849 U.S. Companies)	100	117	137	153	159	226

The stock performance graph assumes for comparison that the value of the Common Stock and of each index was $100 on December 31, 2012 and that all dividends were reinvested. Past performance is not necessarily an indicator of future results.

NOTE: Performance graph data is complete through last fiscal year. Performance graph with peer group uses peer group only performance (excludes only Merit). Peer group indices use beginning of period market capitalization weighting. Index Data: Calculated (or Derived) based from CRSP NASDAQ Stock Market (US Companies), Center for Research in Security Prices (CRSP®), Graduate School of Business, The University of Chicago. Copyright 2018. Used with permission. All rights reserved.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table contains information regarding our equity compensation plans as of December 31, 2017 (in thousands, except weighted-average price):

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation Plans approved by security holders	3,623 (1),(3)	$ 20.40	619 (2),(3)

(1) Consists of 3,622,834 shares of Common Stock subject to the options granted under the Merit Medical Systems, Inc. 2006 Long-Term Incentive Plan.

(2) Consists of 126,863 shares available to be issued under the Merit Medical Systems, Inc. Non-Qualified Employee Stock Purchase Plan and 492,292 shares available to be issued under the Merit Medical Systems, Inc. 2006 Long-Term Incentive Plan.

(3) See Note 11 to our consolidated financial statements set forth in Item 8 of this report for additional information regarding these plans.

Item 6. Selected Financial Data (in thousands, except per share amounts).

	2017	2016	2015	2014	2013
OPERATING DATA:					
Net Sales	$ 727,852	$ 603,838	$ 542,149	$ 509,689	$ 449,049
Cost of Sales	401,599	338,813	306,368	284,467	254,682
Gross Profit	326,253	265,025	235,781	225,222	194,367
Operating Expenses:					
Selling, general, and administrative	229,134	184,398	156,348	147,894	128,642
Research and development	51,403	45,229	40,810	36,632	33,886
Intangible asset impairment charge	809	—	—	1,102	8,089
Contingent consideration expense (benefit)	(298)	61	80	(572)	(4,094)
Acquired in-process research and development	12,136	461	1,000	—	—
Total operating expenses	293,184	230,149	198,238	185,056	166,523
Income from Operations	33,069	34,876	37,543	40,166	27,844
Other Income (Expense):					
Interest income	381	81	272	217	255
Interest expense	(7,736)	(8,798)	(6,229)	(8,829)	(8,044)
Bargain purchase gain	11,039	—	—	—	—
Other income (expense)	(872)	(773)	(386)	18	(216)
Other income (expense)—net	2,812	(9,490)	(6,343)	(8,594)	(8,005)
Income Before Income Taxes	35,881	25,386	31,200	31,572	19,839
Income Tax Expense	8,358	5,265	7,398	8,598	3,269
Net Income	$ 27,523	$ 20,121	$ 23,802	$ 22,974	$ 16,570
Earnings Per Common Share:					
Diluted	$ 0.55	$ 0.45	$ 0.53	$ 0.53	$ 0.39
Average Common Shares:					
Diluted	50,101	44,862	44,511	43,409	42,884
BALANCE SHEET DATA:					
Working capital	$ 200,501	$ 155,092	$ 116,093	$ 116,910	$ 110,321
Total assets	1,111,811	942,803	778,728	747,165	728,283
Long-term debt, less current portion	259,013	314,373	197,593	214,490	238,854
Stockholders' equity	676,334	498,189	466,103	435,259	405,706

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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 Notes thereto, which are included in Item 8 of this report.

Overview

We design, develop, manufacture and market single-use medical products for interventional and diagnostic 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, electrophysiology, critical care 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. Within those two operating segments, we offer products focused in five core product groups: peripheral intervention, cardiac intervention, interventional oncology and spine, cardiovascular and critical care and endoscopy.

For the year ended December 31, 2017, we reported sales of approximately $727.9 million, up approximately $124.0 million or 20.5%, over 2016 sales of approximately $603.8 million.

Gross profit as a percentage of sales increased to 44.8% for the year ended December 31, 2017 as compared to 43.9% for the year ended December 31, 2016.

Net income for the year ended December 31, 2017 was approximately $27.5 million, or $0.55 per share, as compared to $20.1 million, or $0.45 per share, for the year ended December 31, 2016.

We continue to focus our efforts on expanding our presence in foreign markets, particularly Europe, Middle East and Africa ("EMEA"), China, Southeast Asia, Japan, Australia and Brazil, in an effort to expand our market opportunities. These efforts have increased our selling, general and administrative expenses, but we believe over time they will help us improve our profitability. Our international sales growth was strong for the year ended December 31, 2017. In 2017, international sales were approximately $307.1 million, or 42% of our net sales, up 32% from 2016.

We believe the following new products will help us continue our growth objectives in 2018:

- Achieve® Automatic Biopsy System
- Temno® Soft Tissue Biopsy System
- Tru-Cut® Biopsy Device
- CorVocet™ Biopsy System
- Aspira® Pleural Effusion Drainage System
- Aspira® Peritoneal Drainage System
- SwiftNINJA® Steerable Microcatheter
- Elation® GI & Pulmonary Balloons
- TWISTER® PLUS Rotatable Retrieval Device
- Prelude IDeal™ Hydrophilic Sheath Introduer
- Prelude SYNC™ Radial Compression Device
- Prelude Choice™ Hemostasis Valve Adapter
- HeRO® Graft
- Super HeRO®
- True Form™ Guide Wires
- Heartspan® Transseptal Sheath
- Amplatz Guide Wires
- Critical care products acquired from Argon
- DualCap® disinfection and protection products acquired from Catheter Connections
- QuadraSphere® Q2 Microsphere

We believe these new products will strengthen our product portfolio and help us achieve greater market penetration, which, if successful, is expected to drive top-line growth.

We anticipate that our business will be impacted in 2018 by the following trends, each resulting from the development of our business model, as well as changes in the business and regulatory environment in which we operate:

- We anticipate continued international expansion through the transition from a distributor-based sales model to a modified direct sales model, which is already in place in a number of markets, including China. We believe this transition will improve revenue growth opportunities by providing us with greater control over the sales channel and improving gross margins, as we move from a wholesale channel to a retail channel. On the other hand, the transition may result in increased costs, primarily as a result of increased compensation expenses for existing and new sales personnel.

- We also anticipate we will continue to expand product registrations of existing products and introduce new products in new and emerging markets, in an effort to increase the breadth of our product portfolio offered in international markets, thereby supporting revenue growth and margin expansion. Improvement in gross margin remains a key priority for management, through the management of product mix, continued improvement of operational performance and continued new product introductions. However, any reversal in the aforementioned trends could have a negative impact on our future revenue and gross margin.

- Our revenue growth has been driven by, and we expect our revenue to continue to increase in the future as a result of, the introduction of new products, continued international expansion, and increased physician awareness of our products, among other factors. Any reversal in these trends could have a negative impact on our future revenue. In addition, we have continuously expanded our sales and marketing infrastructure to help us drive and support revenue growth and we intend to continue this expansion.

- Our revenue may fluctuate, from quarter to quarter, as well as within each quarter, due to a variety of factors, including the seasonality of demand for our products, foreign exchange fluctuations, the timing of new product introductions, competitor product introductions, associated physician evaluations and competitor pricing changes.

- Our gross margin has been, and we expect it will continue to be, affected by a variety of factors, including product sales mix, geographic sales mix and prices, launch of new products, the impact of distributor relationships and our focus on expanding to a modified direct sales model, production volumes, manufacturing costs and product yields, and the implementation of cost-reduction strategies. As we continue to expand through acquisitions, the acquisitions may be gross margin dilutive. Our gross margins could be negatively affected to the extent that the products acquired have gross margins that differ from ours. For example, the gross margin for the critical care products we acquired from Argon during 2017 is less than our current gross margin. However, improvement in gross margin remains a key priority for management, through the control of product mix, continued improvement of operational performance and continued introductions of new product.

- The integration of recently completed acquisitions may increase our operating expenses, and it may take time to realize expected revenue from acquisitions. While we expect to integrate our acquired businesses successfully, the expected synergies may not materialize.

- We continue to experience a variety of financial risks including changes in foreign currency exchange rates, especially when our acquisitions increase the proportion of our revenue from international sales; risks associated with our variable floating rate borrowings, which could negatively affect us in an increasing interest rate environment; and the potentially substantial changes to fiscal, healthcare, trade and tax policies and legislation, which may include comprehensive tax reform and changes to existing trade agreements, including, but not limited to, NAFTA, as well as healthcare reform, including the potential repeal of certain provisions of the Affordable Care Act.

- On December 22, 2017, the U.S. government enacted the TCJA, which makes changes to the corporate tax rate, business-related deductions and taxation of foreign earnings, among others, that will generally be effective for taxable years beginning after December 31, 2017. We continue to evaluate the TCJA requirements, as well as its applications to our business operations.

Our management utilizes a range of financial and non-financial key performance indicators to manage our business. The financial indicators we use include ratio of revenue to market growth, product mix, gross margin improvement, operating expense leverage, net income growth, working capital and cash flow metrics, capital allocation and return on investment. The non-financial indicators we use include various quality system and operational utilization metrics.

Results of Operations

The following table sets forth certain operational data as a percentage of sales for the years indicated:

	2017	2016	2015
Net sales	100%	100%	100%
Gross profit	44.8	43.9	43.5
Selling, general and administrative expenses	31.5	30.5	28.8
Research and development expenses	7.1	7.5	7.5
Intangible asset impairment charges	0.1	—	—
Contingent consideration expense (benefit)	—	—	—
Acquired in-process research and development expenses	1.7	0.1	0.2
Income from operations	4.5	5.8	6.9
Income before income taxes	4.9	4.2	5.8
Net income	3.8	3.3	4.4

Listed below are the sales by product category within each business segment for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	% Change	2017	% Change	2016	% Change	2015
Cardiovascular						
Stand-alone devices	44%	$ 275,431	23%	$ 191,148	8%	$ 155,414
Custom kits and procedure trays	6%	126,114	2%	119,226	5%	116,368
Inflation devices	8%	79,875	1%	73,916	1%	73,373
Catheters	13%	127,747	17%	113,367	11%	96,833
Embolization devices	8%	49,532	2%	46,035	3%	45,025
CRM/EP	15%	41,914	8%	36,459	3%	33,902
Total	21%	700,613	11%	580,151	6%	520,915
Endoscopy						
Endoscopy devices	15%	27,239	12%	23,687	18%	21,234
Total	21%	$ 727,852	11%	$ 603,838	6%	$ 542,149

Note: Certain product categories for 2016 have been adjusted from prior disclosure to reflect changes in product classifications to be consistent with updates in the management of our product portfolios in 2017.

Cardiovascular Sales. Our cardiovascular sales for the year ended December 31, 2017 were approximately $700.6 million, up 20.8%, when compared to the corresponding period for 2016 of approximately $580.2 million. Sales for the year ended December 31, 2017 were favorably affected by increased sales of (a) our stand-alone devices (particularly our Map™, Medallion, wires, and HeRO® Graft products, as well as new sales from our acquisitions of the DFINE, Argon critical care division and Catheter Connections product lines) of approximately $84.3 million, up 44.1%; (b) catheters (particularly our SwiftNINJA® product line, Concierge® Guiding Catheters, Prelude® radial sheath product line, and our Maestro® microcatheters) of approximately $14.4 million, up 12.7%; and (c) our custom kits and procedure trays of approximately $6.9 million, up 5.8%, which includes sales from our acquisition of ITL.

Our cardiovascular sales for the year ended December 31, 2016 were approximately $580.2 million, up 11.4%, when compared to the corresponding period for 2015 of approximately $520.9 million. Sales for the year ended December 31, 2016 were favorably affected by increased sales of (a) our stand-alone devices (particularly our infusion bag, Map™, and Ensnare® products, as well as new sales from our acquisitions of the Hero Graft device and the DFINE product line) of approximately $35.7 million, up 23.0%; (b) catheters (particularly our Impress® product line, Performa® vessel sizing catheters, and our Maestro® microcatheters) of approximately $16.5 million, up 17.1%; and (c) our custom kits and procedure trays of approximately $2.9 million, up 2.5%.

Sales by our European direct sales force are subject to foreign currency exchange rate fluctuations between the natural currency of a foreign country and the U.S. Dollar. Foreign currency exchange rate fluctuations increased sales 0.1% in 2017 compared to 2016 and decreased sales 0.8% in 2016 compared to 2015. New products and market share gains in our existing product lines were additional sources of revenue growth.

Endoscopy Sales. Our endoscopy sales for the year ended December 31, 2017 were approximately $27.2 million, up 15.0%, when compared to sales in 2016 of approximately $23.7 million. This increase was primarily related to an increase in sales of our EndoMAXX™ fully covered esophageal stent and our Elation® balloon dilator. Our endoscopy sales for the year ended December 31, 2016 were approximately $23.7 million, up 11.6%, when compared to sales in the corresponding period of 2015 of approximately $21.2 million. This increase 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.

International Sales. International sales for the year ended December 31, 2017 were approximately $307.1 million, or 42% of net sales, up 32% from the same period in 2016. International sales for the year ended December 31, 2016 were approximately $233.5 million, or 39% of net sales, up 9% from the same period in 2015. The increase in our international sales during 2017 was primarily related to a year-over-year sales increase in China of approximately $13.4 million, or 22.4%, the acquisition of the critical care division of Argon and sales in new modified direct markets in South Korea, Japan and India, as well as continued growth in direct markets added in 2016, namely Canada, Australia and Russia. The increase in our international sales during 2016 was primarily related to a year-over-year sales increase in China of approximately $9.2 million, or 18.2%, as well as sales in the new direct markets in Canada, Australia, and Russia.

Gross Profit. Our gross profit as a percentage of sales was 44.8%, 43.9%, and 43.5% in 2017, 2016 and 2015, respectively. The increase in gross margin for 2017, as compared to 2016, was primarily related to changes in product mix and increased efficiencies gained from our operations team. The increase in gross margin for 2016, as compared to 2015 was primarily related to our increased focus on higher margin products and the suspension of the medical device tax in the United States, which was partially offset by increased amortization as part of the DFINE acquisition.

Selling, General and Administrative Expenses. Our selling, general and administrative expenses increased approximately $44.7 million, or 24.3%, in 2017 compared to 2016 and $28.1 million, or 17.9%, in 2016 compared to 2015. Selling, general and administrative expenses as a percentage of sales were 31.5%, 30.5%, and 28.8% in 2017, 2016 and 2015, respectively.

The increase in selling, general, and administrative expenses for the year ended December 31, 2017 compared to the year ended December 31, 2016 was primarily related to legal expenses of approximately $12.6 million incurred in responding to the pending subpoena from the U.S. Department of Justice, $6.6 million of acquisition and integration-related costs, increased headcount, increased amortization, and foreign market expansion.

The increase in selling, general, and administrative expenses for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily related to headcount additions, $1.0 million of expenses incurred in responding to an inquiry from the U.S. Department of Justice, $4.5 million of acquisition and integration-related costs and $10.3 million of severance costs primarily related to the DFINE acquisition, which were partially offset by a decrease in our foreign-currency-based expenses of approximately $1.6 million due to fluctuations in the exchange rates between the U.S. Dollar and various foreign currencies.

Research and Development Expenses. Research and development ("R&D") expenses increased by $6.2 million or 13.7% to approximately $51.4 million in 2017, compared to approximately $45.2 million in 2016. The increase in R&D expenses for the year ended December 31, 2017 was largely due to hiring additional research and development personnel to support various new core and acquired product developments. Research and development expenses increased by 10.8% to approximately $45.2 million in 2016, compared to approximately $40.8 million in 2015. The increase in R&D expenses for the year ended December 31, 2016 was largely due to hiring of additional research and development personnel to support various new product developments. Our research and development expenses as a percentage of sales were 7.1%, 7.5% and 7.5% for 2017, 2016, and 2015, respectively. We have a pipeline of new products, and we believe that we have an effective level of capabilities and expertise to continue the flow of new, internally developed products into the foreseeable future with average gross margins that are higher than our historical gross margins.

In addition, during the years ended December 31, 2017, 2016 and 2015 we incurred in-process research and development charges of approximately $12.1 million, $0.5 million and $1.0 million, respectively. The increase in our in-process research and development charges for the year ended December 31, 2017 was primarily driven by the acquisition

of IntelliMedical and its intellectual property rights associated with a steerable guidewire system as discussed in Note 2 of the notes to our consolidated financial statements.

Our operating profits by business segment for the years ended December 31, 2017, 2016 and 2015 were as follows (in thousands):

	2017	2016	2015
Operating Income [1]			
Cardiovascular	$ 24,819	$ 30,053	$ 34,052
Endoscopy	8,250	4,823	3,491
Total operating income	$ 33,069	$ 34,876	$ 37,543

(1) Operating income has been adjusted from earlier reported amounts in 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 2017.

Cardiovascular Operating Income. Our cardiovascular operating income for the year ended December 31, 2017 was approximately $24.8 million, compared to operating income of approximately $30.1 million for the year ended December 31, 2016. This decrease in cardiovascular operating income was primarily related to legal expenses of approximately $12.6 million incurred in responding to the pending subpoena from the U.S. Department of Justice, $6.6 million of acquisition and integration-related costs, increased headcount, increased amortization, and foreign market expansion. Our cardiovascular operating income for the year ended December 31, 2016 was approximately $30.1 million, compared to operating income of approximately $34.1 million for the year ended December 31, 2015. This decrease was primarily related to headcount additions, $1.0 million of expenses incurred in responding to an inquiry from the U.S. Department of Justice, $4.5 million of acquisition and integration-related costs and $10.3 million of severance costs primarily related to the DFINE acquisition, which were partially offset by a decrease in our foreign-currency-based expenses of approximately $1.6 million due to fluctuations in the exchange rates between the U.S. Dollar and various foreign currencies.

Endoscopy Operating Income. Our endoscopy operating income for the year ended December 31, 2017 was approximately $8.3 million, compared to approximately $4.8 million for the year ended December 31, 2016. This increase was primarily the result of higher sales, improved gross margins, and lower SG&A expenses as a percentage of sales. Our endoscopy operating income for the year ended December 31, 2016 was approximately $4.8 million, compared to approximately $3.5 million for the year ended December 31, 2015. This increase was primarily the result of higher sales, improved gross margins, and lower SG&A expenses as a percentage of sales, partially offset by increased R&D expenses as a percentage of sales.

Effective Tax Rate. Our effective income tax rate for 2017, 2016 and 2015 was 23.3%, 20.7%, and 23.7%, respectively. On December 22, 2017, the U.S. government enacted the TCJA, which significantly revises the U.S. corporate tax by, among other things, lowering the corporate tax rates and imposing a one-time repatriation tax on deemed repatriated earnings of foreign subsidiaries (“transition tax”). The increase in the effective income tax rate for 2017 compared to 2016 was primarily the result of increased tax expense due to the transition tax, partially offset by the favorable impact of the reduced tax rate on our net deferred tax liabilities. The decrease in the effective tax rate for 2016 compared to 2015 was due primarily to a higher mix of earnings from our foreign operations, primarily Ireland where the statutory rate is 12.5% compared to the U.S. federal rate of 35%.

Other Income (Expense). Our other income (expense) for the years ended December 31, 2017, 2016 and 2015 was approximately $2.8 million, $(9.5) million, and $(6.3) million, respectively. The change in other income (expense) for 2017 over 2016 was principally the result of a gain on bargain purchase related to the acquisition of the Argon critical care division of approximately $11.0 million. The increase in other expense for 2016 over 2015 was principally the result of increased interest expense related to higher debt balances as a result of our acquisition of DFINE, as well as losses on fluctuations in foreign exchange rates.

Net Income. Our net income for 2017, 2016 and 2015 was approximately $27.5 million, $20.1 million, and $23.8 million, respectively. The increase in net income for 2017, when compared to 2016, was primarily due to increased sales, gross margin improvement and the gain on bargain purchase of approximately $11.0 million related to the acquisition of the Argon critical care division, which was partially offset by the acquired in-process research and development expenses of approximately $12.1 million attributable to the IntelliMedical acquisition, approximately $12.6 million of legal expenses incurred in responding to the pending subpoena from the U.S. Department of Justice, and approximately $6.6 million of acquisition and integration-related costs. The decrease in net income for 2016, when compared to 2015, was primarily due

to acquisition and severance costs, as well as increased interest expense related to higher debt balances related to the DFINE acquisition, which were partially offset by a higher gross margin percentage and a lower effective tax rate.

Total Assets. Total assets utilized in our cardiovascular segment were approximately $1.10 billion as of December 31, 2017, compared to approximately $932.9 million as of December 31, 2016 and approximately $768.0 million as of December 31, 2015. Total assets utilized in our endoscopy segment were approximately $8.0 million as of December 31, 2017, compared to approximately $9.9 million as of December 31, 2016 and approximately $10.8 million as of December 31, 2015.

Off-Balance Sheet Arrangements. We do not have any off-balance sheet arrangements that have had, or are reasonably likely in the future to have, an effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Liquidity and Capital Resources

Capital Commitments and Contractual Obligations

The following table summarizes our capital commitments and contractual obligations as of December 31, 2017, as well as the future periods in which such payments are currently anticipated to become due:

	Payment due by period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 278,959	$ 19,459	$ 32,500	$ 227,000	$ —
Interest on long-term debt [(1)]	38,846	10,783	22,043	6,020	—
Operating leases	104,043	12,293	20,544	13,995	57,211
Royalty obligations	3,728	284	774	605	2,065
Total contractual cash	$ 425,576	$ 42,819	$ 75,861	$ 247,620	$ 59,276

[(1)] Interest payments on our variable long-term debt were forecasted using the LIBOR forward curves plus a base of 1.25% based on the terms of our Second Amended Credit Agreement. Interest payments on a portion of our long-term debt were forecasted using a fixed rate of 2.365% as a result of our interest rate swap (see Note 8 to our consolidated financial statements set forth in Item 8 of this report).

As of December 31, 2017, we had approximately $11.0 million of contingent consideration liabilities, $2.7 million of unrecognized tax positions, and $11.2 million of deferred compensation payable that have been recognized as liabilities that have not been included in the contractual obligations table due to uncertainty as to when such amounts may be settled.

Additional information regarding our capital commitments and contractual obligations, including royalty payments, is contained in Notes 7 and 9 to our consolidated financial statements set forth in Item 8 below.

Cash Flows

At December 31, 2017 and 2016, we had cash and cash equivalents of approximately $32.3 million and $19.2 million respectively, of which approximately $30.4 million and $18.4 million, respectively, were held by foreign subsidiaries. The TCJA one-time repatriation tax liability effectively taxes the undistributed earnings previously deferred from U.S. income taxes. The Company has not provided for foreign withholding tax on the undistributed earnings from our non-U.S. subsidiaries because such earnings are considered to be indefinitely reinvested. The cash held by our foreign subsidiaries for indefinite reinvestment is used to fund the operating activities of our foreign subsidiaries and for further investment in foreign operations.

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 December 31, 2017 and 2016, we had cash and cash equivalents of approximately $13.1 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 years ended December 31, 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 December 31, 2017, 2016 and 2015 was approximately $200.5 million, $155.1 million and $116.1 million, respectively. The increase in working capital as of December 31, 2017 compared to December 31, 2016 was primarily the result of increases in cash, trade receivables and inventories, which were partially offset by an increase in accrued expenses and the current portion of long-term debt. The increase in working capital as of December 31, 2016 compared to December 31, 2015 was primarily the result of increases in cash, trade receivables and inventories, as well as a decrease in trade payables,

which were partially offset by an increase in accrued expenses. As of December 31, 2017 and 2016, we had a current ratio of 2.73 to 1 and 2.76 to 1, respectively.

During the year ended December 31, 2017, our inventory balance increased approximately $34.6 million, from approximately $120.7 million as of December 31, 2016 to approximately $155.3 million as of December 31, 2017. The increase in the inventory balance was due to several factors, including acquisitions, increased sales, and the opening of new modified direct sales markets in South Korea, India, and Japan. During the year ended December 31, 2016, our inventory balance increased approximately $14.7 million, from approximately $106.0 million at December 31, 2015 to approximately $120.7 million at December 31, 2016. The increase in the inventory balance was due to several factors, including increased sales, the acquisition of DFINE and the opening of new direct-sales markets in Canada, Australia, and Russia. The trailing twelve month inventory turns for the period ended December 31, 2017 was 2.91, compared to 2.99 for the twelve-month period ended December 31, 2016.

Cash flows provided by (used in) financing activities. Cash provided by financing activities for the year ended December 31, 2017 was approximately $96.5 million compared to approximately $121.1 million for the year ended December 31, 2016, a decrease of approximately $24.6 million. The decrease in net cash provided from financing activities was primarily the result of a decrease in the proceeds from the issuance of long-term debt, which was partially offset by our public equity offering of 5,175,000 shares of common stock from which 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.

Cash provided by financing activities for the year ended December 31, 2016 was approximately $121.1 million, compared to cash used in financing actives of approximately $(10.2) million for the year ended December 31, 2015, a change of approximately $131.3 million. This change was primarily the result of increased debt financing related to acquisitions, principally our acquisitions of DFINE and the HeRO Graft device and other related assets, as well as reduced proceeds from the issuance of common stock, during the year ended December 31, 2016, compared to the year ended December 31, 2015.

The Second Amended Credit Agreement provides for a term loan of $150 million and a revolving credit commitment up to an aggregate amount of $375 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)	$—
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 certain 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 December 31, 2017, we believe we were in compliance with all covenants set forth in the Second Amended Credit Agreement.

As of December 31, 2017, we had outstanding borrowings of approximately $272.0 million under the Second Amended Credit Agreement, with available borrowings of approximately $188.0 million, based on the leverage ratio required pursuant to the Second Amended Credit Agreement. Our interest rate as of December 31, 2017 was a fixed rate of 2.68% on $175.0 million as a result of an interest rate swap (see Note 8) and a variable floating rate of 2.82% on $97.0 million. Our interest rate as of December 31, 2016 was a fixed rate of 3.12% on $45.0 million and 2.98% on $130.0 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 year ended December 31, 2017 was approximately $146.8 million compared to approximately $159.1 million for the year ended December 31, 2016, a decrease of approximately $12.3 million. This decrease was primarily a result of a decrease of approximately $19.6 million in net cash paid for acquisitions during the year ended December 31, 2017, compared to the year ended December 31, 2016 (see Note 2), partially offset by a $5.8 million increase in capital expenditures for property and equipment.

Our cash flow used in investing activities for the year ended December 31, 2016 was approximately $159.1 million, compared to approximately $62.0 million for the year ended December 31, 2015, an increase of approximately $97.1 million. This increase was primarily a result of more cash paid for acquisitions during the year ended December 31, 2016, compared to the year ended December 31, 2015, principally the cash paid in the acquisitions of DFINE and the HeRO Graft device (see Note 2 of the notes to our consolidated financial statements).

Capital expenditures for property and equipment were approximately $38.6 million, $32.8 million, and $51.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. Historically, we have incurred significant expenses in connection with facility construction, production automation, product development and the introduction of new products. We anticipate that we will spend approximately $50 to $55 million in 2018 for buildings, property and equipment.

We currently believe that our existing cash balances, anticipated future cash flows from operations 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. 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.

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. Our management reviews on a quarterly basis 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, 2017, 2016 and 2015, we recorded obsolescence expense of approximately $6.1 million, $3.9 million, and $2.8 million, respectively, and wrote off approximately $2.9 million, $2.8 million, and $2.5 million, respectively. Based on this historical trend, we believe that our inventory balances as of December 31, 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. and international distributors, as well as 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.

Valuation of Goodwill, Intangible Assets and Contingent Consideration. We allocate any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination to goodwill. 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 subject to amortization 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. In-process technology intangible assets, which are not subject to amortization until projects reach commercialization, are assessed for impairment at least annually and more frequently if events occur that would indicate a potential reduction in the fair value of the assets below their carrying value. During the fourth quarter of 2017, we compared the carrying value of the amortizing intangible assets acquired in our July 2015 acquisition of certain assets from Distal Access, LLC to the undiscounted cash flows expected to result from the asset group and determined that the carrying amount was not recoverable. We then determined the fair value of the amortizing assets related to the Distal Access acquisition based on estimated future cash flows discounted back to their present value using a discount rate that reflects the risk profiles of the underlying activities. Some of the factors that influenced our estimated cash flows were slower than anticipated sales growth in the products acquired from our Distal Access acquisition and uncertainty about future sales growth. The excess of the carrying value compared to the fair value was recognized as an intangible asset impairment charge. We recorded an impairment charge for Distal Access of approximately $809,000.

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 7A. Quantitative and Qualitative Disclosures About Market 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), South Korean Won (KRW), and Japanese Yen (JPY), among others. Our consolidated financial statements are denominated in, and our principal currency is, the U.S. Dollar. For the year ended December 31, 2017, a portion of our net sales (approximately $215.8 million, representing approximately 29.7% 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, changes in the Euro, and in particular a strengthening of the U.S. Dollar against the Euro, will positively affect our operating income. A strengthening U.S. dollar against the Euro of 10% would increase operating income by approximately $3.2 million dollars. Conversely, a weakening U.S. dollar against the Euro of 10% would decrease operating income by approximately $3.9 million dollars. A strengthening U.S. dollar against the Chinese Renminbi of 10% would decrease operating income by approximately $5.2 million dollars. Conversely, a weakening U.S. dollar against the Chinese Renminbi of 10% would increase operating income by approximately $6.3 million dollars. During the year ended December 31, 2017, exchange rate fluctuations of foreign currencies against the U.S. Dollar resulted in an increase in our gross revenues of approximately $0.6 million, or 0.1%, primarily as a result of favorable impacts due to sales denominated in EUR and BRL, partially offset by unfavorable impacts due to sales denominated in CNY. During the year ended December 31, 2017, exchange rate fluctuations of foreign currencies against the U.S. Dollar also resulted in a decrease in gross margin of approximately $0.4 million, or 0.1% (or approximately 10 basis points in gross margin percentage), primarily as a result of unfavorable impacts from EUR fluctuations related to manufacturing costs from our facilities in Europe denominated in EUR, partially offset by favorable impacts due to MXN fluctuations on our manufacturing costs from our facility in Tijuana, Mexico denominated in MXN.

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 December 31, 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
Australian Dollar	AUD	5,600
Brazilian Real	BRL	8,500
Canadian Dollar	CAD	2,076
Swiss Franc	CHF	242
Chinese Renminbi	CNY	22,990
Danish Krone	DKK	1,881
Euro	EUR	23,333
British Pound	GBP	1,868
Hong Kong Dollar	HKD	11,000
Japanese Yen	JPY	178,500
Korean Won	KRW	1,800,000
Mexican Peso	MXN	17,540
Swedish Krona	SEK	4,775
Singapore Dollar	SGD	5,023

We also forecast our net exposure related to sales and expenses denominated in foreign currencies. As of December 31, 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
Canadian Dollar	CAD	2,310
Swiss Franc	CHF	1,375
Chinese Renminbi	CNY	45,000
Danish Krone	DKK	14,470
Euro	EUR	9,165
British Pound	GBP	3,625
Mexican Peso	MXN	95,075
Swedish Krona	SEK	16,330

See Note 8 to our consolidated financial statements for a discussion of our foreign currency forward contracts.

As discussed in Note 7 to our consolidated financial statements set forth in Item 8 of this report, as of December 31, 2017, we had outstanding borrowings of approximately $272 million under the Second Amended Credit Agreement. Accordingly, our earnings and after-tax cash flow are affected by changes in interest rates. On August 5, 2016, we entered into a pay-fixed, receive-variable interest rate swap with Wells Fargo, which as of December 31, 2017 had a notional amount of $175 million, to fix the one-month LIBOR rate at 1.12%. 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 $1.0 million 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 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Merit Medical Systems, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Merit Medical Systems, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Salt Lake City, Utah
March 1, 2018
We have served as the Company's auditor since 1988.

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

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 32,336	$ 19,171
Trade receivables — net of allowance for uncollectible accounts — 2017 — $1,769 and 2016 — $1,587	105,536	80,521
Other receivables	9,429	5,643
Inventories	155,288	120,695
Prepaid expenses and other assets	9,096	6,226
Prepaid income taxes	3,225	2,525
Deferred income tax assets	—	8,219
Income tax refund receivables	1,211	423
Total current assets	316,121	243,423
PROPERTY AND EQUIPMENT:		
Land and land improvements	19,877	19,379
Buildings	147,356	139,119
Manufacturing equipment	197,651	178,110
Furniture and fixtures	49,528	43,433
Leasehold improvements	31,161	30,413
Construction-in-progress	32,896	28,180
Total property and equipment	478,469	438,634
Less accumulated depreciation	(185,649)	(162,061)
Property and equipment — net	292,820	276,573
OTHER ASSETS:		
Intangible assets:		
Developed technology — net of accumulated amortization — 2017 — $72,420 and 2016 — $52,843	167,771	135,358
Other — net of accumulated amortization — 2017 — $38,127 and 2016 — $30,048	59,553	47,339
Goodwill	238,147	211,927
Deferred income tax assets	2,359	171
Other assets	35,040	28,012
Total other assets	502,870	422,807
TOTAL	$ 1,111,811	$ 942,803

See notes to consolidated financial statements.

(continued)

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

	2017	2016
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 34,931	$ 30,619
Accrued expenses	58,932	45,519
Current portion of long-term debt	19,459	10,000
Income taxes payable	2,298	2,193
Total current liabilities	115,620	88,331
LONG-TERM DEBT	259,013	314,373
DEFERRED INCOME TAX LIABILITIES	23,289	25,981
LONG-TERM INCOME TAXES PAYABLE	4,846	—
LIABILITIES RELATED TO UNRECOGNIZED TAX BENEFITS	2,746	438
DEFERRED COMPENSATION PAYABLE	11,181	9,211
DEFERRED CREDITS	2,403	2,550
OTHER LONG-TERM OBLIGATIONS	16,379	3,730
Total liabilities	435,477	444,614
COMMITMENTS AND CONTINGENCIES (Notes 2, 7, 8, and 9)		
STOCKHOLDERS' EQUITY:		
Preferred stock — 5,000 shares authorized as of December 31, 2017 and 2016; no shares issued	—	—
Common stock, no par value; shares authorized — 2017 and 2016 - 100,000; issued and outstanding as of December 31, 2017 - 50,248 and December 31, 2016 - 44,645	353,392	206,186
Retained earnings	321,408	293,885
Accumulated other comprehensive income (loss)	1,534	(1,882)
Total stockholders' equity	676,334	498,189
TOTAL	$ 1,111,811	$ 942,803

See notes to consolidated financial statements. (concluded)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands, except per share amounts)

	2017	2016	2015
NET SALES	$ 727,852	$ 603,838	$ 542,149
COST OF SALES	401,599	338,813	306,368
GROSS PROFIT	326,253	265,025	235,781
OPERATING EXPENSES:			
Selling, general and administrative	229,134	184,398	156,348
Research and development	51,403	45,229	40,810
Intangible asset impairment charges	809	—	—
Contingent consideration expense (benefit)	(298)	61	80
Acquired in-process research and development	12,136	461	1,000
Total operating expenses	293,184	230,149	198,238
INCOME FROM OPERATIONS	33,069	34,876	37,543
OTHER INCOME (EXPENSE):			
Interest income	381	81	272
Interest expense	(7,736)	(8,798)	(6,229)
Gain on bargain purchase	11,039	—	—
Other income (expense) - net	(872)	(773)	(386)
Other income (expense) — net	2,812	(9,490)	(6,343)
INCOME BEFORE INCOME TAXES	35,881	25,386	31,200
INCOME TAX EXPENSE	8,358	5,265	7,398
NET INCOME	$ 27,523	$ 20,121	$ 23,802
EARNINGS PER COMMON SHARE:			
Basic	$ 0.56	$ 0.45	$ 0.54
Diluted	$ 0.55	$ 0.45	$ 0.53
AVERAGE COMMON SHARES:			
Basic	48,805	44,408	44,036
Diluted	50,101	44,862	44,511

See notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
Net income	$ 27,523	$ 20,121	$ 23,802
Other comprehensive income (loss):			
Cash flow hedges	901	4,784	(571)
Less income tax benefit (expense)	(350)	(1,861)	222
Foreign currency translation adjustment	3,117	878	(3,037)
Less income tax benefit (expense)	(252)	(196)	311
Total other comprehensive income (loss)	3,416	3,605	(3,075)
Total comprehensive income	$ 30,939	$ 23,726	$ 20,727

See notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands)

		Common Stock		Retained	Accumulated Other Comprehensive
	Total	Shares	Amount	Earnings	Income (Loss)
BALANCE — January 1, 2015	$ 435,259	43,614	$ 187,709	$ 249,962	$ (2,412)
Net income	23,802			23,802	
Other comprehensive loss	(3,075)				(3,075)
Excess tax benefits from stock-based compensation	2,124		2,124		
Stock-based compensation expense	2,243		2,243		
Options exercised	10,029	858	10,029		
Issuance of common stock under Employee Stock Purchase Plans	441	23	441		
Shares surrendered in exchange for payment of payroll tax liabilities	(918)	(43)	(918)		
Shares surrendered in exchange for exercise of stock options	(3,802)	(185)	(3,802)		
BALANCE — December 31, 2015	466,103	44,267	197,826	273,764	(5,487)
Net income	20,121			20,121	
Other comprehensive income	3,605				3,605
Excess tax benefits from stock-based compensation	669		669		
Stock-based compensation expense	2,506		2,506		
Options exercised	4,923	362	4,923		
Issuance of common stock under Employee Stock Purchase Plans	694	34	694		
Shares surrendered in exchange for payment of payroll tax liabilities	(86)	(4)	(86)		
Shares surrendered in exchange for exercise of stock options	(346)	(14)	(346)		
BALANCE — December 31, 2016	498,189	44,645	206,186	293,885	(1,882)
Net income	27,523			27,523	
Other comprehensive income	3,416				3,416
Stock-based compensation expense	4,075		4,075		
Options exercised	5,689	404	5,689		
Issuance of common stock under Employee Stock Purchase Plans	836	24	836		
Issuance of common stock, net of offering costs	136,606	5,175	136,606		
BALANCE — December 31, 2017	$ 676,334	50,248	$ 353,392	$ 321,408	$ 1,534

See notes to consolidated financial statements.

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 27,523	$ 20,121	$ 23,802
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	53,582	43,755	37,425
Gain on bargain purchase	(11,039)	—	—
Losses (gains) on sales and/or abandonment of property and equipment	427	530	(23)
Write-off of patents and intangible assets	988	101	141
Acquired in-process research and development	12,136	461	1,000
Amortization of deferred credits	(147)	(170)	(171)
Amortization of long-term debt issuance costs	685	952	987
Deferred income taxes	(1,304)	(962)	3,450
Excess tax benefits from stock-based compensation	—	(669)	(2,124)
Stock-based compensation expense	4,075	2,506	2,243
Changes in operating assets and liabilities, net of effects from acquisitions:			
Trade receivables	(12,844)	(6,816)	(5,872)
Other receivables	(3,557)	1,161	335
Inventories	(17,834)	(3,656)	(13,113)
Prepaid expenses and other current assets	(1,236)	271	(696)
Prepaid income taxes	(611)	404	(1,788)
Income tax refund receivables	(588)	406	(784)
Other assets	(3,735)	(3,763)	(362)
Trade payables	417	(6,835)	14,766
Accrued expenses	6,461	3,242	5,873
Income taxes payable	21	1,451	2,199
Long-term income taxes payable	4,846	—	—
Liabilities related to unrecognized tax benefits	(19)	597	536
Deferred compensation payable	1,970	712	(135)
Other long-term obligations	2,510	(200)	1,769
Total adjustments	35,204	33,478	45,656
Net cash provided by operating activities	62,727	53,599	69,458
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures for:			
Property and equipment	(38,623)	(32,837)	(50,959)
Intangible assets	(2,577)	(2,217)	(1,956)
Proceeds from sale-leaseback transactions	—	—	2,017
Proceeds from sale of cost method investment	—	1,089	—
Proceeds from the sale of property and equipment	21	19	1,247
Cash paid in acquisitions, net of cash acquired	(105,582)	(125,161)	(12,368)
Net cash used in investing activities	(146,761)	(159,107)	(62,019)

See notes to consolidated financial statements.

(continued)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	$ 143,810	$ 5,271	$ 6,668
Offering costs	(816)	—	—
Proceeds from issuance of long-term debt	197,214	219,505	152,375
Payments on long-term debt	(243,214)	(102,098)	(169,272)
Excess tax benefits from stock-based compensation	—	669	2,124
Long-term debt issuance costs	(416)	(1,948)	—
Contingent payments related to acquisitions	(61)	(218)	(1,212)
Payment of taxes related to an exchange of common stock	—	(86)	(918)
Net cash provided by (used in) financing activities	96,517	121,095	(10,235)
EFFECT OF EXCHANGE RATES ON CASH	682	(593)	(382)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,165	14,994	(3,178)
CASH AND CASH EQUIVALENTS:			
Beginning of year	19,171	4,177	7,355
End of year	$ 32,336	$ 19,171	$ 4,177
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest (net of capitalized interest of $513, $460 and $325, respectively)	$ 7,707	$ 8,872	$ 6,273
Income taxes	$ 6,049	$ 2,318	$ 3,409
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Property and equipment purchases in accounts payable	$ 1,992	$ 2,398	$ 3,199
Cost method investment converted to intangible asset in acquisition in lieu of additional cash payment	$ —	$ —	$ 1,010
Contingent receivable in exchange for sale of cost method investment	$ —	$ 711	$ —
Receivable for issuance of common stock associated with option exercises	$ 137	$ —	$ —
Acquisition purchases in accrued expenses and other long-term obligations	$ 10,488	$ —	$ 1,300
Merit common stock surrendered (0, 14 and 185 shares, respectively) in exchange for exercise of stock options	$ —	$ 346	$ 3,802

See notes to consolidated financial statements.

(concluded)

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Merit Medical Systems, Inc. (“Merit,” “we,” or “us”) designs, develops, manufactures and markets single-use medical products for interventional and diagnostic procedures. For financial reporting purposes, 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, electrophysiology, critical care, 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. Within those two operating segments, we offer products focused in five core product groups: peripheral intervention, cardiac intervention, interventional oncology and spine, cardiovascular and critical care, and endoscopy.

We manufacture our products in plants located in the United States, Mexico, The Netherlands, Ireland, France, Brazil, Australia, and Singapore. We export sales to dealers and have direct or modified direct sales forces in the United States, Canada, Western Europe, Australia, Brazil, Russia, Japan, China, Malaysia, South Korea, UAE and India (see Note 12). Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The following is a summary of the more significant of such policies.

Use of Estimates in Preparing Financial Statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications. Certain prior period amounts were reclassified to conform to the current period presentation. The consolidated balance sheet previously presented employee receivables and advances from employees which are now presented as components of other receivables and accrued expenses, respectively. The reclassifications provide a more concise financial statement presentation and additional information is disclosed in the notes if material.

Principles of Consolidation. The consolidated financial statements include our wholly owned subsidiaries. Intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents. For purposes of the statements of cash flows, we consider interest bearing deposits with an original maturity date of three months or less to be cash equivalents.

Receivables. Trade accounts receivable are recorded at the net invoice value and are not interest bearing. An allowance for uncollectible accounts receivable is recorded based on our historical bad debt experience and on management’s evaluation of our ability to collect individual outstanding balances. Once collection efforts have been exhausted and a receivable is deemed to be uncollectible, such balance is charged against the allowance for uncollectible accounts.

Inventories. We value our inventories at the lower of cost, determined on a first-in, first-out method, 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 costs include material, labor and manufacturing overhead. We review inventories on hand at least quarterly and record provisions for estimated excess, slow moving and obsolete inventory, as well as inventory with a carrying value in excess of net realizable value. The regular and systematic inventory valuation reviews include a current assessment of future product demand, historical experience and product expiration.

Goodwill and Intangible Assets. We test goodwill balances for impairment on an annual basis as of July 1 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.

Finite-lived intangible assets including developed technology, customer lists, distribution agreements, license agreements, trademarks, covenants not to compete and patents are subject to amortization. Intangible assets are amortized over their estimated useful life on a straight-line basis, except for customer lists, which are generally amortized on an accelerated basis. Estimated useful lives are determined considering the period the assets are expected to contribute to future cash flows. We evaluate the recoverability of our finite-lived intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate impairment exists.

In-process technology intangible assets, which are not subject to amortization until projects reach commercialization, are assessed for impairment at least annually and more frequently if events occur that would indicate a potential reduction in the fair value of the assets below their carrying value. An impairment charge would be recognized to the extent the carrying amount of the in-process technology exceeded its fair value.

Long-Lived Assets. We periodically review the carrying amount of our depreciable long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is not considered recoverable, the asset is adjusted to its fair value. Fair value is generally determined based on discounted future cash flow.

Property and Equipment. Property and equipment is stated at the historical cost of construction or purchase. Construction costs include interest costs capitalized during construction. Maintenance and repairs of property and equipment are charged to operations as incurred. Leasehold improvements are amortized over the lesser of the base term of the lease or estimated life of the leasehold improvements. Construction-in-process consists of new buildings and various production equipment being constructed internally and externally. Assets in construction-in-process will commence depreciating once the asset has been placed in service. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Buildings	40 years
Manufacturing equipment	4 - 20 years
Furniture and fixtures	3 - 20 years
Land improvements	10 - 20 years
Leasehold improvements	4 - 25 years

Depreciation expense related to property and equipment for the years ended December 31, 2017, 2016 and 2015 was approximately $26.8 million, $24.5 million, and $22.6 million, respectively.

Deferred Compensation. We have a deferred compensation plan that permits certain management employees to defer a portion of their salary until the future. We established a Rabbi trust to finance obligations under the plan with corporate-owned variable life insurance contracts. The cash surrender value totaled approximately $11.7 million and $9.9 million at December 31, 2017 and 2016, respectively, which is included in other assets in our consolidated balance sheets. We have recorded a deferred compensation payable of approximately $11.2 million and $9.2 million at December 31, 2017 and 2016, respectively, to reflect the liability to our employees under this plan.

Other Assets. Other assets consist of our deferred compensation plan cash surrender value discussed above, unamortized issuance costs on revolving debt, investments in privately-held companies accounted for at cost, a long-term income tax refund receivable, deposits related to various leases, and the long-term assets related to derivatives.

Deferred Credits. Deferred credits consist of grant money received from the Irish government. Grant money is received for a percentage of expenditures on eligible property and equipment, specific research and development projects and costs of hiring and training employees. Amounts related to the acquisition of property and equipment are amortized as a reduction of depreciation expense over the lives of the corresponding property and equipment.

Revenue Recognition. We sell our single-use disposable medical products through a direct sales force in the U.S. and through OEM relationships, custom procedure tray manufacturers and a combination of direct sales force and independent distributors in international markets. Revenues from these customers are recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed or determinable and (iv) the ability to collect is reasonably assured. These criteria are generally satisfied at the time of shipment when risk of loss and title passes to the customer. We have certain written agreements with group purchasing organizations to sell our products to participating hospitals. These agreements have destination shipping terms which require us to defer the recognition of a sale until the product has arrived at the participating hospitals. We reserve for sales returns, including returns related to defective products, as a reduction in net sales, based on our historical experience. We also offer sales rebates and discounts to purchasing

groups. These reserves are recorded as a reduction in net sales and are not considered material to our consolidated statements of income for the years ended December 31, 2017, 2016 and 2015. In addition, we invoice our customers for taxes assessed by governmental authorities such as sales tax and value added taxes. We present these taxes on a net basis.

As noted further below, we do not expect our reported revenue to be affected materially in any period due to the adoption of Accounting Standards Codification ("ASC") Topic 606 because: (1) we expect to identify similar performance obligations under ASC Topic 606 as compared with deliverables and separate units of account previously identified; (2) we have determined the transaction price to be consistent; and (3) we record revenue at the same point in time, upon shipment or delivery under both ASC Topic 605 and ASC Topic 606, as applicable under the terms of the contract with the customer. Additionally, we do not expect the accounting for fulfillment costs or costs incurred to obtain a contract to be affected materially in any period due to the adoption of Topic 606.

Shipping and Handling. We bill our customers for shipping and handling charges, which are included in net sales for the applicable period, and the corresponding shipping and handling expense is reported in cost of sales.

Cost of Sales. We include product costs (i.e. material, direct labor and overhead costs), shipping and handling expense, product royalty expense, developed technology amortization expense, production-related depreciation expense and product license agreement expense in cost of sales.

Research and Development. Research and development costs are expensed as incurred.

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.

Earnings per Common Share. Net income per common share is computed by both the basic method, which uses the weighted average number of our common shares outstanding, and the diluted method, which includes the dilutive common shares from stock options and warrants, as calculated using the treasury stock method.

Fair Value Measurements. The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined in the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.
Level 2: Observable market-based inputs or inputs that are corroborated by market data.
Level 3: Unobservable inputs that are not corroborated by market data.

Stock-Based Compensation. We recognize the fair value compensation cost relating to share-based payment transactions in accordance with ASC 718, *Compensation — Stock Compensation*. Under the provisions of ASC 718, share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized over the employee's requisite service period, which is generally the vesting period. The fair value of our stock options is estimated using a Black-Scholes option valuation model. Stock-based compensation expense for the years ended December 31, 2017, 2016 and 2015 was approximately $4.1 million, $2.5 million and $2.2 million, respectively.

Concentration of Credit Risk. Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. We provide credit, in the normal course of business, primarily to hospitals and independent third-party custom procedure tray manufacturers and distributors. We perform ongoing credit evaluations of our customers and maintain allowances for potential credit losses. Sales to our single largest customer accounted for approximately 2%, 3%, and 3% of net sales for the years ended December 31, 2017, 2016 and 2015, respectively.

Foreign Currency. The financial statements of our foreign subsidiaries are measured using local currencies as the functional currency, with the exception of our subsidiaries in Ireland and Mexico, which each use the U.S. Dollar as its functional currency. Assets and liabilities are translated into U.S. Dollars at year-end rates of exchange and results of operations are translated at average rates for the year. Gains and losses resulting from these translations are included in accumulated other comprehensive income (loss) as a separate component of stockholders' equity. Foreign currency transactions denominated in a currency other than the entity's functional currency are included in determining net income for the period.

Derivatives. We use forward contracts to mitigate our exposure to volatility in foreign exchange rates, and we use interest rate swaps to hedge changes in the benchmark interest rate related to our Second Amended Credit Agreement described in Note 7. All derivatives are recognized in the consolidated balance sheets at fair value. Classification of each hedging instrument is based upon whether the maturity of the instrument is less than or greater than 12 months. We do not purchase or hold derivative financial instruments for speculative or trading purposes (see Note 8).

Accumulated Other Comprehensive Income (Loss). As of December 31, 2017, accumulated other comprehensive income included approximately $3.5 million (net of tax of $(2.2) million) related to cash flow hedges and $(1.9) million (net of tax of $0) related to foreign currency translation. As of December 31, 2016, accumulated other comprehensive loss included approximately $2.9 million (net of tax of $(1.9) million) related to cash flow hedges and $(4.8) million (net of tax of $318,000) related to foreign currency translation.

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 year ended December 31, 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 assist entities 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 year ended December 31, 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 5).

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 year ended December 31, 2017.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which 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 year ended December 31, 2017.

Not Yet Adopted

In February 2018, the FASB issued ASU 2018-02, *Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted in December 2017. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We do not believe that the adoption of ASU 2018-02 will have a material impact on our consolidated financial statements.

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 became effective for us as of January 1, 2018. We do not believe 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 became effective for us on January 1, 2018. We do not believe 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 became effective for us on January 1, 2018. 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 believe the application 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 became 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 adopted this standard using the modified retrospective approach on January 1, 2018.

In preparation for adoption of the standard, we have implemented internal controls and 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.

We do not expect reported revenue to be affected materially in any period due to the adoption of ASC Topic 606 because: (1) we expect to identify similar performance obligations under ASC Topic 606 as compared with deliverables and separate units of account previously identified; (2) we have determined the transaction price to be consistent; and (3) we record revenue at the same point in time, upon shipment or delivery under both ASC Topic 605 and ASC Topic 606, as applicable under the terms of the contract with the customer. Additionally, we do not expect the accounting for fulfillment costs or costs incurred to obtain a contract to be affected materially in any period due to the adoption of Topic 606.

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 have evaluated our policies, processes, and control framework for revenue recognition, and identified and implemented the changes needed in response to the new guidance.

Lastly, 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. We have designed and implemented the appropriate controls over gathering and reporting the information as required under Topic 606, in order to support the expanded disclosure requirements.

All other issued and not yet effective accounting standards are not relevant to our financial statements.

2. ACQUISITIONS

On October 2, 2017 we acquired a custom procedure pack business located in Melbourne, Australia from ITL Healthcare Pty Ltd. ("ITL"), for an aggregate purchase price of $11.3 million. We accounted for this acquisition as a business combination. The following table summarizes the aggregate purchase price allocated to the assets acquired from ITL (in thousands):

Assets Acquired	
Trade receivables	$ 1,287
Other receivables	56
Inventories	1,808
Prepaid expenses and other assets	65
Property and equipment	1,053
Intangibles	
Customer lists	5,940
Goodwill	3,740
Total assets acquired	13,949
Liabilities Assumed	
Trade payables	(216)
Accrued expenses	(542)
Deferred tax liabilities	(1,901)
Total liabilities assumed	(2,659)
Total net assets acquired	$ 11,290

We are amortizing the customer list on an accelerated basis over seven years. Acquisition-related costs associated with the ITL 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 year ended December 31, 2017, our net sales of ITL products were approximately $3.3 million. It is not practical to separately report the earnings related to the ITL acquisition, as we cannot split out sales costs related solely to the products we acquired from ITL, principally because our sales representatives sell multiple products (including the products we acquired from ITL) in our cardiovascular business segment.

On September 1, 2017, we acquired intellectual property rights associated with a steerable guidewire system from IntelliMedical Technologies Pty. Ltd. ("IntelliMedical"). We made an initial payment of approximately $11.9 million in September 2017, and we are obligated to pay up to an additional A$15.0 million (Australian dollars) if certain milestones set forth in the share purchase agreement with IntelliMedical are achieved. 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 year ended December 31, 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 acquired from Laurane Medical S.A.S. ("Laurane") and its shareholders inventories and the intellectual property rights associated with certain 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 an 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):

Net Assets Acquired		
Inventories	$	594
Intangibles		
Developed technology		14,920
Customer list		120
Goodwill		6,366
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 acquired from Osseon LLC (“Osseon”) 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 assets 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 year ended December 31, 2017, our net sales of Osseon products were approximately $942,000. 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):

Net Assets Acquired		
Inventories	$	979
Property and equipment		58
Intangibles		
Developed technology		5,400
Customer list		200
Goodwill		203
Total net assets acquired	**$**	**6,840**

We are amortizing the developed technology intangible asset 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 December 31, 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 acquired from Lazarus Medical Technologies, LLC the patent rights and other intellectual property related to the Repositionable Chest Tube™ and related devices. As of December 31, 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 met. We are also required to pay royalties equal to 6% 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 terminated our distribution agreement with Sheen Man Co., Ltd. and Sugan Co, Ltd., ("Sugan"), a Japanese medical device distributor and entered into a business purchase agreement, distribution agreement and a supply agreement with Sugan. Pursuant to these agreements, we acquired the customer list Sugan used in the distribution of our products in Japan. The purchase price is recorded as a customer list intangible asset of approximately $1.2 million. 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 Allocation
Net Assets Acquired			
Intangibles			
Developed technology	$ 7,800	$ —	$ 7,800
In-process technology	850	70	920
Goodwill	4,323	(42)	4,281
Deferred tax liabilities	(3,073)	(28)	(3,101)
Total net assets acquired	$ 9,900	$ —	$ 9,900

(1) 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 impact to reported earnings in connection with these measurement period adjustments for the periods presented. 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 acquired 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 year ended December 31, 2017, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income, were approximately $2.6 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, 2017, our net sales of the Argon critical care products were approximately $41.2 million. It is not practical to separately report the earnings related to the Argon critical care 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 purchase price allocation for the Argon critical care 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 December 31, 2017:

	Preliminary Allocation	Adjustments [2]	Revised 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
Income tax refund receivable	—	165	165
Property and equipment	2,667	(348)	2,319
Deferred tax assets	184	18	202
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	(1,960)	29,570
Liabilities Assumed			
Trade payables	(2,306)	(108)	(2,414)
Accrued expenses	(5,083)	—	(5,083)
Income taxes payable	(2)	2	—
Deferred income tax liabilities	(999)	65	(934)
Total liabilities assumed	(8,390)	(41)	(8,431)
Total net assets acquired	23,140	(2,001)	21,139
Gain on bargain purchase [1]	(12,243)	1,204	(11,039)
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 $1.2 million since the bargain purchase gain was first presented in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017. We believe the reason for the 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) 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 impact to reported earnings in connection with these measurement period adjustments for the periods presented. 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 critical care 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.

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 year ended December 31, 2017, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income, were approximately $482,000. 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, 2017, our net sales of the products acquired from Catheter Connections were approximately $10.0 million. 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 Allocation
Assets Acquired			
Trade receivables	$ 952	$ 6	$ 958
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	1,377	8,989
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) 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 impact to reported earnings in connection with these measurement period adjustments for the periods presented. 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 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 December 19, 2016, we paid $5.0 million for 1,251,878 shares of common stock and a distribution agreement with Bluegrass Vascular Technologies, Inc. ("Bluegrass"). The common stock, which represents an ownership interest of approximately 19.5%, has been accounted for as a cost method investment of $4.0 million reflected within other assets in the accompanying consolidated balance sheets because we are not able to exercise significant influence over the operations of Bluegrass. The distribution agreement intangible asset was valued at $1.0 million and will be amortized over a period of three years.

On July 6, 2016, we acquired all of 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 ("VCF") 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. 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 impact to reported earnings in connection with these measurement period adjustments.

Acquisition-related costs during the year ended December 31, 2016, which are included in selling, general, and administrative expenses in the accompanying consolidated statements of income, 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 years ended December 31, 2017 and 2016, our net sales of DFINE products were approximately $27.0 million and $13.5 million, respectively. It is not practical to separately report the earnings related to the DFINE acquisition, as we cannot split out sales costs related to

DFINE products, principally because our sales representatives are selling 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

The gross amount of trade receivables we acquired in the acquisition was approximately $4.3 million, of which approximately $224,000 was expected to be uncollectible or returned. 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 10 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 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 years ended December 31, 2017 and 2016, our net sales of the products acquired from CryoLife were approximately $8.6 million and $7.1 million, respectively. It is not practical to separately report the earnings related to the products acquired from CryoLife, as we cannot split out sales costs related to those products, principally because our sales representatives are selling multiple products (including the HeRO Graft device) in the cardiovascular business segment.

During 2016, we paid approximately $3.0 million for 3,000,000 preferred limited liability company units of Cagent Vascular, LLC, a medical device company ("Cagent"), which represents a current ownership interest of approximately 18.1% and has been accounted for as a cost method investment reflected within other assets in the accompanying consolidated balance sheets because we are not able to exercise significant influence over the operations of Cagent.

On December 4, 2015, we entered into a license agreement with ArraVasc Limited, an Irish medical device company, for the right to manufacture and sell certain percutaneous transluminal angioplasty balloon catheter products. As of December 31, 2016, we had paid $2 million in connection with the agreement. During the year ended December 31, 2017, we paid an additional $500,000. There are no additional payments due under this agreement. We accounted for the transaction as an asset purchase and are amortizing the license agreement intangible asset over a period of 12 years.

On September 29, 2015, we entered into a license agreement with Blockade Medical, LLC, a Delaware limited liability company ("Blockade"), for rights to manufacture, market and sell a set of endovascular embolization products. As part of the agreement, we paid $1.7 million during the year ended December 31, 2015 and, in lieu of any additional payment, we converted the cost method investment in Blockade of $1.0 million we had previously recorded, toward the purchase price of the license. We recorded $2.7 million to a license agreement intangible asset, which we intend to amortize over 10 years.

On August 19, 2015, we purchased 116,279 shares of Series A Preferred Stock of Xablecath, Inc., a Delaware corporation ("Xablecath"), for an aggregate price of approximately $300,000. During the three months ended December 31, 2017, we paid $247,500 for 656,848 shares of Series B Preferred Stock of Xablecath. Our ownership interest in Xablecath is approximately 15.9% and is accounted for as a cost-method investment reflected within other assets in the accompanying consolidated balance sheets. Xablecath is developing an over-the-wire crossing catheter.

On July 17, 2015, we entered into an asset purchase agreement with LeMaitre Vascular, Inc., a Delaware corporation ("LeMaitre"), for rights to the Unballoon® non-occlusive modeling catheter. We accounted for the transaction as an asset purchase. The full purchase price of $400,000 was paid as of December 31, 2015, and the purchase price was recorded as a developed technology intangible asset, which we are amortizing over a period of 10 years.

On July 14, 2015, we entered into an asset purchase agreement with Quellent, LLC, a California limited liability company ("Quellent"), for superabsorbent pad technology. The purchase price for the asset was $1.0 million, payable in two installments. We accounted for this acquisition as a business combination. The first payment of $500,000 was paid as of December 31, 2015, and the second payment of $500,000 was recorded as an accrued liability as of December 31, 2015 and paid in the first quarter of 2016. We also recorded $270,000 of contingent consideration related to royalties payable to Quellent pursuant to the asset purchase agreement. The sales and results of operations related to this acquisition have been included in our cardiovascular segment since the acquisition date and were not material. The purchase price was allocated as follows: $1.21 million to a developed technology intangible asset and $60,000 to goodwill. We are amortizing the developed technology intangible asset over 13 years.

On July 1, 2015, we entered into an agreement with Catch Medical, LLC, a Utah limited liability company ("Catch Medical"), to purchase rights to a steerable snare. We expensed the full purchase price of $1.0 million to in-process research and development during the year ended December 31, 2015, because the initial costs of in-process research and development acquired in this asset purchase do not have an alternative future use. These costs include payments incurred prior to regulatory approval in connection with acquired research and development projects that provide rights to develop, manufacture, market and sell products. As of December 31, 2017, we have paid cash of $600,000, have a current liability recorded in accrued expenses of $200,000 for the payment that will be due in less than a year and have a long-term obligation of $200,000 recorded for the payments that will be due in over a year.

On July 1, 2015, we entered into a license agreement with Distal Access, LLC, a Utah limited liability company ("Distal"), for guidewire controller technology. We made a payment of $3.5 million upon the closing of the agreement during the year ended December 31, 2015. We accounted for this acquisition as an asset purchase. We recorded the purchase price to a license agreement intangible asset of $3.5 million, which we are amortizing over a period of six years.

On March 26, 2015, we entered into an asset purchase agreement with Teleflex Incorporated, a Delaware corporation ("Teleflex"). We accounted for the transaction as an asset purchase. During the year ended December 31, 2015, we paid $400,000 to acquire the asset, which we recorded as a customer list intangible asset. We paid an additional $400,000 in the year-ended December 31, 2016, which was recorded to the customer list intangible asset, because Teleflex met certain obligations under the agreement. There are no additional payments due under this agreement. We are amortizing the asset over a period of five years.

The following table summarizes our consolidated results of operations for the years ended December 31, 2017, 2016 and 2015, 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 common share amounts):

	2017		2016		2015	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net sales	$ 727,852	$ 730,612	$ 603,838	$ 664,366	$ 542,149	$ 575,541
Net income	27,523	17,419	20,121	23,068	23,802	3,135
Earnings per common share:						
Basic	$ 0.56	$ 0.36	$ 0.45	$ 0.52	$ 0.54	$ 0.07
Diluted	$ 0.55	$ 0.35	$ 0.45	$ 0.51	$ 0.53	$ 0.07

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 proforma consolidated results of operations do not include the ITL, Laurane, Osseon, VAT, Catheter Connections, HeRO Graft or Quellent acquisitions as we do not deem the pro forma effect of these transactions to be material.

The goodwill arising from the acquisitions discussed above consists largely of the synergies and economies of scale we hope to achieve from combining the acquired assets and operations with our historical operations (see Note 4). The goodwill recognized from certain acquisitions is expected to be deductible for income tax purposes.

3. INVENTORIES

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

	2017	2016
Finished goods	$ 86,555	$ 63,852
Work-in-process	12,799	11,008
Raw materials	55,934	45,835
Total	$ 155,288	$ 120,695

4. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016, are as follows (in thousands):

	2017	2016
Goodwill balance at January 1	$ 211,927	$ 184,472
Effect of foreign exchange	2,641	82
Additions as the result of acquisitions	23,579	27,373
Goodwill balance at December 31	$ 238,147	$ 211,927

As of December 31, 2017, we had recorded $8.3 million of accumulated goodwill impairment charges. All of the goodwill balance as of December 31, 2017 and 2016, is related to our cardiovascular segment.

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

	2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$ 16,528	$ (3,737)	$ 12,791
Distribution agreements	7,262	(4,686)	2,576
License agreements	23,783	(5,568)	18,215
Trademarks	16,224	(4,686)	11,538
Covenants not to compete	1,028	(968)	60
Customer lists	31,935	(18,482)	13,453
In-process technology	920	—	920
Total	$ 97,680	$ (38,127)	$ 59,553

	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 years ended December 31, 2017, 2016 and 2015 was approximately $26.8 million, $19.3 million and $14.8 million, respectively.

We evaluate long-lived assets, including amortizing intangible assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. We perform the impairment analysis at the asset group for which the lowest level of identifiable cash flows are largely independent of the cash flows of other assets and liabilities. During the fourth quarter of 2017, we compared the carrying value of the amortizing intangible assets acquired in our July 2015 acquisition of certain assets from Distal Access, LLC, all of which pertained to our cardiovascular segment, to the undiscounted cash flows expected to result from the asset group and determined that the carrying amount was not recoverable. We then determined the fair value of the amortizing assets related to the Distal Access acquisition based on estimated future cash flows discounted back to their present value using a discount rate that reflects the risk profiles of the underlying activities. Some of the factors that influenced our estimated cash flows were slower than anticipated sales growth in the products acquired from our Distal Access acquisition and uncertainty about future sales growth. The excess of the carrying value compared to the fair value was recognized as an intangible asset impairment charge. We recorded an impairment charge for Distal Access of approximately $809,000. We did not record any impairment charges during the years ended December 31, 2016 and 2015.

Estimated amortization expense for the developed technology and other intangible assets for the next five years consists of the following as of December 31, 2017 (in thousands):

Year Ending December 31		
2018	$	30,413
2019		29,787
2020		28,373
2021		21,001
2022		19,396

5. INCOME TAXES

On December 22, 2017, U.S. federal tax legislation, commonly referred to as the Tax Cuts and Jobs Act (“TCJA”) was signed into law. Significant provisions that have impacted (and will in the future impact) our effective tax rate include the reduction in the corporate tax rate from 35% to 21%, effective in 2018; a one-time deemed repatriation (“transition tax”) on earnings of certain foreign subsidiaries that were previously tax deferred; and new taxes on certain foreign sourced earnings. At December 31, 2017, we had not completed our accounting for the tax effects of the TCJA; however, in certain cases, as described below, we have made reasonable estimates of the effects on our existing deferred tax balances and impact of the one-time transition tax. In accordance with SEC Staff Accounting Bulletin 118 (“SAB 118”), income tax effects of the TCJA may be refined upon obtaining, preparing, and/or analyzing additional information during the measurement period and such changes could be material. During the measurement period, provisional amounts may also be adjusted for the effects, if any, of interpretative guidance issued after December 31, 2017, by U.S. regulatory and standard-setting bodies. For the items for which we were able to determine a reasonable estimate, we recognized the following provisional impacts.

- The reduction in the U.S. corporate tax rate resulted in a net tax benefit of approximately $8.4 million related to the revaluation of our U.S. net deferred tax liability. We are still analyzing certain aspects of the TCJA and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

- The transition tax resulted in a one-time tax expense of approximately $10.6 million. We have not yet completed our calculation of the total post-1986 foreign earnings and profits (“E&P”) for our foreign subsidiaries as E&P will not be finalized until the federal income tax return is filed.

The tax expense recognized represents our best estimate of the impact of the TCJA. During 2018, we will continue to refine the calculations related to both provisional amounts as we gain a more thorough understanding of the tax law and certain aspects of the TCJA are clarified by U.S. tax, regulatory, and standard-setting authorities.

For tax years beginning after December 31, 2017, the TCJA introduces new provisions of U.S. taxation of certain Global Intangible Low-Tax Income (“GILTI”). Due to its complexity and a current lack of guidance as to how to calculate the tax, we are not yet able to determine a reasonable estimate for the impact of the incremental tax liability. The FASB provided guidance that companies should make an accounting policy election to either treat taxes on GILTI as period costs or use the deferred method.

When additional analysis is complete and further guidance is available, we will make a policy election for how GILTI will be recorded.

Our non-U.S. earnings are currently considered as indefinitely reinvested overseas. Previously, any repatriation by way of a dividend may have been subject to both U.S. federal and state income taxes, as adjusted for any non-U.S. tax credits. Such dividends should not be subject to U.S. federal tax under the TCJA. We are still analyzing how the TCJA impacts our existing accounting position to indefinitely reinvest foreign earnings, and we have yet to determine whether we plan to change our position. We will record the tax effects of any change to our existing assertion in the period that we complete our analysis and make such a change. If such earnings were to be distributed, any foreign withholding taxes could be material.

For the years ended December 31, 2017, 2016 and 2015, income before income taxes is broken out between U.S. and foreign-sourced operations and consisted of the following (in thousands):

	2017	2016	2015
Domestic	$ 14,531	$ 6,174	$ 9,470
Foreign	21,350	19,212	21,730
Total	$ 35,881	$ 25,386	$ 31,200

The components of the provision for income taxes for the years ended December 31, 2017, 2016 and 2015, consisted of the following (in thousands):

	2017	2016	2015
Current expense (benefit):			
Federal	$ 3,849	$ 1,933	$ (17)
State	645	492	747
Foreign	5,168	3,802	3,218
Total current expense	9,662	6,227	3,948
Deferred expense (benefit):			
Federal	(314)	(144)	3,250
State	(216)	(195)	294
Foreign	(774)	(623)	(94)
Total deferred (benefit) expense	(1,304)	(962)	3,450
Total income tax expense	$ 8,358	$ 5,265	$ 7,398

The difference between the income tax expense reported and amounts computed by applying the statutory federal rate of 35.0% to pretax income for the years ended December 31, 2017, 2016 and 2015, consisted of the following (in thousands):

	2017	2016	2015
Computed federal income tax expense at statutory rate of 35%	$ 12,559	$ 8,885	$ 10,920
State income taxes	279	193	698
Tax credits	(1,377)	(1,164)	(1,019)
Production activity deduction	—	(53)	—
Foreign tax rate differential	(3,329)	(3,717)	(3,564)
Uncertain tax positions	(19)	597	536
Deferred compensation insurance assets	(479)	(307)	182
Transaction-related expenses	90	274	—
U.S. transition tax	10,612	—	—
TCJA remeasurement of deferred taxes	(8,383)	—	—
Share-based payments	(2,264)	—	—
Bargain purchase gain	(1,570)	—	—
In-process research and development	1,486	—	—
Other — including the effect of graduated rates	753	557	(355)
Total income tax expense	$ 8,358	$ 5,265	$ 7,398

Deferred income tax assets and liabilities at December 31, 2017 and 2016, consisted of the following temporary differences and carry-forward items (in thousands):

	2017	2016
Deferred income tax assets:		
Allowance for uncollectible accounts receivable	$ 467	$ 645
Accrued compensation expense	5,154	6,203
Inventory differences	2,505	1,065
Net operating loss carryforwards	15,741	27,742
Deferred revenue	58	73
Stock-based compensation expense	2,281	2,738
Federal research and development credit carryforward	—	3,524
Foreign tax credits	—	364
Other	8,986	6,984
Total deferred income tax assets	35,192	49,338
Deferred income tax liabilities:		
Prepaid expenses	(930)	(782)
Property and equipment	(20,352)	(25,108)
Intangible assets	(28,588)	(35,773)
Other	(1,830)	(1,480)
Total deferred income tax liabilities	(51,700)	(63,143)
Valuation allowance	(4,422)	(3,786)
Net deferred income tax assets (liabilities)	$ (20,930)	$ (17,591)
Reported as:		
Deferred income tax assets - Current	$ —	$ 8,219
Deferred income tax assets - Long-term	2,359	171
Deferred income tax liabilities - Long-term	(23,289)	(25,981)
Net deferred income tax liabilities	$ (20,930)	$ (17,591)

The long-term deferred income tax balances are not netted as they represent deferred amounts applicable to different taxing jurisdictions. Deferred income tax balances reflect the temporary differences between the carrying amounts of assets and liabilities and their tax basis and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. The valuation allowance is primarily related to state credit carryforwards, non-US net operating loss carryforwards, and capital

loss carryforwards for which we believe it is more likely than not that the deferred tax assets will not be realized. The valuation allowance increased by approximately $636,000, $1.8 million, and $378,000 during the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, we had U.S federal net operating loss carryforwards of approximately $67.9 million and $76.4 million, respectively, which were generated by Vascular Access Technologies, Inc., DFINE, Inc., and Biosphere Medical, Inc. prior to our acquisition of these companies. Vascular Access Technologies, Inc. was acquired on May 1, 2017. These net operating loss carryforwards, which expire at various dates through 2035, are subject to an annual limitation under Internal Revenue Code Section 382. We anticipate that we will utilize the net operating loss carryforwards over the next 18 years. We utilized a total of approximately $9.1 million and $6.2 million in U.S. federal net operating loss carryforwards during the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017, we had approximately $5.4 million of non-U.S. net operating loss carryforwards, of which approximately $4.9 million have no expiration date and approximately $526,000 expire at various dates through 2027. As of December 31, 2016, we had $3.0 million of non-U.S. net operating loss carryforwards, which have no expiration date. Non-U.S. net operating loss carryforwards utilized during the years ended December 31, 2017 and 2016 were not material.

We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. In our opinion, we have made adequate provisions for income taxes for all years subject to audit. We are no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2014. In foreign jurisdictions, we are no longer subject to income tax examinations for years before 2011.

Although we believe our estimates are reasonable, the final outcomes of these matters may be different from those which we have reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and operating results in the period in which we make such determination.

The total liability for unrecognized tax benefits at December 31, 2017, including interest and penalties, was approximately $3.1 million, of which approximately $2.7 million would favorably impact our effective tax rate if recognized. The total liability for uncertain tax benefits, as presented on our consolidated balance sheets, has been reduced by approximately $307,000 related to certain liabilities for unrecognized tax benefits, which, if realized, would reduce the transition tax under the TCJA by approximately $307,000. The total liability for unrecognized tax benefits at December 31, 2016, including interest and penalties, was approximately $2.8 million, of which approximately $2.8 million would favorably impact our effective tax rate if recognized. Approximately $2.3 million of the total liability at December 31, 2016 was presented as a reduction to non-current deferred income tax assets on our consolidated balance sheet. As of December 31, 2017 and 2016, we had accrued approximately $304,000 and $216,000 respectively, in total interest and penalties related to unrecognized tax benefits. We account for interest and penalties for unrecognized tax benefits as part of our income tax provision. During the years ended December 31, 2017, 2016 and 2015 we added interest and penalties of approximately $88,000, $30,000 and $6,000, respectively, to our liability for unrecognized tax benefits. It is reasonably possible that within the next 12 months the total liability for unrecognized tax benefits may change, net of potential decreases due to the expiration of statutes of limitation, up to $500,000.

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax benefits for the years ended December 31, 2017, 2016 and 2015, consisted of the following (in thousands):

Tabular Roll-forward	2017	2016	2015
Unrecognized tax benefits, opening balance	$ 2,549	$ 1,982	$ 1,736
Gross increases in tax positions taken in a prior year	80	77	187
Gross increases in tax positions taken in the current year	403	856	763
Lapse of applicable statute of limitations	(283)	(366)	(704)
Unrecognized tax benefits, ending balance	$ 2,749	$ 2,549	$ 1,982

The tabular roll-forward ending balance does not include interest and penalties related to unrecognized tax benefits.

6. ACCRUED EXPENSES

Accrued expenses at December 31, 2017 and 2016, consisted of the following (in thousands):

	2017	2016
Payroll and related liabilities	$ 30,225	$ 24,429
Advances from employees	796	572
Other accrued expenses	27,911	20,518
Total	$ 58,932	$ 45,519

7. REVOLVING CREDIT FACILITY AND LONG-TERM DEBT

Principal balances outstanding under our long-term debt obligations as of December 31, 2017 and 2016, consisted of the following (in thousands):

	2017	2016
2016 Term loan	$ 85,000	$ 145,000
2016 Revolving credit loans	187,000	180,000
2017 Debt facility	6,959	—
Less unamortized debt issuance costs	(487)	(627)
Total long-term debt	278,472	324,373
Less current portion	19,459	10,000
Long-term portion	$ 259,013	$ 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 December 31, 2017, our interest rate on the loan was a variable rate of 2.38%.

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 USA, National Association, 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, on March 20, 2017 to allow flexibility in how we apply net proceeds received from equity issuances to prepay outstanding indebtedness, and on December 13, 2017 to increase the revolving credit commitment by $100 million up to $375 million.

The Second Amended Credit Agreement provides for a term loan of $150 million and a revolving credit commitment up to an aggregate amount of $375 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)	$—
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 certain 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 December 31, 2017, we believe we were in compliance with all covenants set forth in the Second Amended Credit Agreement.

Future Payments

Future minimum principal payments on our long-term debt as of December 31, 2017, are as follows (in thousands):

Years Ending December 31	Future Minimum Principal Payments
2018	$ 19,459
2019	15,000
2020	17,500
2021	227,000
Total future minimum principal payments	$ 278,959

As of December 31, 2017, we had outstanding borrowings of approximately $272.0 million under the Second Amended Credit Agreement, with available borrowings of approximately $188.0 million, based on the leverage ratio required pursuant to the Second Amended Credit Agreement. Our interest rate as of December 31, 2017 was a fixed rate of 2.68% on $175.0 million as a result an interest rate swap (see Note 8) and a variable floating rate of 2.82% on $97.0 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 an interest rate swaps, and a variable floating rate of 2.77% on approximately $150.0 million.

8. 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 interest rate swap expired on December 19, 2017. The variable portion of the interest rate swap was 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 was settled with the counterparty, and interest was paid, on a monthly basis. The notional amount of the interest rate swap was reduced quarterly by 50% of the minimum principal payment due under the terms of our Second Amended Credit Agreement.

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 increased 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, which was reached upon expiration of the other swap on December 19, 2017. The interest rate swap is scheduled to expire on July 6, 2021.

At December 31, 2017 and 2016, our interest rate swaps qualified as cash flow hedges. The fair value of our interest rate swap at December 31, 2017 was an asset of approximately $5.7 million, which was partially offset by approximately $1.5 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 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 Renminbi, Mexican Pesos, Brazilian Reals, Australian Dollars, Hong Kong Dollars, Swiss Francs, Swedish Krona, Canadian Dollars, Danish Krone, Japanese Yen, Korea Won, and Singapore Dollars. 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 entered 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 cash flow foreign currency hedges every month. As of December 31, 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
Canadian Dollar	CAD	2,310
Swiss Franc	CHF	1,375
Chinese Renminbi	CNY	45,000
Danish Krone	DKK	14,470
Euro	EUR	9,165
British Pound	GBP	3,625
Mexican Peso	MXN	95,075
Swedish Krona	SEK	16,330

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 December 31, 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
Australian Dollar	AUD	5,600
Brazilian Real	BRL	8,500
Canadian Dollar	CAD	2,076
Swiss Franc	CHF	242
Chinese Renminbi	CNY	22,990
Danish Krone	DKK	1,881
Euro	EUR	23,333
British Pound	GBP	1,868
Hong Kong Dollar	HKD	11,000
Japanese Yen	JPY	178,500
Korean Won	KRW	1,800,000
Mexican Peso	MXN	17,540
Swedish Krona	SEK	4,775
Singapore Dollar	SGD	5,023

Balance Sheet Presentation of Derivatives. As of December 31, 2017 and 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	December 31, 2017	December 31, 2016
Derivatives designated as hedging instruments			
Assets			
Interest rates swaps	Other assets (long-term)	$ 5,749	$ 4,991
Foreign currency forward contracts	Prepaid expenses and other assets	363	116
Foreign currency forward contracts	Other assets (long-term)	35	18
Liabilities			
Foreign currency forward contracts	Accrued expenses	(468)	(275)
Foreign currency forward contracts	Other long-term obligations	(82)	(18)
Derivatives not designated as hedging instruments			
Assets			
Foreign currency forward contracts	Prepaid expenses and other assets	$ 223	$ 220
Liabilities			
Foreign currency forward contracts	Accrued expenses	(841)	(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 earnings, 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		
	Year ended December 31,				Year ended December 31,		
	2017	2016	2015		2017	2016	2015
Derivative instrument				**Location in statements of income**			
Interest rate swaps	$853	$ 4,989	$ (571)	*Interest Expense*	$95	(718)	(1,103)
Foreign currency forward contracts	491	(205)	—	*Revenue*	(277)	21	—
				Cost of goods sold	625	(26)	—

The net amount recognized in earnings during the years ended December 31, 2017, 2016 and 2015 due to ineffectiveness and amounts excluded from the assessment of hedge effectiveness were not significant.

As of December 31, 2017, approximately $44,000, or $33,000 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 December 31, 2017, approximately $1.1 million, or $840,000 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 years presented (in thousands):

		Year ended December 31,		
		2017	2016	2015
Derivative Instrument	**Location in statements of income**			
Foreign currency forward contracts	Other expense	$ (4,746)	$ 69	$ (302)

See Note 15 for more information about our derivatives.

9. COMMITMENTS AND CONTINGENCIES

We are obligated under non-terminable operating leases for manufacturing facilities, finished good distribution, office space and equipment. Total rental expense on these operating leases and on our manufacturing and office building for the years ended December 31, 2017, 2016 and 2015, approximated $13.6 million, $11.4 million and $10.7 million, respectively.

The future minimum lease payments for operating leases as of December 31, 2017, consisted of the following (in thousands):

Years Ending December 31	Operating Leases
2018	$ 12,293
2019	11,237
2020	9,307
2021	7,527
2022	6,468
Thereafter	57,211
Total minimum lease payments	$ 104,043

Sale-Leaseback. During the year ended December 31, 2015, we entered into sale and leaseback transactions to finance certain production equipment for $2.0 million. We did not enter into any new sale and leaseback transactions during the years ended December 31, 2017 and 2016. The lease agreements from the sale and leaseback transactions are accounted for as operating leases. Under the terms of the lease agreements, we have agreed to operate and maintain the equipment. The lease term of the agreements is seven years.

Irish Government Development Agency Grants. As of December 31, 2017, we had entered into several grant agreements with the Irish Government Development Agency. Grants related to the acquisition of property and equipment purchased in Ireland are amortized as a reduction to depreciation expense over lives corresponding to the depreciable lives of such property and equipment. The balance of deferred credits related to such grants as of December 31, 2017 and 2016, was approximately $2.4 million and $2.5 million, respectively. During the years ended December 31, 2017, 2016 and 2015, approximately $147,000, $170,000 and $171,000, respectively, of the deferred credit was amortized as a reduction of operating expenses.

We have committed to repay the Irish government for grants received if we cease production in Ireland prior to the expiration of the grant liability period. The grant liability period is usually between five and eight years from the last claim made on a grant. As of December 31, 2017, the total amount of grants that could be subject to refund was approximately $3.0 million, and the remaining grant liability period was one year. Our management does not currently believe we will have to repay any of these grant monies, as we have no current intention of ceasing operations in Ireland.

Royalties. As of December 31, 2017, we had entered into several agreements to license or acquire rights to certain intellectual property which require us to make royalty payments during the term of the agreements generally based on a percentage of sales. Total royalty expense during the years ended December 31, 2017, 2016 and 2015, approximated $4.4 million, $3.2 million and $2.7 million, respectively. See Note 2 for discussion of future royalty commitments related to acquisitions.

Litigation. 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, contract disputes, and employment or other matters that are significant to our business. Based upon our review of currently available information, we do not believe that any such actions are likely to be, individually or in the aggregate, materially adverse to our business, financial condition, results of operations or liquidity.

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 2018. We have incurred, and anticipate that we will continue to incur, substantial costs in connection with the matter. 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.

10. 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):

	Net Income	Shares	Per Share Amount
Year ended December 31, 2017:			
Basic EPS	$ 27,523	48,805	$ 0.56
Effect of dilutive stock options and warrants		1,296	
Diluted EPS	$ 27,523	50,101	$ 0.55
Year ended December 31, 2016:			
Basic EPS	$ 20,121	44,408	$ 0.45
Effect of dilutive stock options and warrants		454	
Diluted EPS	$ 20,121	44,862	$ 0.45
Year ended December 31, 2015:			
Basic EPS	$ 23,802	44,036	$ 0.54
Effect of dilutive stock options and warrants		475	
Diluted EPS	$ 23,802	44,511	$ 0.53

For the years ended December 31, 2017, 2016 and 2015, approximately 381,000, 727,000 and 423,000, respectively, of stock options were not included in the computation of diluted earnings per share because their effect would have been anti-dilutive.

11. EMPLOYEE STOCK PURCHASE PLAN, STOCK OPTIONS AND WARRANTS.

Our stock-based compensation primarily consists of the following plans:

2006 Long-Term Incentive Plan. In May 2006, our Board of Directors adopted and our shareholders approved, the Merit Medical Systems, Inc. 2006 Long-Term Incentive Plan (the "2006 Incentive Plan"). The 2006 Incentive Plan provides for the granting of stock options, stock appreciation rights, restricted stock, stock units (including restricted stock units) and performance awards. Options may be granted to directors, officers, outside consultants and key employees and may be granted upon such terms and such conditions as the Compensation Committee of our Board of Directors determines. Options will typically vest on an annual basis over a three to five-year life (or one year if performance based) with a contractual life of seven years. As of December 31, 2017, a total of 492,292 shares remained available to be issued under the 2006 Incentive Plan.

Employee Stock Purchase Plan. We have a non-qualified Employee Stock Purchase Plan ("ESPP"), which has an expiration date of June 30, 2026. As of December 31, 2017, the total number of shares of Common Stock that remained available to be issued under our non-qualified plan was 126,863 shares. ESPP participants purchase shares on a quarterly basis at a price equal to 95% of the market price of the Common Stock at the end of the applicable offering period.

Stock-Based Compensation Expense. The stock-based compensation expense before income tax expense for the years ended December 31, 2017, 2016 and 2015, consisted of the following (in thousands):

	2017	2016	2015
Cost of goods sold	$ 632	$ 472	$ 398
Research and development	376	184	122
Selling, general, and administrative	3,067	1,850	1,723
Stock-based compensation expense before taxes	$ 4,075	$ 2,506	$ 2,243

We recognize stock-based compensation expense (net of a forfeiture rate) for those awards which are expected to vest on a straight-line basis over the requisite service period. We estimate the forfeiture rate based on our historical experience and expectations about future forfeitures. As of December 31, 2017, the total remaining unrecognized compensation cost related to non-vested stock options, net of expected forfeitures, was approximately $15.1 million and is expected to be recognized over a weighted average period of 3.46 years.

In applying the Black-Scholes methodology to the option grants, the fair value of our stock-based awards granted were estimated using the following assumptions for the periods indicated below:

	2017	2016	2015
Risk-free interest rate	1.77% - 1.83%	1.15% - 1.40%	1.53% - 1.66%
Expected option life	5.0 years	5.0 years	5.0 years
Expected dividend yield	—%	—%	—%
Expected price volatility	33.81% - 34.07%	34.28% - 37.06%	33.72% - 35.11%

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. Compensation expense is recognized immediately for options that are fully vested on the date of grant. During the years ended December 31, 2017, 2016 and 2015, approximately 1.3 million, 880,000 and 618,000 stock-based compensation grants were made, respectively, for a total fair value of approximately $12.4 million, $5.2 million and $3.7 million, net of estimated forfeitures, respectively.

The table below presents information related to stock option activity for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	2017	2016	2015
Total intrinsic value of stock options exercised	$ 9,264	$ 3,648	$ 7,548
Cash received from stock option exercises	5,552	4,577	6,227
Excess tax benefit from the exercise of stock options	2,264	669	2,124

Changes in stock options for the year ended December 31, 2017, consisted of the following (shares and intrinsic value in thousands):

	Number of Shares	Weighted Average Exercise Price	Remaining Contractual Term (in years)	Intrinsic Value
Beginning balance	2,817	$ 15.32		
Granted	1,297	29.31		
Exercised	(404)	14.02		
Forfeited/expired	(87)	18.79		
Outstanding at December 31	3,623	20.40	4.57 years	$ 82,615
Exercisable	1,110	14.35	2.55 years	32,019
Ending vested and expected to vest	3,484	20.23	4.52 years	80,052

The weighted average grant-date fair value of options granted during the years ended December 31, 2017, 2016 and 2015 was $9.57, $5.94 and $5.98, respectively.

The following table summarizes information about stock options outstanding at December 31, 2017 (shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$9.95 - $13.75	925	2.17 years	$ 12.65	713	$ 12.84
$13.77 - $17.27	991	4.38 years	$ 16.18	294	$ 15.96
$18.80 - $22.00	425	5.00 years	$ 20.14	103	$ 20.18
$28.20 - $38.35	1,282	6.30 years	$ 29.33	0	$ —
$9.95 - $38.35	3,623			1,110	

12. SEGMENT REPORTING AND FOREIGN OPERATIONS

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"), critical care 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 (loss). Listed below are the sales by business segment for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	% Change	2017	% Change	2016*	% Change	2015
Cardiovascular						
Stand-alone devices	44%	$ 275,431	23%	$ 191,148	8%	$ 155,414
Custom kits and procedure trays	6%	126,114	2%	119,226	5%	116,368
Inflation devices	8%	79,875	1%	73,916	1%	73,373
Catheters	13%	127,747	17%	113,367	11%	96,833
Embolization devices	8%	49,532	2%	46,035	3%	45,025
CRM/EP	15%	41,914	8%	36,459	3%	33,902
Total	21%	700,613	11%	580,151	6%	520,915
Endoscopy						
Endoscopy devices	15%	27,239	12%	23,687	18%	21,234
Total	21%	$ 727,852	11%	$ 603,838	6%	$ 542,149

* Certain product categories for 2016 have been adjusted from prior disclosure to reflect changes in product classifications to be consistent with updates in the management of our product portfolios in 2017.

During the years ended December 31, 2017, 2016 and 2015, we had international sales of approximately $307.1 million, $233.5 million and $214.0 million, respectively, or approximately 42%, 39% and 39%, respectively, of net sales, primarily in China, Japan, Germany, France, the United Kingdom and Russia. China represents our most significant international sales market with sales of approximately $73.4 million, $59.9 million, and $50.7 million for the years ended December 31, 2017, 2016 and 2015, respectively. International sales are attributed based on location of the customer receiving the product.

Our long-lived assets by geographic area at December 31, 2017, 2016 and 2015, consisted of the following (in thousands):

	2017	2016	2015
United States	$ 202,504	$ 194,715	$ 186,389
Ireland	45,671	47,337	48,896
Other foreign countries	44,645	34,521	32,493
Total	$ 292,820	$ 276,573	$ 267,778

Financial information relating to our reportable operating segments and reconciliations to the consolidated totals for the years ended December 31, 2017, 2016 and 2015, are as follows (in thousands):

	2017	2016	2015
Net Sales [1]			
Cardiovascular	$ 700,613	$ 580,151	$ 520,915
Endoscopy	27,239	23,687	21,234
Total net sales	727,852	603,838	542,149
Operating expenses			
Cardiovascular	281,095	218,659	187,492
Endoscopy	12,089	11,490	10,746
Total operating expenses	293,184	230,149	198,238
Operating income (loss) [1]			
Cardiovascular	24,819	30,053	34,052
Endoscopy	8,250	4,823	3,491
Total operating income	33,069	34,876	37,543
Total other expense - net	2,812	(9,490)	(6,343)
Income tax expense	8,358	5,265	7,398
Net income	$ 27,523	$ 20,121	$ 23,802

(1) Sales and operating income have been adjusted from prior disclosure 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 2017.

Total assets by business segment at December 31, 2017, 2016 and 2015, consisted of the following (in thousands):

	2017	2016	2015
Cardiovascular	$ 1,103,806	$ 932,927	$ 767,952
Endoscopy	8,005	9,876	10,776
Total	$ 1,111,811	$ 942,803	$ 778,728

Total depreciation and amortization by business segment for the years ended December 31, 2017, 2016, and 2015 consisted of the following (in thousands):

	2017	2016	2015
Cardiovascular	$ 52,700	$ 42,806	$ 36,474
Endoscopy	882	949	951
Total	$ 53,582	$ 43,755	$ 37,425

Total capital expenditures for property and equipment by business segment for the years ended December 31, 2017, 2016 and 2015 consisted of the following (in thousands):

	2017	2016	2015
Cardiovascular	$ 38,437	$ 32,613	$ 50,927
Endoscopy	186	224	32
Total	$ 38,623	$ 32,837	$ 50,959

13. EMPLOYEE BENEFIT PLANS

We have a contributory 401(k) savings and profit sharing plan (the "Plan") covering all U.S. full-time employees who are at least 18 years of age. The Plan has a 90-day minimum service requirement. We may contribute, at our discretion, matching contributions based on the employees' compensation. Contributions we made to the Plan for the years ended December 31, 2017, 2016 and 2015, totaled approximately $2.4 million, $2.3 million and $2.0 million, respectively.

We also have defined contribution plans covering some of our foreign employees. We contribute between 2% and 32% of the employee's compensation for certain foreign non-management employees, and between 2% and 32% of the employee's compensation for certain foreign management employees. Contributions made to these plans for the years ended December 31, 2017, 2016 and 2015, totaled approximately $2.3 million, $1.1 million and $893,000, respectively.

14. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Quarterly data for the years ended December 31, 2017 and 2016 consisted of the following (in thousands, except per share amounts):

	Quarter Ended			
	March 31	June 30	September 30	December 31
2017				
Net sales	$ 171,069	$ 186,549	$ 179,337	$ 190,897
Gross profit	75,942	84,141	80,514	85,656
Income from operations	5,609	13,362	879	13,219
Income tax expense	690	1,830	1,364	4,474
Net income (loss)	14,803	9,483	(3,569)	6,806
Basic earnings per common share	0.33	0.19	(0.07)	0.14
Diluted earnings per common share	0.32	0.19	(0.07)	0.13
2016				
Net sales	$ 138,077	$ 151,071	$ 156,975	$ 157,715
Gross profit	60,100	66,854	67,815	70,256
Income from operations	7,706	11,581	2,987	12,602
Income tax expense (benefit)	1,555	2,572	(978)	2,116
Net income	4,351	7,290	973	7,507
Basic earnings per common share	0.10	0.16	0.02	0.17
Diluted earnings per common share	0.10	0.16	0.02	0.17

Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly amounts may not equal the total computed for the year.

15. FAIR VALUE MEASUREMENTS

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

		Fair Value Measurements Using		
Description	Total Fair Value at December 31, 2017	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Interest rate contracts (1)	$ 5,749	$ —	$ 5,749	$ —
Foreign currency contract assets, current and long-term (2)	$ 621	$ —	$ 621	$ —
Foreign currency contract liabilities, current and long-term (3)	$ (1,391)	$ —	$ (1,391)	$ —

		Fair Value Measurements Using		
Description	Total Fair Value at December 31, 2016	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 other assets or other long-term obligations 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 and other assets or other long-term assets 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 or 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 2 for further information regarding these acquisitions. The contingent consideration liability is re-measured at the estimated fair value at 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 years ended December 31, 2017 and 2016, consisted of the following (in thousands):

	2017	2016
Beginning balance	$ 683	$ 1,024
Contingent consideration liability recorded as the result of acquisitions (see Note 2)	10,400	—
Fair value adjustments recorded to income during the period	(66)	(123)
Contingent payments made	(61)	(218)
Ending balance	$ 10,956	$ 683

As of December 31, 2017, approximately $10.7 million was included in other long-term obligations and approximately $289,000 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 year ended December 31, 2016, we sold a cost method investment for cash and for the right to receive additional payments based on various contingent milestones. We determined the fair value of the contingent payments using Level 3 inputs defined under authoritative guidance for fair value measurements, and we recorded a contingent receivable asset, which as of December 31, 2017 and 2016 had a value of approximately $760,000 and $528,000, respectively. We record any changes in fair value to operating expenses as part of our cardiovascular segment in our consolidated statements of income. During the year ended December 31, 2017, we recorded a gain on the contingent receivable of approximately $232,000. During the year ended December 31, 2016, we recorded a loss on the contingent receivable of approximately $184,000. As of December 31, 2017, approximately $319,000 was included in other long-term assets and approximately $441,000 was included in other receivables as a current asset in our consolidated balance sheet. During the year ended December 31, 2016, approximately $367,000 was included in other long-term assets and approximately $161,000 was included in other receivables as a current asset in our consolidated balance sheet.

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

Contingent consideration asset or liability	Fair value at December 31, 2017	Valuation technique	Unobservable inputs	Range
Revenue-based payments contingent liability	$ 10,956	Discounted cash flow	Discount rate	9.9% - 15%
			Probability of milestone payment	100%
			Projected year of payments	2018-2037
Contingent receivable asset	$ 760	Discounted cash flow	Discount rate	10%
			Probability of milestone payment	75%
			Projected year of payments	2018-2019

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

The contingent consideration liability 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 liability and contingent receivable could change in future periods based upon our ongoing evaluation of these significant unobservable inputs. We intend to record any such change in fair value to operating expenses in our consolidated statements of income.

During the years ended December 31, 2017, 2016 and 2015, we had losses of approximately $988,000, $101,000, and $141,000, respectively, related to the measurement of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition (see Note 4).

The carrying amount of cash and cash equivalents, 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.

16. 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).

17. SUBSEQUENT EVENTS

We evaluate events occurring after the date of our accompanying consolidated balance sheets for potential recognition or disclosure in our financial statements. We did not identify any material subsequent events requiring adjustment to our accompanying consolidated financial statements (recognized subsequent events). We have also evaluated whether any subsequent events have occurred after the date of our accompanying consolidated balance sheets to the time of filing of this report that would require disclosure in the consolidated financial statements. We note the following event below.

On February 14, 2018, we completed the acquisition of two product lines from BD. Pursuant to the terms of the BD Agreement, we paid BD the purchase consideration of approximately $100.1 million in cash. The purchased assets constitute the soft tissue core needle biopsy products under the trade names of Achieve™ Programmable Automatic Biopsy System, Temno™ Biopsy System, and Tru-Cut™ Biopsy Needles previously sold by BD as well as the Aspira® Pleural Effusion Drainage Kits and the Aspira® Peritoneal Drainage System previously sold by C.R. Bard, Inc. We are currently evaluating the accounting treatment of this purchase, as well as performing the valuation of assets acquired and the related purchase price allocation.

Supplementary Financial Data

The supplementary financial information required by Item 302 of Regulation S-K is contained in Note 14 to our consolidated financial statements set forth above.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 ("Exchange Act"), as of December 31, 2017. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of December 31, 2017, our disclosure controls and procedures were effective, at a reasonable assurance level, to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and is (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework (2013)*. However, as permitted by SEC guidance, we have excluded the critical care assets acquired from Argon and the operations of ITL from management's assessment of internal control over financial reporting as of December 31, 2017. ITL and the assets we acquired from Argon constituted approximately 1.9% of our total assets as of December 31, 2017 (excluding approximately $11.3 million of goodwill and intangible assets, which were integrated into our systems and control environment). Additionally, the operations of ITL and the assets we acquired from Argon contributed 2.6% of our 2017 net sales, and resulted in a net pre-tax loss in 2017 of approximately $304,000 (excluding approximately $599,000 of amortization of intangible assets, which was integrated into our systems and control environment).

Based on the criteria discussed above and our management’s assessment, our management concluded that, as of December 31, 2017, our internal control over financial reporting was effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except as set forth below, during the quarter ended December 31, 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).

On January 31, 2017, we completed our acquisition of the critical care business of Argon, and on October 2, 2017, we completed our acquisition of ITL. We are currently integrating the policies, processes, employees, technology and operations of ITL and the critical care division of Argon. Management does not currently expect a material change to our internal controls over financial reporting as we fully integrate ITL and the critical care division of Argon into our operations.

Our independent registered public accountants have also issued an audit report on our internal control over financial reporting. Their report appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Merit Medical Systems, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Merit Medical Systems, Inc. and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control-Integrated Frame Work (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017 of the Company and our report dated March 1, 2018, expressed an unqualified opinion on those financial statements.

As described in Management's Report on Internal Control over Financial Reporting, management excluded ITL and the critical care division of Argon from its assessment of internal control over financial reporting, which were acquired on January 31, 2017 and October 2, 2017, respectively, and whose financial statements constitute approximately 1.9% of total assets as of December 31, 2017 (excluding approximately $11.3 million of goodwill and intangible assets), 2.6% of 2017 net sales, and resulted in a net pre-tax loss in 2017 of approximately $304,000 (excluding approximately $599,000 of amortization of intangible assets) of the consolidated financial statement amounts as of and for the year ended December 31, 2017. Accordingly, our audit did not include the internal control over financial reporting at ITL and the critical care division of Argon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Salt Lake City, Utah
March 1, 2018

Item 9B. Other Information.

None.

PART III

Items 10, 11, 12, 13 and 14.

The information required by these items is incorporated by reference to our definitive proxy statement relating to our Annual Meeting of Shareholders scheduled for May 24, 2018. We anticipate that our definitive proxy statement will be filed with the SEC not later than 120 days after December 31, 2017, pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this Report:

(1) Financial Statements. The following consolidated financial statements and the notes thereto, and the Reports of Independent Registered Public Accounting Firm are incorporated by reference as provided in Item 8 and Item 9A of this report:

(2) Financial Statement Schedule.

— Schedule II - Valuation and qualifying accounts

Years Ended December 31, 2017, 2016 and 2015
(In thousands)

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses (a)	Deduction (b)	Balance at End of Year
ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS:				
2015	(893)	(607)	203	(1,297)
2016	(1,297)	(612)	322	(1,587)
2017	(1,587)	(1,012)	830	(1,769)

(a) We record a bad debt provision based upon historical experience and a review of individual customer balances.
(b) When an individual customer balance becomes impaired and is deemed uncollectible, a deduction is made against the allowance for uncollectible accounts.

Years Ended December 31, 2017, 2016 and 2015
(In thousands)

Description	Balance at Beginning of Year	Additions Charged to Costs and Expenses (c)	Deduction	Balance at End of Year
TAX VALUATION ALLOWANCE:				
2015	(1,603)	(378)	—	(1,981)
2016	(1,981)	(1,805)	—	(3,786)
2017	(3,786)	(636)	—	(4,422)

(c) We record a valuation allowance against a deferred tax asset when it is determined that it is more likely than not that the deferred tax asset will not be realized.

(b) Exhibits:

The following exhibits required by Item 601 of Regulation S-K are filed herewith or have been filed previously with the SEC as indicated below:

	Description
1.1	Underwriting Agreement, dated March 22, 2017, by and among Merit Medical Systems, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Piper Jaffray & Co.*
2.1	Agreement and Plan of Merger by and among Merit, MMS Transaction Co., a wholly-owned subsidiary of Merit, DFine Inc., certain preferred stockholders and Shareholder Representative Services LLC as a stockholder representative*
2.2	Additional Materials to Agreement and Plan of Merger by and among Merit, MMS Transaction Co., a wholly-owned subsidiary of Merit, DFine Inc., certain preferred stockholders and Shareholder Representative Services LLC as a stockholder representative*
23	Additional Materials to Agreement and Plan of Merger by and among Merit, MMS Transaction Co., a wholly-owned subsidiary of Merit, DFine Inc., certain preferred stockholders and Shareholder Representative Services LLC as a stockholder representative*
3.1	Amended and Restated Articles of Incorporation dated February 28, 2017*
3.2	Second Amended and Restated Bylaws*
4.1	Specimen Certificate of the Common Stock*
10.1	Merit Medical Systems, Inc. Long Term Incentive Plan (as amended and restated) dated March 25, 1996*†
10.2	Lease Agreement dated as of June 8, 1993 for office and manufacturing facility*
10.3	Amended and Restated Deferred Compensation Plan*†
10.4	Seventh Amendment to the First Restatement of the Merit Medical Systems, Inc. 401(k) Profit Sharing Plan*†
10.5	Stock Purchase Agreement by and between Merit Medical Systems, Inc. and Sheen Man Co. LTD, dated April 1, 2007*
10.6	Merit Medical Systems, Inc. Amended and Restated Deferred Compensation Plan, effective January 1, 2008*†
10.7	Second Amendment to the Merit Medical Systems, Inc. 2006 Long-Term Incentive Plan*†
10.8	Second Restatement of the Merit Medical Systems, Inc. 401(k) Profit Sharing Plan*†
10.9	Separation Agreement and Release of All Claims of Greg Barnett dated November 3, 2015*†
10.10	Separation Agreement and Release of All Claims of Rashelle Perry dated December 1, 2015*†
10.11	Separation Agreement and Release of All Claims of Kent W. Stanger dated January 4, 2016*†
10.12	Second Amended and Restated Credit Agreement dated as of July 6, 2016 by and among Merit Medical Systems, Inc., Wells Fargo Bank, National Association, Well Fargo Securities, LLC and the lenders named therein*
10.13	Form of Indemnification Agreement, dated June 13, 2016, between the Company and each of the following individuals: Fred P. Lampropoulos, Kent W. Stanger, Nolan E. Karras, A. Scott Anderson, Richard W. Edelman, Franklin J. Miller, M.D., Michael E. Stillabower, M.D., F. Ann Millner, Ed. D., Bernard J. Birkett, Ronald A. Frost, Joseph C. Wright, Justin J. Lampropoulos, and Brian G. Lloyd*†
10.14	Form of Employment Agreement, dated May 26, 2016 between the Company and each of the following individuals: Bernard J. Birkett, Ronald A. Frost, Joseph C. Wright, Justin J. Lampropoulos, and Brian G. Lloyd*†

10.15	Employment Agreement, dated May 26, 2016 between the Company and Fred P. Lampropoulos*†
10.16	Third Amendment to the Merit Medical Systems, Inc. 2006 Long-Term Incentive Plan dated February 13, 2015*†
10.17	Merit Medical Systems, Inc., Restatement of the 1996 Employee Stock Purchase Plan dated July 1, 2000*†
10.18	First Amendment to the Merit Medical Systems, Inc., 1996 Employee Stock Purchase Plan dated April 1, 2001*†
10.19	Second Amendment to the Merit Medical Systems, Inc., 1996 Employee Stock Purchase Plan dated January 1, 2006*†
10.20	Third Amendment to the Merit Medical Systems, Inc., 1996 Employee Stock Purchase Plan dated April 7, 2006*†
10.21	Fourth Amendment to the Merit Medical Systems, Inc., 1996 Employee Stock Purchase Plan dated February 13, 2015*†
10.22	Indemnification Agreement, dated July 23, 2016, between the Company and David M. Liu*†
10.23	First Amendment to Second Amended and Restated Credit Agreement, dated September 28, 2016*
10.24	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*
10.25	Indemnification Agreement with Thomas J. Gunderson*†
10.26	Third Amendment to Second Amended and Restated Credit Agreement and Incremental Increase Agreement, dated December 13, 2017, entered into by and among Merit Medical Systems, Inc., Wells Fargo Bank National Association and the lenders and subsidiary guarantors named therein*
10.27	First Amendment to Employment Agreement made and entered into by and between Merit Medical Systems, Inc. and Fred P. Lampropoulos as of the 11th day of December, 2017*†
10.28	Form of First Amendment to Employment Agreement for each of Ronald A. Frost, Bernard J. Birkett, Justin J. Lampropoulos, Joseph C. Wright, and Brian G. Lloyd*†
10.29	First Amendment to Lease Agreement dated May 22, 2017 for office and manufacturing facility
10.30	Asset Purchase Agreement by and between Merit Medical Systems, Inc. and Becton, Dickinson and Company dated November 15, 2017
21	Subsidiaries of Merit Medical Systems, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certification of Chief Executive Officer
32.2	Certification of Chief Financial Officer
101	The following materials from the Merit Medical Systems, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Operations, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Comprehensive Income (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) related notes.

* These exhibits are incorporated herein by reference.
† Indicates management contract or compensatory plan or arrangement.

(c) Schedules:

None

Item 16. **Form 10-K Summary.**

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on March 1, 2018.

MERIT MEDICAL SYSTEMS, INC.

By: /s/ FRED P. LAMPROPOULOS
Fred P. Lampropoulos, President and
Chief Executive Officer

ADDITIONAL SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on form 10-K has been signed below by the following persons in the capacities indicated on March 1, 2018.

Signature	Capacity in Which Signed
/s/: FRED P. LAMPROPOULOS Fred P. Lampropoulos	President, Chief Executive Officer and Director (Principal executive officer)
/s/: BERNARD J. BIRKETT Bernard J. Birkett	Chief Financial Officer, Secretary and Treasurer (Principal financial and accounting officer)
/s/: A. SCOTT ANDERSON A. Scott Anderson	Director
/s/: THOMAS J. GUNDERSON Thomas J. Gunderson	Director
/s/: NOLAN E. KARRAS Nolan E. Karras	Director
/s/: DAVID M. LIU David M. Liu	Director
/s/: FRANKLIN J. MILLER Franklin J. Miller	Director
/s/: F. ANN MILLNER F. Ann Millner	Director
/s/: KENT W. STANGER Kent W. Stanger	Director
/s/: MICHAEL E. STILLABOWER Michael E. Stillabower	Director

NUMBER

SHARES

MERIT MEDICAL

MERIT MEDICAL SYSTEMS, INC.

INCORPORATED UNDER THE LAWS OF THE STATE OF UTAH

SEE REVERSE FOR CERTAIN DEFINITIONS

CUSIP 589889 10 4

This Certifies that

is the owner of

FULLY PAID AND NON-ASSESSABLE COMMON SHARES OF NO PAR VALUE OF

MERIT MEDICAL SYSTEMS, INC.

CERTIFICATE OF STOCK

Transferable on the books of the Corporation by the holder hereof in person or by duly authorized Attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

WITNESS the signatures of its duly authorized officers.

Dated:

SECRETARY

MERIT MEDICAL SYSTEMS, INC. CORPORATE SEAL UTAH

PRESIDENT

BY

AUTHORIZED SIGNATURE

ZIONS FIRST NATIONAL BANK
(SALT LAKE CITY)
TRANSFER AGENT AND REGISTRAR

6331

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM—as tenants in common
TEN ENT—as tenants by the entireties
JT TEN —as joint tenants with right of survivorship and not as tenants in common

UNIF GIT MIN ACT—..... Custodian.....
(Cust) (Minor)
under Uniform Gifts to Minors Act.....
(State)

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint

_____ Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated _____

NOTICE: _____
THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

SIGNATURE GUARANTEE: _____
THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER HEREOF TO CERTAIN RIGHTS AS SET FORTH IN A RIGHTS AGREEMENT BETWEEN MERIT MEDICAL SYSTEMS, INC. AND ZIONS FIRST NATIONAL BANK, RIGHTS AGENT, DATED AS OF AUGUST 27, 1997 (THE "RIGHTS AGREEMENT"), THE TERMS OF WHICH ARE HEREBY INCORPORATED HEREIN BY REFERENCE AND A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF MERIT MEDICAL SYSTEMS, INC. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, SUCH RIGHTS WILL BE EVIDENCED BY SEPARATE CERTIFICATES AND WILL NO LONGER BE EVIDENCED BY THIS CERTIFICATE. MERIT MEDICAL SYSTEMS, INC. WILL MAIL TO THE HOLDER OF THIS CERTIFICATE A COPY OF THE RIGHTS AGREEMENT WITHOUT CHARGE AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, RIGHTS ISSUED TO ANY PERSON WHO BECOMES AN ACQUIRING PERSON (AS DEFINED IN THE RIGHTS AGREEMENT) MAY BECOME NULL AND VOID.

LEASE AGREEMENT

by and between
QRS 11 - 2 0 (UT), INC.

A UTAH CORPORATION

as LANDLORD
and

MERIT MEDICAL SYSTEMS, INC.,

a Utah corporation,
as TENANT

Premises: South Jordan, Utah

Exhibit "C" - Schedule of Permitted Encumbrances

Exhibit "D" - Rent Schedule

Exhibit "E" - Financial Covenants

LEASE AGREEMENT, made as of this 8th day of June, 1993, between QRS 11-20 (UT), INC., a Utah corporation ("Landlord") with an address c/o W. P. Carey & Co., Inc., 620 Fifth Avenue, New York, New York 10020, and MERIT MEDICAL SYSTEMS, INC. ("Tenant"), a Utah corporation with an address at 79 West 4500 South, Suite 9, Salt Lake City, Utah 8 4107.

In consideration of the rents and provisions herein stipulated to be paid and performed, Landlord and Tenant hereby covenant and agree as follows:

1. Demise of Premises. Landlord hereby demises and lets to Tenant, and Tenant hereby takes and leases from Landlord, for the term and upon the provisions hereinafter specified, the following described property (collectively, the "Leased Premises"): (a) the premises described in Exhibit "A" hereto (collectively, the "Land"); (b) the buildings, structures, New Improvements (as defined hereinafter) and other improvements now or hereafter constructed on the Land (collectively, the "Improvements"); provided, however, that, other than New Improvements (and repairs and replacements thereto), the term "Improvements" shall not in any event include any improvements which are readily removable without causing material damage to the Leased Premises, which improvements shall be, and at all times remain, the sole property of Tenant; and (c) the fixtures, machinery, equipment and other property described in Exhibit "B" hereto and the fixtures, machinery, equipment and other property comprising the New Improvements (collectively, the “Equipment"); provided, however, that, other than New Improvements (and repairs and replacements thereto), the term "Equipment" shall not in any event include any fixtures, machinery, equipment or other property which is readily removable without causing material damage to the Leased Premises, which fixtures, machinery, equipment and other property shall be, and at all times remain, the sole property of Tenant.

2. Certain Definitions.

"Acquisition Cost" shall mean the sum of (a) $357,000 (representing Landlord's cost of acquisition of the Land), plus (b) all Project Costs (either actually incurred or required to be incurred by Landlord to complete construction of the New Improvements) other than Landlord's cost of acquisition of the Land set forth in the foregoing clause (a), plus (c) $677,000 (representing a fee payable to W. P. Carey & Co., Inc.) to the extent not included in clauses (a) and (b) above.

"Additional Rent" shall mean Additional Rent as defined 1n Paragraph 7.

"Alterations" shall mean all changes, additions, improvements· or repairs to, all alterations, reconstructions, renewals, replacements or removals of and all substitutions or replacements for any of the Improvements or Equipment, both interior and exterior, structural and non-structural, and ordinary and extraordinary.

"Assignment" shall mean any assignment of rents and leases from Landlord to a Lender which (a) encumbers any of the Leased Premises and (b) secures Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified from time to time.

"Basic Rent" shall mean Basic Rent as defined in Paragraph 6.

"Basic Rent Payment Dates" shall mean the Basic Rent Payment Dates as defined in Paragraph 6.

"Casualty" shall mean any injury to or any loss of or damage to any property (including the Leased Premises) included within or related to the Leased Premises.

"Completion Date" shall mean the earlier of (a) 60 days following the date the New Improvements have been substantially completed and are ready for occupancy by Tenant, including, without limitation, the issuance of a certificate of occupancy, or (b) the date of closing of the Take-Out Loan. Landlord and Tenant shall enter into an amendment to the Lease setting forth the exact Completion Date.

"Condemnation" shall mean a Taking and/or a Requisition.

"Condemnation Notice" shall mean notice or knowledge of the institution of or intention to institute any proceeding for Condemnation.

"Construction Agency Agreement" shall mean the Construction Agency Agreement dated as of the date hereof between Landlord and Tenant, as the same may be amended, supplemented or modified hereafter.

"Costs" of a Person or associated with a specified transaction shall mean all reasonable costs and expenses incurred by such Person or associated with such transaction, including without l imitation, attorneys' fees and expenses, court costs, brokerage fees, escrow fees, title insurance premiums, recording fees and transfer taxes, as the circumstances require.

"Covenants" shall mean the covenants described on Exhibit "E".

"Default Termination Amount" shall mean the Default Termination Amount as defined in Paragraph 23(a)(iii).

"Default Rate" shall mean the Default Rate as defined in Paragraph 7(a)(iv).

"Easement Agreement" shall mean any conditions, covenants, restrictions, easements, declarations, licenses and other agreements listed as Permitted Encumbrances or as may hereafter affect the Leased Premises.

"Environmental Law" shall mean (i) whenever enacted or promulgated, any applicable federal, state, foreign and local law, statute, ordinance, rule, regulation, license, permit, authorization, approval, consent, court order, judgment, decree, injunction, code, requirement or agreement with any governmental entity, (x) relating to pollution (or the cleanup thereof), or the protection of air, water vapor# surface water, groundwater, drinking water supply, land (including land surface or subsurface), plant, aquatic and animal life from injury caused by a Hazardous Substance or (y) concerning exposure to, or the use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, handling, labeling, production, disposal or remediation of Hazardous Substances, Hazardous Conditions or Hazardous Activities, in each case as amended and as now or hereafter in effect, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations or injuries or damages due to or threatened as a result of the presence of, exposure to, or ingestion of, any Hazardous Substance. The term Environmental Law includes, without limitation, the federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the federal Water Pollution Control Act, the federal Clean Air Act, the federal Clean Water Act, the federal Resources Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments to RCRA), the federal Solid Waste Disposal Act, the federal Toxic Substance Control Act, the federal Insecticide, Fungicide and Rodenticide Act, the federal Occupational Safety and Health Act of 1970, the federal National Environmental Policy Act and the federal Hazardous Materials Transportation Act, each as amended and as now or hereafter in effect and any similar state or local Law.

"Environmental Violation" shall mean (a) any direct or indirect discharge, disposal, spillage, emission, escape, pumping, pouring, injection, leaching, release, seepage, filtration or transporting of any

Hazardous Substance at, upon, under, onto or within the Leased Premises, or from the Leased Premises to the environment, in violation of any Environmental Law or in excess of any reportable quantity established under any Environmental Law, (b) any deposit, storage, dumping, placement or use of any Hazardous Substance at, upon, under or within the Leased Premises in violation of any Environmental Law or in excess of any reportable quantity established under any Environmental Law, (c) the abandonment or discarding of any barrels, containers or other receptacles containing any Hazardous Substances in violation of any Environmental Laws on the Leased Premises or by Tenant, (d) any activity, occurrence or condition on the Leased Premises which results in any liability, cost or expense to Landlord or Lender or any other owner or occupier of the Leased Premises, or which results in a creation of a lien on the Leased Premises, under any Environmental Law, or (e) any violation of or noncompliance with any Environmental Law on the Leased Premises or by Tenant.

"Equipment" shall mean the Equipment as defined in Paragraph 1.

"Event of Default" shall mean an Event of Default as defined in Paragraph 22(a).

"Fair Market Value", when used in connection with calculation of the termination Amount, shall mean the fair market value of the Leased Premises as of the Relevant Date as affected and encumbered by this Lease for the then existing Term and excluding any future extension periods. "Fair Market Value," when used in connection with the calculation of Purchase Price (as defined in Paragraph 35), shall mean the fair market value of the Leased Premises as of the Relevant Date as affected and encumbered by this Lease (x) for the then existing Term and (y) for all extension periods if, pursuant to Paragraph 29(c), the appraisers deem it appropriate. to include such extension periods. "Fair Market Value" when used in connection with the calculation of the Default Termination Amount shall mean the higher of (a) the fair market value of the Leased Premises as of the Relevant Date as if unaffected and unencumbered by this Lease or (b) the fair market value of the Leased Premises as of the Relevant Date as affected and encumbered by this Lease (i) for the then existing Term and (ii) for all extension periods if, pursuant to Paragraph 29(c) , the appraisers deem it appropriate to include such extension periods. For all purposes of this Lease, Fair Market Value shall be determined in accordance with Paragraph 29.

"Fair Market Value Date" shall mean the date when the Fair Market Value is determined in accordance with Paragraph 29.

"Federal Funds" shall mean federal or other immediately available funds which at the time of payment are legal tender for the payment of public and private debts in the United States of America.

"First Interstate" shall mean First Interstate Bank of Utah, N. A.

"Hazardous Activity" means any activity, process, procedure or undertaking which directly or indirectly (i) procures, generates or creates any Hazardous Substance; (ii) causes or results in (or threatens to cause or result in) the release, seepage, spill, leak, flow, discharge or emission of any Hazardous Substance into the environment (including the air, ground water, watercourses or water systems) , (iii) involves the containment or storage of any Hazardous Substance; or (iv) would cause the Leased Premises or any portion thereof to become a hazardous waste treatment, recycling, reclamation, processing, storage or disposal facility within the meaning of any Environmental Law.

"Hazardous Condition" means any condition which results in any claim or 1iability under any Environmental Law, including the presence of underground storage tanks.

"Hazardous Substance" means (i) any substance, material, product, petroleum, petroleum product, derivative, compound or mixture, mineral (including asbestos), chemical, gas, medical waste, or other pollutant, in each case whether naturally occurring, man-made or the by-product of any process, that is toxic, harmful or hazardous or acutely hazardous to the environment or public health or safety or (ii) any substance supporting a claim under any Environmental Law, whether or not defined as hazardous as such under any Environmental Law. Hazardous Substances include, without limitation, any toxic or hazardous waste, pollutant, contaminant, industrial

waste, petroleum or petroleum-derived substances or waste, radon, radioactive materials, asbestos, asbestos containing materials, urea formaldehyde foam insulation, lead and polychlorinated byphenyls.

"Impositions" shall mean the Impositions as defined in Paragraph 9(a).

"Improvements" shall mean the Improvements as defined in Paragraph 1.

"Indemnitee" shall mean an Indemnitee as defined in Paragraph 15.

"Insurance Requirements" shall mean the requirements of all insurance policies required to be maintained in accordance with this Lease.

"Land" shall mean the Land as defined in Paragraph 1.

"Law" shall mean any constitution, statute, rule of law, code, ordinance, order, judgment, decree, injunction, rule, regulation, policy, requirement or administrative or judicial determination, even if unforeseen or extraordinary, of every duly constituted governmental authority, court or agency, now or hereafter enacted or in effect.

"Lease" shall mean this Lease Agreement.

“Leased Premises" shall mean the Leased Premises as defined in Paragraph 1.

"Legal Requirements" shall mean all present and future Laws (including but not limited to Environmental Laws and Laws relating to accessibility to, usability by, and discrimination against, disabled individuals) and all covenants, restrictions and conditions now or hereafter of record which may be applicable to Tenant or to any of the Leased Premises, or to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or restoration of any of the Leased Premises, even if compliance therewith necessitates structural changes or improvements or results in interference with the use or enjoyment of any of the Leased Premises.

"Lender" shall mean (a) First Interstate, its successors and assigns, and (b) any person or entity and their respective successors and assigns) which may, after the date hereof, make a Loan to Landlord or is the holder of any Note.

"Loan" shall mean any loan made by one or more Lenders to Landlord, which loan is secured by a Mortgage and an Assignment and evidenced by a Note.

"Major Alterations" shall mean Major Alterations as defined in Paragraph 37(a).

"Monetary Obligations" shall mean Rent and all other sums payable by Tenant under this Lease to Landlord, to any third party on behalf of Landlord or to any Indemnitee.

"Mortgage" shall mean any mortgage or deed of trust from Landlord to a Lender which (a) encumbers any of the Leased Premises and (b) secures Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified.

"Net Award" shall mean (a) the entire award payable to Landlord or Lender by reason of a Condemnation whether pursuant to a judgment or by agreement or otherwise, or (b) the entire proceeds of any insurance required under clauses (i) or (vi) of Paragraph 16(a), as the case may be, less any expenses incurred by Landlord and Lender in collecting such award or proceeds.

"New Improvements" shall mean the improvements, fixtures, machinery, equipment and other property to be constructed on the Land pursuant to the Construction Agency Agreement and described in the Plans and Construction Contracts (as such terms are defined in the Construction Agency Agreement).

"Note" shall mean any promissory note evidencing Landlord's obligation to repay a Loan, as the same may be amended, supplemented or modified.

"Non-Disturbance Agreement" means an agreement between a Lender and Tenant which provides, among other things, that if the Lender succeeds to the interests of the Landlord under this Lease, so long as Tenant is not in default under this Lease, the Lender shall recognize Tenant under this Lease, shall not disturb Tenant in Tenant's use or possession of the Leased Premises and shall recognize all rights of Tenant set forth in this Lease, including, without limitation, any right of Tenant to renew or extend the term of this Lease or to purchase the Leased Premises, whether in the nature of an option to purchase or a right of first refusal.

"Partial Casualty" shall mean any Casualty which does not constitute a Termination Event.

"Partial Condemnation" shall mean any Condemnation which does not constitute a Termination Event.

"Permitted Encumbrances" shall mean those covenants, restrictions, reservations, liens, conditions and easements and other encumbrances, other than any Mortgage or Assignment, listed on Exhibit "C" hereto (but such 1isting shall not be deemed to revive any such encumbrances that have expired or terminated or are otherwise invalid or unenforceable).

"Person" shall mean an individual, partnership, association, corporation or other entity.

"Plans" shall have the meaning assigned to such term in the Construction Agency Agreement.

"Prepayment Premium" shall mean any payment (other than a payment of principal and/or interest which Landlord is required to make under a Note or a Mortgage) by reason of any prepayment by Landlord of any principal due under a Note or Mortgage, and which may be (in lieu of such prepayment premium or prepayment penalty) a "make whole" clause requiring a prepayment premium in an amount sufficient to compensate the Lender for the loss of the benefit of the Loan due to a prepayment.

"Prime Rate" shall mean the average of the interest rates per annum quoted by Bank of America NT & SA, San Francisco, CA, The Chase Manhattan Bank, N.A., New York, NY, Chemical Bank, New York, NY, Citibank, N. A., New York, NY, and Morgan Guaranty Trust Company, New York, NY, as their respective prime rates, such average to change effective as of the effective date of any change in any of the aforesaid prime rates. The Prime Rate shall be the average of such publicly announced prime rates even though one or more of the aforesaid banks may actually charge interest on some of its loans at lower rates; and if any of the aforesaid banks has more than one prime rate of interest in effect simultaneously, the prime rate of such bank for the purposes of this definition shall be the highest of such prime rates then in effect for such bank. If three or more of the aforesaid banks cease to have a publicly announced prime rate then, for so long as such condition continues, the Prime Rate shall be the average per annum discount rate from time to time on ninety-one (91) day bills issued by the United States Treasury ("Treasury bills") at the most recent auction plus three hundred (300) basis points or, if no such ninety-one (91) day bills are then being issued, Treasury bills then being issued for the period of time closest to ninety-one (91) days plus three hundred (300) basis points.

"Present Value" of any amount shall mean such amount discounted by a rate per annum equal to 200 basis points in excess of the then current yield on United States Treasury obligations having a term approximately equal to the period over which Present value is being calculated.

"Project Costs" shall have the meaning assigned to such term in the Construction Agency Agreement. Landlord and tenant shall enter into an amendment to this Lease setting forth exact Project Costs upon completion of the New Improvements and occupancy thereof by Tenant.

"Relevant Amount" shall mean the Termination Amount or the Default Termination Amount, as the case may be.

"Relevant Date" shall mean (a) the date immediately prior to the date on which the applicable Condemnation Notice is received, in the event of a Termination Notice under Paragraph 18 which is occasioned by a Taking, (b) the date immediately prior to the date on which the applicable Casualty occurs, in the event of Termination Notice under Paragraph 18 which is occasioned by a casualty, (c) the date immediately prior to the Event of Default giving rise to the need to determine Fair Market Value in the event landlord provides Tenant with notice of its intention to require tenant to make a termination offer under Paragraph 23(a)(iii), and (d) the Fair Market Value Date, in the event Tenant exercises its intention to purchase under Paragraph 35.

"Remaining Sum" shall mean Remaining Sum as defined in Paragraph 19(c).

"Rent" shall mean, collectively, Basic Rent and additional Rent.

"Requisition" shall mean any temporary requisition confiscation of the use or occupancy of any of the Leased premises by any governmental authority, civil or military, whether pursuant to an agreement with such governmental authority in settlement of or under threat of any such requisition or confiscation, or otherwise.

"Retention Date" shall mean the later of the date on which the amount of the Remaining Sum is finally determined or the date on which Landlord's right to the Remaining Sum is finally determined, but in no event to exceed the date on which the Remaining Sum is actually received by Landlord.

"Site Assessment" shall mean a Site Assessment as defined in Paragraph 10 (c).

"State" shall mean the State of Utah.

"Surviving Obligations" shall mean any obligations of Tenant under this Lease, actual or contingent, which arise on or prior to the expiration or prior termination of this Lease or which survive such expiration or termination by their own terms.

"Take Out Loan" shall mean the permanent Loan contemplated to be made by First Interstate to Landlord.

"Taking" shall mean (a) any taking or damaging of all or a portion of any of the Leased Premises (i) in or by condemnation or other eminent domain proceedings pursuant to any Law, general or special, or (ii) by reason of any agreement with any condemnor in settlement of or under threat of any such condemnation or other eminent domain proceeding, or (iii) by any other means, or (b) any de facto condemnation. The Taking shall be considered to have taken place as of the later of the date actual physical possession is taken by the condemnor, or the date on which the right to compensation and damages accrues under the law applicable to the Leased Premises.

"Term" shall mean the Term as defined in Paragraph 5.

"Termination Amount" shall mean the greater of (a) Fair Market Value or (b) the Acquisition Cost.

"Termination Date" shall mean Termination Date as defined in Paragraph 18.

"Termination Event" shall mean a Termination Event as defined in Paragraph 18.

"Termination Notice" shall mean Termination Notice as defined in Paragraph 18(a).

"Warrant Agreement" shall mean the Warrant to Purchase Common Stock dated as of the date hereof issued by Tenant to Corporate Property Associates 11 Incorporated.

"Warrant Date" shall mean the date the New Improvements have been substantially completed and are ready for occupancy by Tenant, including without limitation the issuance of a certificate of occupancy.

3. Title and Condition.

(a) The Leased Premises are demised and let subject to (i) the rights of any Persons in possession of the Leased Premises, (ii) the existing state of title of any of the Leased Premises, including any Permitted Encumbrances, (iii) any state of facts which an accurate survey or physical inspection of the Leased Premises might show, (iv) all Legal Requirements, including any existing violation of any thereof, and (v) the condition of the Leased Premises as of the commencement of the Term, without representation or warranty by Landlord.

(b) Tenant acknowledges that the Leased Premises is in good condition and repair at the inception of this Lease. LANDLORD LEASES AND WILL LEASE AND TENANT TAKES AND WILL TAKE THE LEASED PREMISES AS IS. TENANT ACKNOWLEDGES THAT LANDLORD (WHETHER ACTING AS LANDLORD HEREUNDER OR IN ANY OTHER CAPACITY) HAS NOT MADE AND WILL NOT MAKE, NOR SHALL LANDLORD BE DEEMED TO HAVE MADE, ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE LEASED PREMISES, INCLUDING ANY WARRANTY OR REPRESENTATION AS TO (i) ITS FITNESS, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE, (ii) THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, (iii) THE EXISTENCE OF ANY DEPECT, LATENT OR PATENT, (iv) LANDLORD ' S TITLE THERETO, (v) VALUE, (vi) COMPLIANCE WITH SPECIFICATIONS, (vii) LOCATION, (viii) USE, (ix) CONDITION, (x) MERCHANTABILITY, (xi) QUALITY, (xii) DESCRIPTION, (xiii) DURABILITY (xiv) OPERATION (XV) THE EXISTENCE OF ANY HAZARDOUS SUBSTANCE, HAZARDOUS CONDITION OR HAZARDOUS ACTIVITY OR (xvi) COMPLIANCE OF THE LEASED PREMISES WITH ANY LAW OR LEGAL REQUIREMENT; AND ALL RISKS INCIDENT THERETO ARE TO BE BORNE BY TENANT. TENANT ACKNOWLEDGES THAT THE LEASED PREMISES IS OF ITS SELECTION AND TO ITS SPECIFICATIONS AND THAT THE LEASED PREMISES HAS BEEN INSPECTED BY TENANT AND IS SATISFACTORY TO IT. IN THE EVENT OF ANY DEFECT OR DEFICIENCY IN ANY OF THE LEASED PREMISES OF ANY NATURE, WHETHER LATENT OR PATENT, LANDLORD SHALL NOT HAVE ANY RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO OR FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT). THE PROVISIONS OF THIS PARAGRAPH J(b) HAVE BEEN NEGOTIATED, AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY WARRANTIES BY LANDLORD, EXPRESS OR IMPLIED, WITH RESPECT TO ANY OF THE LEASED PREMISES, ARISING PURSUANT TO THE UNIFORM COMMERCIAL CODE OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT OR ARISING OTHERWISE.

(c) Tenant represents to Landlord that Tenant has examined the title to the Leased Premises prior to the execution and delivery of this Lease and has found the same to be satisfactory for the purposes contemplated hereby. Tenant acknowledges that (i) fee simple title (both legal and equitable) is in Landlord and that Tenant has only the leasehold right of possession and use of the Leased Premises as provided herein, (ii) any existing Improvements conform to all material Legal Requirements and all Insurance Requirements, (iii) all easements necessary or appropriate for the use or operation of the Leased Premises have been obtained, (iv) all contractors and subcontractors who have performed work on or supplied materials to the Leased Premises have been fully paid, and all materials and supplies have been fully paid for, (v) the New Improvements will be fully completed in all material respects in a workmanlike manner of

first class quality, and (vi) all Equipment necessary or appropriate for the New Improvements will be installed and will be fully operative in all material respects.

(d) Landlord hereby assigns to Tenant, without recourse or warranty whatsoever, all warranties, guaranties, indemnities and similar rights which Landlord may have against any manufacturer, seller, engineer, contractor or builder in respect of any of the Leased Premises. Unless the Leased Premises are conveyed to Tenant, in which event such assignment shall be non-terminable, such assignment shall remain in effect until the expiration or earlier termination of this Lease or the right of possession of the Leased Premises by Tenant (or its assignees or sublessees) terminates, whereupon such assignment shall cease and all of said warranties, guaranties, indemnities and other rights shall automatically revert to Landlord.

(e) Pursuant to the Construction Agency Agreement, Tenant will cause to be constructed on the Land the New Improvements, with funds more particularly described in the Construction Agency Agreement. The New Improvements will be owned by Landlord and are included within the Leased Premises. Tenant acknowledges that the New Improvements have not yet been completed and that, pursuant to the Construction Agency Agreement, Tenant has the responsibility for insuring that the New Improvements are completed in accordance with the terms of the Construction Agency Agreement. Landlord will not make any representations or warranties with respect to the New Improvements. Tenant further acknowledges that, upon occurrence of an Event of Default, Landlord may terminate the Construction Agency Agreement, in addition to all other remedies of Landlord under this Lease, and complete construction of the New Improvements, and in such event Tenant will not be excused from paying all Rent due pursuant to the terms of this Lease. All acknowledgments of Tenant regarding the Leased Premises contained in this Paragraph 3 shall be deemed to have been made again as of the Completion Date.

4. Use of Leased Premises; Quiet Enjoyment.

(a) Tenant may occupy and use the Leased Premises for an office and manufacturing facility and for any other lawful purpose (the primary purpose of which shall not be the manufacturing, storage or handling of Hazardous Substances). Tenant shall not use or occupy or permit any of the Leased Premises to be used or occupied, nor do or permit anything to be done in or on any of the Leased Premises, in a manner which will (i) violate any Law or Legal Requirement, (ii) make void or voidable or cause any insurer to cancel any insurance required by this Lease, or make it difficult or impossible to obtain any such insurance at commercially reasonable rates, (iii) cause structural injury to any of the Improvements or (iv) constitute a public or private nuisance or waste.

(b) Subject to the provisions hereof, so long as no Event of Default has occurred and is continuing, Tenant shall quietly hold, occupy and enjoy the Leased Premises throughout the Term, without any hindrance, ejection or molestation by Landlord or its successors and assigns (including any person acquiring fee title to the Leased Premises), provided that Landlord may, during normal business hours and on reasonable prior notice to Tenant, enter upon and examine any of the Leased Premises for the purpose of inspecting the Leased Premises, verifying compliance or noncompliance by Tenant with its obligations hereunder and the existence or non-existence of an Event of Default or event which with the passage of time and/or notice would constitute an Event of Default, showing the Leased Premises to prospective Lenders and purchasers and taking such other action with respect to the Leased Premises as is permitted by any provision hereof.

5. Term.

(a) Subject to the provisions hereof, Tenant shall have and hold the Leased Premises for an initial term (such term, as actually extended or renewed in accordance with the provisions hereof, being

called the "Term") commencing on the date hereof and ending on the last day of the 300th calendar month next following the Completion Date (the "Expiration Date").

(b) Provided that if, on or prior to the Expiration Date or any other Renewal Date (as hereinafter defined) this Lease shall not have been terminated pursuant to any provision hereof, then on the Expiration Date and on the fifth (5th), tenth (l0th) and fifteenth (15th) anniversaries of the Expiration Date (the Expiration Date and each such anniversary being a " Renewal Date"), the Term shall be deemed to have been automatically extended for an additional period of five (5) years, unless Tenant shall notify Landlord in writing at least 18 months prior to the next Renewal Date that Tenant is terminating this Lease as of the next Renewal Date. Upon written request of either party to the other, Landlord and Tenant shall, within 30 days following such request, execute an agreement (in recordable form) terminating the Lease as aforesaid. Any such extension of the Term shall be subject to all of the provisions of this Lease, as the same may be amended, supplemented or modified.

(c) If an Event of Default occurs, or at any time during the last six months of the Term, Landlord shall have the right to (i) advertise the availability of the Leased Premises for sale or reletting and to erect upon the Leased Premises signs indicating such availability and (ii) show the Leased Premises to prospective purchasers or tenants or their agents at such reasonable times as Landlord may select during normal business hours after reasonable prior notice to Tenant.

6. Basic Rent. Tenant shall pay to Landlord, as annual rent for the Leased Premises during the Term, the amounts determined in accordance with Exhibit "D" hereto ("Basic Rent"), payable on the dates set forth on Exhibit "D" (each such date on which Basic Rent is due being a "Basic Rent Payment Date"). Each such rental payment shall be made, at Landlord's sole discretion, (a) to Landlord at its address set forth above and/or to such one or more other Persons, at such addresses and in such proportions as Landlord may direct by fifteen (15) days' prior written notice to Tenant (in which event Tenant shall give Landlord notice of each such payment concurrent with the making thereof), and (b) by a check received by Landlord (or the persons described in the preceding clause (a) at least three (3) business days before the applicable Basic Rent Payment Date, or in Federal Funds on the applicable Basic Rent Payment Date. Pro rata Basic Rent for the period from the date hereof through the last day of the month hereof shall be paid on the date hereof.

7. Additional Rent.

(a) Tenant shall pay and discharge, as additional rent (collectively, "Additional Rent"):

(i) except as otherwise specifically provided herein, all costs and expenses of Tenant and all reasonable costs and expenses of Landlord (subject to paragraph 31 of this Lease relating to costs of financing) and CPA:11 (as hereinafter defined) , excluding internal and overhead costs of Landlord and CPA:11, which are incurred in connection or associated with (A) the use, non-use, occupancy, possession, operation, condition, design, construction, maintenance, alteration, repair or restoration of any of the Leased Premises, (B) the performance of any of Tenant's obligations under this Lease, (C) any sale or other transfer of any of the Leased Premises to Tenant under this Lease, (D) any Condemnation proceedings, (E) the adjustment, settlement or compromise of any insurance claims involving or arising from any of the Leased Premises, (F) any amendment to or modification or termination of this Lease made at the request of Tenant, (G) Costs of Landlord's counsel and reasonable out of pocket costs of Landlord incurred in connection with the preparation, negotiation and execution of this Lease, or incurred in connection with any act undertaken by Landlord (or its counsel) at the request of Tenant, or incurred in connection with any act of Landlord performed on behalf of Tenant, and (H) any other items specifically required to be paid by Tenant under this Lease;

(ii) if all or any portion of any installment of Basic Rent is not paid when due, and such failure is not cured within three business days' after receipt by Tenant of written notice (which may be

sent via telecopy) of such failure, which notice need not be given more than twice in any calendar year, an amount equal to three percent (3%) of the amount of such unpaid installment or portion thereof;

(iii) a sum equal to any fees of Lender's counsel or any of Lender 's out of pocket costs which are payable by Landlord to any Lender under any Note by reason of Tenant's late payment or non-payment of Basic Rent or by reason of an Event of Default; and

(iv) interest at the rate (the "Default Rate") of five percent (5%) over the Prime Rate per annum on the following sums until paid in full (but such interest shall not commence to accrue unless the following sums are not paid when due and such failure continues for three business days following written notice to Tenant (which may be sent via telecopy), which notice need not be given more than twice· in any calendar year): (A) all overdue installments of Basic Rent from the respective due dates thereof, (B) all overdue amounts of Additional Rent relating to obligations which Landlord shall have paid on behalf of Tenant, from the date of payment thereof by Landlord, and (C) all other overdue amounts of Additional Rent, from the date when any such amount becomes overdue.

(b) Tenant shall pay and discharge (i) any Additional Rent referred to in Paragraph 7(a)(i) when the same shall become due, provided that amounts which are billed to Landlord or any third party, but not to Tenant, shall be paid within thirty (30) days after Landlord’s demand for payment thereof, and (ii) any other Additional Rent, within thirty (30) days following Landlord’s demand for payment thereof.

8. Net Lease; Non-Terminability.

(a) This is a net lease and all Monetary Obligations shall be paid without notice or demand (unless otherwise provided in this Lease) and without set-off, abatement, suspension, deferment, diminution, deduction, reduction or defense (collectively, a "Set-Off").

(b) Except as otherwise expressly provided herein , this Lease and the rights of Landlord and the obligations of Tenant hereunder shall not be affected by any event or for any reason, including the following: (i) any damage to or theft, loss or destruction of any of the Leased Premises, (ii) any Condemnation, (iii) the prohibition, limitation or restriction of Tenant's use of any of the Leased Premises, (iv) any eviction by paramount title, (v) Tenant's acquisition of ownership of any of the Leased Premises other than pursuant to an express provision of this Lease, (vi) any latent or other defect in any of the Leased Premises, (vii) the breach of any warranty of any seller, builder or manufacturer of any of the Equipment or New Improvements, (viii) any violation of Paragraph 4(b) or any other provision of this Lease by Landlord so long as the same does not terminate Tenant's right to possession of the Leased Premises pursuant to this Lease, (ix) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution or winding-up of, or other proceeding affecting Landlord so long as such proceeding does not terminate Tenant's right to possession of the Leased Premises pursuant to the provisions of this Lease, (x) any interference by Landlord, its successors and assigns (including any person acquiring fee title to the Leased Premises) with Tenant's use of the Leased Premises so long as the same does not terminate Tenant's right to possession of the Leased Premises pursuant to the provisions of this Lease, or (xi) market or economic changes.

(c) To the extent provided in Paragraph 8(b), the obligations of Tenant hereunder shall be separate and independent covenants and agreements, all Monetary Obligations shall continue to be payable in all events (or, in lieu thereof, Tenant shall pay amounts equal thereto), and the obligations of Tenant hereunder shall continue unaffected unless the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease. The obligation to pay Rent or amounts equal thereto shall not be affected by any collection of rents by any governmental body pursuant to a tax lien or otherwise in order to satisfy obligations of Tenant hereunder to pay real estate taxes or municipal charges. All Rent payable by Tenant hereunder shall constitute "rent" for all purposes (including Section 502(b)(6) of the Bankruptcy Code).

(d) Except as otherwise expressly provided herein, Tenant shall have no right and hereby waives all rights which it may have under any Law (i) to quit, terminate or surrender this Lease or any of the Leased Premises, or (ii) to any Set-Off of any Monetary Obligations. The foregoing waiver shall not apply if Tenant's right to possession of the Lease Premises pursuant to the provisions of this Lease is terminated under any of the circumstances described in clauses (viii), (ix) or (x) of Paragraph 8(b).

(e) Nothing in this Lease shall be construed to prevent Tenant from bringing an action against Landlord or any guarantor of this Lease, either at law or in equity, if Landlord breaches any of its obligations under this Lease. If Landlord fails to timely pay or perform any obligation or comply with any agreement required to be performed or complied with by Landlord under this Lease, and such failure is not cured within twenty (20) days after notice is given to Landlord of such failure (or if such cure reasonably requires more than twenty (20) days, if Landlord fails to commence such cure within such twenty (20) day period or thereafter fails to actively, diligently and in good faith prosecute such cure to completion), Landlord shall be liable to Tenant for (a) all damages, losses and Costs suffered or incurred by Tenant as a result of such failure, or (b) specific performance of such obligation or agreement, together with all damages, losses and Costs suffered or incurred by Tenant as a result of such failure. In addition, Tenant may exercise any other right or remedy available to Tenant at law or in equity (subject, however, to the foregoing provisions of this Paragraph 8). None of the foregoing remedies shall be exclusive of any other remedy at law or in equity (whether existing on or created after the date of this Lease), and all such remedies may be exercised concurrently, independently or successively from time to time. The failure on the part of Tenant to promptly enforce any right or to exercise any remedy under this Lease shall not operate as a waiver of such right or remedy, and the waiver of any default shall not constitute a waiver of any subsequent or other default.

9. Payment of Impositions.

(a) Tenant shall, before interest or penalties are due thereon, pay and discharge all taxes (including real and personal property, franchise, sales and rent taxes), all charges for any easement or agreement maintained for the benefit of any of the Leased Premises, all assessments and levies, all permit, inspection and license fees, all rents and charges for water, sewer , utility and communication services relating to any of the Leased Premises, and all other public charges whether of a like or different nature, even if unforeseen or extraordinary, imposed upon or assessed against (i) Tenant, (ii) any of the Leased Premises, (iii) Landlord as a result of or arising in respect of the ownership , occupancy, leasing, use or possession of any of the Leased Premises, any activity conducted on any of the Leased Premises, or the Rent, or (iv) any Lender by reason of any Note, Mortgage, Assignment or other document evidencing or securing a Loan and which (as to this clause (iv) Landlord has agreed to pay (collectively, the "Impositions"); provided, that nothing herein shall obligate Tenant to pay (A) income, excess profits or other taxes of Landlord (or Lender) which are determined on the basis of Landlord's (or Lender's) net income or net worth (unless such taxes are in lieu of or a substitute for any other tax, assessment or other charge upon or with respect to the Leased Premises which, if it were in effect, would be payable by Tenant under the provisions hereof or by the terms of such tax, assessment or other charge), (B) any estate, inheritance, succession, gift or similar tax imposed on Landlord or (C) any capital gains or other tax imposed on Landlord in connection with the sale of the Leased Premises to any Person (other than transfer taxes, or recording taxes or charges, imposed upon Landlord in any transfer of the Leased Premises to Tenant, which shall be paid by Tenant) . If any Imposition may be paid in installments without interest or penalty, Tenant shall have the option to pay such Imposition in installments; in such event, Tenant shall be liable only for those installments which accrue or become due and payable during the Term. Tenant shall prepare and file all tax reports required by governmental authorities which relate to the Impositions. Tenant shall deliver to Landlord (1) copies of all settlements and notices pertaining to the Impositions which may be issued by any governmental authority within ten (10) days after Tenant's receipt thereof, (2) receipts for payment of all taxes required to be paid by Tenant hereunder within thirty (30) days after the due date

thereof and (3) receipts for payment of all other Impositions within ten (10) days after Landlord's request therefor.

(b) Landlord shall have the right at any time and from time to time during the Term to require Tenant to pay to Landlord an additional monthly sum (each an "Escrow Payment") sufficient to pay the Escrow Charges (as hereinafter defined) as they become due. As used herein, "Escrow Charges" shall mean real estate taxes on the Leased Premises or payments in lieu thereof and premiums on any insurance required by this Lease. Landlord shall reasonably determine the amount of the Escrow Charges and of each Escrow Payment. The Escrow Payments may be commingled with other funds of Landlord or other Persons and no interest thereon shall be due or payable to Tenant. Landlord shall apply the Escrow Payments to the payment of the Escrow Charges in such order or priority as Landlord shall determine or as required by law. If at any time the Escrow Payments theretofore paid to Landlord shall be insufficient for the payment of the Escrow Charges, Tenant, within thirty (30) days after Landlord's demand therefor, shall pay the amount of the deficiency to Landlord. Notwithstanding the foregoing, however, Landlord waives the requirement that Escrow Payments be made to Landlord to the same extent that Lender waives any requirements that Escrow Charges be escrowed with Lender. Landlord shall exert its best efforts to cause any Lender to waive any such requirement.

10. Compliance with Laws and Easement Agreements; Environmental Matters.

(a) Tenant shall, at its expense, comply with and conform to, and cause any other Person occupying any part of the Leased Premises to comply with .and conform to, all Insurance Requirements and Legal Requirements (including all applicable Environmental Laws). Tenant shall not at any time (i) cause, permit or suffer to occur any Environmental Violation or (ii) permit any sublessee, assignee or other Person occupying the Leased Premises under or through Tenant to cause, permit or suffer to occur any Environmental Violation.

(b) Tenant, at its sole cost and expense, will at all times promptly and faithfully abide by, discharge and perform all of the covenants, conditions and agreements contained in any Easement Agreement on the part of' Landlord or the occupier to be kept and performed thereunder. Tenant, as lessee of the Leased Premises, will not alter, modify, amend or terminate any Easement Agreement, give any consent or approval thereunder, or enter into any new Easement Agreement without, in each case, the prior written consent of Landlord. The preceding sentence shall not limit Tenant in any way in acting in Tenant's capacity as the owner of any adjacent real property, as to that property, even if the Leased Premises are also included with in the document or instrument concerned.

(c) Upon prior written notice from Landlord, Tenant shall permit such persons as Landlord may designate ("Site Reviewers") to visit the Leased Premises and perform, as agents of Tenant, environmental site investigations and assessments ("Site Assessments") on the Leased Premises for the purpose of determining whether there exists on the Leased Premises any Environmental Violation or any condition which could result in any Environmental Violation. Such Site Assessments may include both above and below the ground testing for Environmental Violations and such other tests as may be necessary, in the opinion of the Site Reviewers, to conduct the Site Assessments provided that the Leased Premises are in each case restored to their original condition prior to such testing. Tenant shall supply to the Site Reviewers such historical and operational information regarding the Leased Premises as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments and shall make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters.

Tenant shall pay for the cost of the following Site Assessments:

(i) any Site Assessment where there is reasonable cause by Landlord to suspect an Environmental Violation;

(ii) any Site Assessment undertaken by Landlord for any reason whatsoever (but so long as no Event of Default has occurred and is continuing Tenant need not pay the cost of a Site Assessment conducted more frequently than once every five years); and

(iii) any site Assessment required by a Lender, provided, however, that Landlord shall exert its best efforts to minimize the frequency and cost thereof.

(d) If an Environmental Violation occurs or is found to exist and, in Landlord's reasonable judgment, the cost of remediation of the same is likely to exceed $25,000, Tenant shall provide to Landlord, within thirty (30) days after Landlord's request there for, adequate assurances that Tenant will effect such remediation in accordance with applicable Environmental Laws.

(e) Notwithstanding any other provision of this Lease, if an Environmental Violation occurs or is found to exist and the Term terminates or expires prior to the completion of all required remedial action in accordance with applicable Environmental Laws, Tenant shall nevertheless have the obligation to complete such action even though the Term has terminated or expired. Landlord shall have a cause of action for damages against Tenant if Landlord is unable to sell or rent the Leased Premises at market values as a result of such uncured Environmental Violation.

(f) If Tenant fails to comply with any requirement of any Environmental Law in connection with any Environmental Violation which occurs or is found to exist, Landlord shall have the right (but no obligation) to take any and all actions as are necessary to so comply.

(g) Tenant shall notify Landlord immediately after becoming aware of any Environmental Violation (or alleged Environmental Violation) or noncompliance with any of the covenants contained in this Paragraph 10 and shall forward to Landlord immediately upon receipt thereof copies of all orders, reports, notices, permits, applications or other communications relating to any such violation or noncompliance.

(h) All future leases, subleases or concession agreements relating to the Leased Premises entered into by Tenant shall contain covenants of the other party thereto which are identical to the covenants contained in this Paragraph 10.

11. Liens; Recording.

(a) Tenant shall not, directly or indirectly, create or permit to be created or to remain and shall promptly discharge or remove any lien, levy or encumbrance on any of the Leased Premises or on any Rent or any other sums payable by Tenant under this Lease, other than any Mortgage or Assignment, the Permitted Encumbrances and any mortgage, lien, encumbrance or other charge created by or resulting from any act or omission of Landlord or its successors or assigns (including any person acquiring fee title to the Leased Premises). NOTICE IS HEREBY GIVEN THAT LANDLORD SHALL NOT BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO TENANT OR TO ANYONE HOLDING OR OCCUPYING ANY OF THE LEASED PREMISES THROUGH OR UNDER TENANT, AND THAT NO MECHANICS ' OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF LANDLORD IN AND TO ANY OF THE LEASED PREMISES. LANDLORD MAY AT ANY TIME POST ANY NOTICES ON THE LEASED PREMISES REGARDING SUCH NON-LIABILITY OF LANDLORD.

(b) Tenant shall execute, deliver and record, file or register (collectively, "record") all such instruments as may be required or permitted by any present or future Law in order to evidence the respective interests of Landlord and Tenant in the Leased Premises, and shall cause a memorandum of this Lease (or, if such a memorandum cannot be recorded, this Lease), and any supplement hereto or thereto, to

be recorded in such manner and in such places as may be required or permitted by any present or future Law in order to protect the validity and priority of this Lease. Such memorandum shall be recorded prior to recordation of the Mortgage from Landlord to First Interstate.

12. Maintenance and Repair.

(a) Tenant shall at all times maintain the Leased Premises in as good repair and appearance as they are in on the Completion Date and fit to be used for their intended use in accordance with the better of the practices generally recognized as then acceptable by other companies in its industry or observed by Tenant with respect to the other real properties owned or operated by it, and, in the case of the Equipment, in as good mechanical condition as it was on the later of the date hereof or the date of its installation, except for ordinary wear and tear. Tenant shall take every other commercially reasonable action necessary or appropriate for the preservation and safety of the Leased Premises. Tenant shall promptly make all Alterations of every kind and nature, whether foreseen or unforeseen, which may be required to comply with the foregoing requirements of this Paragraph 12(a). Landlord shall not be required to make any Alteration, whether foreseen or unforeseen, or to maintain any of the Leased Premises in any way, and Tenant hereby expressly waives any right which may be provided for in any Law now or hereafter in effect to make Alterations at the expense of Landlord or to require Landlord to make Alterations. Any Alteration made by Tenant pursuant to this Paragraph 12 shall be made in conformity with the provisions of Paragraph 13.

(b) If any Improvement, now or hereafter constructed, shall (i) encroach upon any setback or any property, street or right-of-way adjoining the Leased Premises, (ii) violate the provisions of any restrictive covenant affecting the Leased Premises (iii) hinder or obstruct any easement or right-of-way to which any of the Leased Premises is subject or (iv) impair the rights of others in, to or under any of the foregoing, Tenant shall, promptly after receiving notice or otherwise acquiring knowledge thereof, either (A) obtain from all necessary parties waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation, hindrance, obstruction or impairment, whether the same shall affect Landlord, Tenant or both, or (B) take such action as shall be necessary to remove all such encroachments, hindrances or obstructions and to end all such violations or impairments, including, if necessary, making Alterations.

13. Alterations and Improvements.

(a) Tenant shall have the right, without the consent of Landlord, to (i) make Alterations to the Leased Premises for a cost of not more than $1,500,000 for any Alteration or series of related Alterations, or (ii) install equipment in the Improvements so long as an Event of Default does not exist and the value or utility of the Improvements is not diminished thereby. Other than Alterations required by Paragraphs 12 and 17 and the New Improvements, any additions to the Improvements or Alterations in excess of $1,500,000 per Alteration or series of related Alterations shall require the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

(b) If Tenant makes any Alterations pursuant to this Paragraph 13 or Paragraph 37 or as required by Paragraph 12 or 17 (such Alterations and actions being hereinafter collectively referred to as "Work"), whether or not Landlord's consent is required, then (i) the market value of the Leased Premises shall not be lessened by any such Work, (ii) all such Work shall be performed by Tenant in a good and workmanlike manner, (iii) all such Work shall be expeditiously completed in compliance with all Legal Requirements, (iv) all such Work shall comply with the Insurance Requirements, (v) if any such Work involves the replacement of Equipment or parts thereto, all replacement Equipment or parts shall have a value and useful life at least equal to the value and useful life of the Equipment being replaced immediately prior to the occurrence of the event which required its replacement and such replacements must be in good working order and repair and in accordance with industry standards for replaced equipment, (vi) Tenant shall promptly discharge or remove all liens filed against any of the Leased Premises arising out of such

Work, (vii) Tenant shall procure and pay for all permits and licenses required in connection with any such Work, (viii) all such Work shall be the property of Landlord and shall be subject to this Lease, and Tenant shall execute and deliver to Landlord any document requested by Landlord evidencing the assignment to Landlord of all estate, right, title and interest (other than the leasehold estate created hereby) of Tenant or any other Person thereto or therein; provided, however, that the foregoing item (viii) shall not apply to any Work (which term, for the purpose of this provision, shall include any alteration, addition, improvements or construction on the Land or in, on or about the Improvements) which is not a repair or replacement of any of the New Improvements, and which is readily removable without causing material damage to the Leased Premises, which Work shall be, and at all times remain, sole property of Tenant.

14. Permitted Contests. Notwithstanding any other provision of this Lease, Tenant shall not be required to (a) pay any Imposition, (b) comply with any Legal Requirement, (c) discharge or remove any lien referred to in Paragraph 11 or 13 or (d) take any action with respect to any encroachment, violation, hindrance, obstruction or impairment referred to in Paragraph 12 (b) (such non-compliance with the terms hereof being hereinafter referred to collectively as "Permitted Violations"), so long as at the time of such contest no Event of Default exists and so long as Tenant shall contest, in good faith, the existence, amount or validity thereof, the amount of the damages caused thereby, or the extent of its or Landlord ' s liability therefor by appropriate proceedings which shall operate during the pendency thereof to prevent or stay (i) the collection of, or other realization upon, the Permitted Violation so contested, (ii) the sale, forfeiture or loss of any of the Leased Premises or any Rent to satisfy or to pay any damages caused by any Permitted Violation, (iii) any interference with the use or occupancy of any of the Leased Premises, (iv) any interference with the payment of any Rent, (v) the cancellation or increase in the rate of any insurance policy or a statement by the carrier that coverage will be denied or (vi) the enforcement or execution of any injunction, order or Legal Requirement with respect to the Permitted Violation. Tenant shall provide Landlord security which is satisfactory, in Landlord's reasonable judgment, to assure that such Permitted Violation is corrected, including all Costs, interest and penalties that may be incurred or become due in connection therewith. While any proceedings which comply with the requirements of this Paragraph 14 are pending and the required security is held by Landlord, Landlord shall not have the right to correct any Permitted Violation thereby being contested unless Landlord is required by law to correct such Permitted Violation and Tenant's contest does not prevent or stay such requirement as to Landlord. Each such contest shall be promptly and diligently prosecuted by Tenant to a final conclusion, except that Tenant, so long as the conditions of this Paragraph 14 are at all times complied with, has the right to attempt to settle or compromise such contest through negotiations. Tenant shall pay any and all losses, judgments, decrees and Costs in connection with any such contest and shall, promptly after the final determination of such contest, fully pay and discharge the amounts which shall be levied, assessed, charged or imposed or be determined to be payable therein or in connection therewith, together with all penalties, fines, interest and Costs thereof or in connection therewith, and perform all acts the performance of which shall be ordered or decreed as a result thereof. No such contest shall subject Landlord to the risk of any civil or criminal liability.

15. Indemnification.

(a) Tenant shall pay, protect, indemnify, save and hold harmless Landlord, Corporate Property Associates 11 Incorporated ("CPA 11"), W. P. Carey & Co., Inc., Carey Property Advisors, Carey Fiduciary Advisors, Inc., and their respective officers, directors and agents (each an "Indemnitee") from and against any and all liabilities, losses, damages (including punitive damages), penalties, Costs, causes of action, suits, claims, demands or judgments of any nature whatsoever, without regard to the form of action and whether based on strict liability, gross negligence, negligence or any other theory of recovery at law or in equity, arising from (i) any matter pertaining to the use, non-use, occupancy, operation, condition, design, construction, maintenance, repair or restoration of the Leased Premises, (ii) any casualty in any manner arising from the Leased Premises, whether or not Landlord has or should have knowledge or notice of any defect or condition causing or contributing to said casualty, (iii) any violation by Tenant of any provision of this Lease, any contract or agreement to which Tenant is a party, any Legal Requirement or any Permitted Encumbrance or (iv) any alleged, threatened or actual Environmental Violation on the Leased Premises or by Tenant, including (A) liability for response costs and for costs of removal and remedial action incurred by the United States Government, any state or local governmental unit or any other Person, or damages

from injury to or destruction or loss of natural resources, including the reasonable costs of assessing such injury, destruction or loss, incurred pursuant to Section 107 of CERCLA, or any successor section or act or provision of any similar state or local Law, (B) liability for costs and expenses of abatement, correction or clean-up, fines, damages, response costs or penalties which arise from the provisions of any of the other Environmental Laws and (C) liability for personal injury or property damage arising under any statutory or common-law tort theory, including damages assessed for the maintenance of a public or private nuisance or for carrying on of a dangerous activity, or (v) any obligation of Landlord to indemnify a Lender with respect to matters described in clauses (i) through (iv) above.

Landlord shall pay, protect, indemnify, save and hold harmless Tenant from and against any and all liabilities, losses, damages (including punitive damages), penalties, Costs, causes of
action, suits, claims, demands or judgments of any nature whatsoever, without regard to the form of action and whether based on strict liability, gross negligence, negligence or any other theory of recovery at law or in equity arising from any violation by Landlord of paragraph 4 (b) of this Lease.

Notwithstanding the foregoing provisions of this Paragraph 15 (a) to the contrary, such provisions shall not be construed to result in the indemnification of any Person with respect to
affirmative acts of such Person constituting negligence or an intentional tort.

(b) In case any action or proceeding is brought against either Landlord or Tenant by reason of any such claim, such Person may either (i) if a conflict would exist if such Person was represented by counsel retained by the other pursuant to Paragraph 15 (b) (ii), retain its own counsel and defend such action (it being understood that the other Person may employ counsel of its choice to monitor the defense of any such action), but Landlord (if an Indemnitee) will not retain its own counsel without first consulting with Tenant as to Tenant's choice of counsel to be retained pursuant to Paragraph 15 (b) (ii), or (ii) notify the other Person to resist or defend such action or proceeding by retaining counsel reasonably satisfactory to such Person, and such Person will cooperate and assist in the defense of such action or proceeding if reasonably requested so to do by the other Person.

Each party hereto shall have the right to review and approve the selection of counsel by the other party hereto pursuant to the foregoing portion of this Paragraph 15 (b), which approval will not be unreasonably withheld.

(c) The obligations of Tenant and Landlord under this Paragraph 15 shall survive any termination or expiration of this Lease.

16. Insurance.

(a) Tenant shall maintain the following insurance on or in connection with the Leased Premises:

(i) Insurance against physical loss or damage to the Improvements and Equipment as provided under a standard special form (previously called "All Risk”) property policy including but not limited to flood (if the Leased Premises is in a 100 year flood zone) in amounts not less than the actual replacement cost of the Improvements and Equipment. Such policies shall contain replacement cost and agreed amount endorsements and shall contain deductibles not more than $50,000.00 per occurrence or such higher amount as may be reasonable and customary for properties of this size, type and location in Utah and prudent given the financial condition of Tenant.

(ii) Commercial General Liability Insurance against claims for personal and bodily injury, death or property damage occurring on, in or as a result of the use of the Leased Premises, in an amount not less than $3,000,000 per occurrence/annual aggregate including Non-owned and Hired Automobile Liability and all other coverage extensions that are usual and customary for properties of this size, type and location in Utah provided, however, that the Landlord shall have the right to require such higher limits as may be reasonable and customary for properties of this size, type and location in Utah.

(iii) Worker's Compensation Insurance complying with the rules, regulations and requirements of the appropriate agency of the State covering all persons employed by Tenant in connection with any work done on or about any of the Leased Premises for which claims for death , disease or bodily injury may be asserted against Landlord, Tenant or any of the Leased Premises or, in lieu of such Worker's Compensation Insurance, a program of self-insurance complying with the rules, regulations and requirements of the appropriate agency of the state.

(iv) [Intentionally omitted].

(v) Business Income/ Interruption Insurance to include Loss of Rents with a period of indemnity not less than one year (or 16 months, if required by First Interstate) from the time of loss.

(vi) During the period of construction of the New Improvements and during any other period in which substantial Alterations at the Leased Premises are being undertaken, Builder's Risk insurance covering the total completed value including any "soft costs" with respect to the Improvements being altered or repaired (on a completed value, non-reporting basis), replacement cost of work performed and equipment, supplies and materials furnished in connection with such construction or repair of Improvements or Equipment, together with such "soft cost" endorsements (covering up to $500,000 of "soft costs") and General Liability, Worker's Compensation and Automobile Liability Insurance with respect to the Improvements being constructed, altered or repaired.

(vii) Such other or additional insurance on or in connection with any of the Leased Premises, which at the time is usual and commonly obtained in connection with properties similar in type of building size, type use and location in Utah to the Leased Premises.

(b) The insurance required by Paragraph 16(a) shall be written by companies which have a Best's rating of A:X or above and are admitted in, and approved to write insurance policies by, the state Insurance Department for the State. The insurance policies (i) shall be for such terms as Landlord may reasonably approve, (ii) shall be in amounts sufficient at all times to satisfy any coinsurance requirements thereof and (iii) shall (except for the worker's compensation insurance referred to in Paragraph 16(a)(iii) hereof) name Landlord, Tenant and Lender as insured parties, as their respective interests may appear. If said insurance or any part thereof shall expire, be withdrawn, become void, voidable, unreliable or unsafe for any reason, including a breach of any condition thereof by Tenant or the failure or impairment of the capital of any insurer, or if for any other reason whatsoever said insurance shall become reasonably unsatisfactory to Landlord, Tenant shall immediately obtain new or additional insurance reasonably satisfactory to Landlord.

(c) All proceeds of any insurance required under clauses (i) and (vi) of Paragraph 16(a) shall be payable to Landlord or, if required by the Mortgage, to Lender. Each insurance policy referred to in clauses (i) and (vi) of Paragraph 16(a) shall contain standard non-contributory mortgagee clauses in favor of and acceptable to Lender. Each policy required by any provision of Paragraph 16(a), except clause (iii) thereof, shall provide that it may not be cancelled except after thirty (30) days' prior notice to Landlord and Lender. Each such policy shall also provide that any loss otherwise payable thereunder shall be payable notwithstanding (i)any act or omission of Landlord or Tenant which might, absent such provision, result in a forfeiture of a l l or a part of such insurance payment, (ii) the occupation or use of any of the Leased Premises for purposes 2 5 more hazardous than those permitted by the prov1s1ons of such policy, (ii i)any foreclosure or other action or proceeding taken by Lender pursuant to any provision of the Mortgage, Note, Assignment or other document evidencing or securing the Loan upon the happening of an event of default therein or (iv) any change in title to or ownership of any of the Leased Premises.

(d) Tenant shall pay as they become due all premiums for the insurance required by Paragraph 16(a), shall renew or replace each policy and deliver to Landlord evidence of the payment of the full premium therefor or installment then due at least ten (10)days prior to the expiration date of such policy, and shall promptly deliver to Landlord photocopies of all original policies.

(e) Anything in this Paragraph 16 to the contrary notwithstanding, any insurance which Tenant is required to obtain pursuant to Paragraph 16(a) may be carried under a "blanket" or umbrella policy or policies covering other properties or liabilities of Tenant, provided that such "blanket" or umbrella policy or policies otherwise comply with the provisions of this Paragraph 16 and provided further that such policies shall provide for a reserved amount thereunder with respect to the Leased Premises so as to assure that the amount of insurance required by this Paragraph 16 will be available notwithstanding any losses with respect to other property covered by such blanket policies. The amount of the total insurance allocated to the Leased Premises, which amount shall be not less than the amounts required pursuant to this Paragraph 16, shall be specified either (i) in each such "blanket" or umbrella policy or (ii) in a written statement, which Tenant shall deliver to Landlord, from the insurer thereunder. The original or a certified copy of each such "blanket" or umbrella policy shall promptly be delivered to Landlord.

(f) Tenant shall have the replacement cost and insurable value of the Improvements and Equipment determined from time to time as required by the replacement cost and agreed amount endorsements and shall deliver to Landlord the new replacement cost and agreed amount endorsement or certificate evidencing such endorsement promptly upon Tenant’s receipt thereof.

(g) Tenant shall promptly comply with and conform to (i) all provisions of each insurance policy required by this Paragraph 16 and (ii) all requirements of the insurers thereunder applicable to Landlord, Tenant or any of the Leased Premises or to the use, manner of use, occupancy, possession, operation, maintenance, alteration or repair of any of the Leased Premises, even if such compliance necessitates Alterations or results in interference with the use or enjoyment of any of the Leased Premises.

(h) Tenant shall not carry separate insurance concurrent in form or contributing in the event of a Casualty with that required in this Paragraph 16 unless (i) Landlord and Lender are included therein as named insureds, with loss payable as provided here in, and (ii) such separate insurance complies with the other provisions of this Paragraph 1 6. Tenant shall immediately notify Landlord of such separate insurance and shall deliver to Landlord photocopies of the original policies therefor.

(i) All policies shall contain effective waivers by the carrier against all claims for insurance premiums against Landlord. Landlord and Tenant waive all rights to recover against each other and against the officers, directors, shareholders, employees, agents, customers, invitees or business visitors of each other for any loss or damage arising from any cause covered by any insurance carried by the waiving party, but only to the extent of insurance proceeds paid to such waiving party and only to the extent such waiver does not invalidate any coverage under any such insurance. Landlord and Tenant shall cause their respective insurance carriers to issue appropriate waivers of subrogation rights endorsements to all policies of insurance carried in connection with the Leased Premises.

17. Casualty and Condemnation.

(a) If any Casualty occur s, Tenant shall give Landlord and Lender immediate notice thereof. Landlord and Lender are hereby authorized to adjust, collect and compromise, in their discretion and upon notice to Tenant (except that no notice to Tenant shall be required if an Event of Default has occurred and is continuing), all claims under any of the insurance policies required by Paragraph 16(a)(i)and (vi) (except public liability insurance claims payable to a Person other than Tenant, Landlord or Lender) and to execute and deliver on behalf of Tenant all necessary proofs of loss, receipts, vouchers and releases required by the insurers. Provided that no Event of Default has occurred and is continuing, Tenant shall be entitled to participate with Landlord and Lender in any adjustment, collection and compromise of the Net Award payable in connection with a Casualty. Tenant agrees to sign, upon the request of Landlord or Lender, all such proofs of loss, receipts, vouchers and releases. If Landlord or Lender so requests, Tenant shall adjust, collect and compromise any and all such claims, and Landlord and Lender shall have the right to join with Tenant therein. Any adjustment, settlement or compromise of any such claim shall be subject to the prior written approval of Landlord and Lender, and Landlord and Lender shall have the right to prosecute or contest, or to require Tenant to prosecute or contest, any such claim, adjustment, settlement or compromise. Each

insurer is hereby authorized and directed to make payment under said policies, excluding return of unearned premiums which shall be paid to Tenant, directly to Landlord or, if required by the Mortgage, to Lender instead of to Landlord and Tenant jointly, and Tenant hereby appoints each of Landlord and Lender as Tenant's attorneys-in-fact to endorse any draft therefor.

(b) Tenant, immediately upon receiving a Condemnation Notice, shall ·notify Landlord and Lender thereof. Landlord and Lender are authorized to collect, settle and compromise, in their discretion (and, if no Event of Default exists, upon notice to Tenant), the amount of any Net Award. Provided that no Event of Default has occurred and is continuing, Tenant shall be entitled to participate with Landlord and Lender in any Condemnation proceeding or negotiations under threat thereof and to contest the Condemnation or the amount of the Net Award there for. No agreement with any condemnor in settlement or under threat of any Condemnation shall be made by Tenant without the written consent of Landlord and Lender. Subject to the provisions of this Paragraph 17 (b), Tenant hereby irrevocably assigns to Landlord any award or payment to which Tenant is or may be entitled by reason of any Condemnation, whether the same shall be paid or payable for Tenant's leasehold interest hereunder or otherwise; but nothing in this Lease shall impair Tenant's right to any award or payment on account of Tenant's trade fixtures, equipment or other property which is not part of the Improvements or the Equipment, moving expenses or loss of busines s, if available, to the extent that and so long as (i)Tenant shall have the right to make, and does make, a separate claim therefor against the condemnor and (ii)such claim does not in any way reduce either the amount of the award otherwise payable to Landlord for the Condemnation of Landlord's fee interest in the Leased Premises or the amount of the award (if any) otherwise payable for the Condemnation of Tenant's leasehold interest hereunder.

(c) If any Partial Casualty (whether or not insured against) or Partial Condemnation shall occur, this Lease shall continue, notwithstanding such event, and there shall be no abatement or reduction of any Monetary Ob1igations, except as provided in Paragraph 17 (d)and 19 (c). Promptly after such Partial Casualty or Partial Condemnation, Tenant, as required in Paragraph 12(a), shall commence and diligently continue to restore the Leased Premises as nearly as possible to their value, condition and character immediately prior to such event. Upon the receipt by Landlord of the entire or any portion of the Net Award of such Partial Casualty or Partial Condemnation, Landlord shall make such Net Award available to Tenant for restoration in accordance with and subject to the provisions of Paragraph 19(a). If any Casualty or Condemnation which is not a Partial Casualty or Partial Condemnation shall occur, Tenant shall comply with the terms and conditions of Paragraph 18.

(d) In the event of a Requisition of any of the Leased Premises, if any Net Award payable by reason of such Requisition is (i) retained by Landlord, each installment of Basic Rent payable on or after the date on which the Net Award is paid to Landlord shall be reduced by a fraction, the denominator of which shall be the total amount of all Basic Rent due from such date to and including the last Basic Rent Payment Date for the then existing Term and the numerator of which shall be the amount of such Net Award retained by Landlord, or (ii)paid to Lender, then each installment of Basic Rent thereafter payable shall be reduced in the same amount as payments are reduced under the Note until such Net Award has been applied in full or until the Term has expired, whichever first occurs. Landlord will use its best efforts to cause Lender to change the amortization payments on its Loan if a Net Award is paid to Lender. Upon Lease termination, the difference between Total Benefits (as hereinafter defined) and the amount of Basic Rent reductions actually received by Tenant through the date of Lease termination shall be paid to Tenant so long as no Event of Default has occurred and is continuing. As used herein, "Total Benefits" shall mean the Present Value of the benefit Tenant would have received under clause (i) of this subparagraph (d) if the Net Award had been paid to Landlord and applied as described in said clause (i).

18. Termination Events.

(a) If (i) the entire Leased Premises shall be taken by a Taking, or (ii)at any time following the Completion Date, any substantial portion of the Leased Premises shall be taken by a Taking or all or any substantial portion of the Leased Premises shall be damaged or destroyed by a Casualty following the Completion Date and in such case, within sixty (6 0)days after such event Tenant certifies and covenants to Landlord that Tenant will forever abandon operations at the Leased Premises (each of the events described in the above clauses (i)and (ii)shall hereinafter be

referred to as a "Termination Event"), then (x) in the case of (i)above, Tenant shall be obligated, within sixty (60)days after such Taking, and (y)in the case of (ii)above, Tenant shall have the option, within sixty (6 0) days after such Taking o r sixty (6 0)days after the Casualty, as the case may be, to give to Landlord written notice of the Tenant's option to terminate this Lease (a "Termination Notice")in the form described in Paragraph 18 (b).

(b) A Termination Notice shall contain (i) notice of Tenant's intention to terminate this Lease on the first Basic Rent Payment Date which occurs at least ninety (90)days after the Fair Market Value Date (the "Termination Date"), (ii) a binding and irrevocable offer of Tenant to pay to Landlord the Termination Amount and (iii)if the Termination Event is an event described in Paragraph 18(a)(ii), the certification and covenants described therein and a certified resolution of the Board of Directors of Tenant authorizing the same. Promptly upon the delivery to Landlord of a Termination Notice, Landlord and Tenant shall commence to determine the Fair Market Value of the Leased Premises.

(c) If Landlord shall reject such offer to terminate this Lease by written notice to Tenant (a "Rejection"), which Rejection shall contain the written consent of Lender, not later than sixty (60) days following the Fair Market Value Date, then this Lease shall terminate on the Termination Date, subject to paragraph 10(e); provided that, if Tenant has not satisfied all obligations to pay Basic Rent, taxes, Additional Rent previously agreed by Landlord and tenant to be due, and the cost of any work or Alterations (subject to Tenant' s rights under Paragraph 14) which have arisen on or prior to the Termination Date (collectively, "Remaining Obligations") on the Termination Date, then Landlord may, at its option, extend the date on which this Lease may terminate to a date after the Termination Date on which Tenant has satisfied all Remaining Obligations. Upon such termination (i) all obligations of Tenant hereunder shall terminate except for any Surviving Obligations, (ii)Tenant shall immediately vacate and shall have no further right, title or interest in or to any of the Leased Premises and (iii) the Net Award shall be retained by Landlord.

(d) Unless Tenant shall have received a Rejection not later than the sixtieth (60th) day following the Fair Market Value Date, Landlord shall be conclusively presumed to have accepted such offer. If such offer is accepted by Landlord then, on the Termination Date, Tenant shall pay to Landlord the Termination Amount and shall pay to the proper party all Remaining Obligations, and Landlord shall (i) convey to Tenant the Leased Premises or the remaining portion thereof, if any, and (ii) pay to or assign to Tenant its entire interest in and to the Net Award, all in accordance with Paragraph 2 0. If the foregoing provisions of this Paragraph 18(d) shall apply, the provisions of Paragraph 19 shall be inapplicable.

19. Restoration; Reduction of Rent.

(a) Subject to paragraph 18(d), if a Net Award is made available by Landlord for the restoration of any of the Leased Premises, Landlord (or Lender if required by any Mortgage) shall hold such Net Award in a fund (the "Restoration Fund") and disburse amounts from the Restoration Fund only in accordance with the following conditions :

(i) prior to commencement of restoration, (A) the architects, contract s, contractors, plans and specifications for the restoration shall have been approved by Landlord, such approval not to be unreasonably withheld or delayed, (B) Landlord and Lender shall be provided with acceptable performance and payment bonds which insure satisfactory completion of and payment for the restoration, are in an amount and form and have a surety acceptable to Landlord, and name Landlord and Lender as additional dual obligees, and (C) appropriate waivers of mechanics' and materialmen's liens shall have been filed;

(ii) at the time of any disbursement, no Event of Default shall exist and, subject to paragraph 14, no mechanics' or materialmen's liens shall have been filed against any of the Leased Premises and remain undischarged;

(iii)disbursements shall be made from time to time in an amount not exceeding the cost of the work completed since the last disbursement, upon receipt of (A) satisfactory evidence, including architects' certificates, of

the stage of completion, the estimated total cost of completion and performance of the work to date in a good and workmanlike manner in accordance with the contracts, plans and specification's, (B) waivers of liens, (C) contractors' sworn statements as to completed work and the cost thereof for which payment is requested, (D) a satisfactory bringdown of title insurance and (E) other evidence of cost and payment so that Landlord can verify that the amounts disbursed from time to time are represented by work that is completed, in place and free and clear of mechanics' and materialmen' s lien claims;

(iv) each request for disbursement shall be accompanied by a certificate of Tenant, signed by the president or a vice president of Tenant, describing the work for which payment is requested, stating the cost incurred in connection therewith, stating that Tenant has not previously received payment for such work and, upon completion of the work, also stating that the work has been fully completed and complies with the applicable requirements of this Lease;

(v) Landlord may retain ten percent (10 %)of the restoration fund until the restoration is fully completed;

(vi) the Restoration Fund may be commingled with Landlord's other funds and shall not bear interest; and

(vii) such other reasonable conditions as Landlord or Lender may impose.

(b) Prior to commencement of restoration and at any time during restoration, if the estimated cost of completing the restoration work free and clear of all liens exceeds the amount of the Net Award available for such restoration, the amount of such excess shall, upon demand by Landlord, be paid by Tenant to Landlord to be added to the Restoration Fund. Any sum so added by Tenant which remains in the Restoration Fund upon completion of restoration shall be refunded to Tenant. For purposes of determining the source of funds with respect to the disposition of funds remaining after the completion of restoration, the Net Award shall be deemed to be disbursed prior to any amount added by Tenant.

(c) If any sum remains in the Restoration Fund after completion of the restoration and any refund to Tenant pursuant to Paragraph 9 (b), such sum (the "Remaining Sum") shall be retained by Landlord or, if required by a Note, or Mortgage, paid by Landlord to a Lender. If the Remaining Sum is (i) retained by Landlord, each installment of Basic Rent payable on or after the Retention Date shall be reduced by a fraction, the denominator of which shall be the total amount of all Basic Rent due from such date to and including the last Basic Rent Payment Date for the then existing Term and the numerator of which shall be the Remaining sum, or (ii) paid to Lender, then each installment of Basic Rent thereafter payable shall be reduced in the same amount as payments are reduced under any Note if the Loan corresponding to such Note is reamortized to reflect such payment, in each case until such Remaining Sum has been applied in full or until the Term has expired, whichever occurs first. Landlord will use its best efforts to cause Lender to change the amortization payments on its Loan if a Net Award is paid to Lender. Upon Lease termination, the difference between Total Benefits (as hereinafter defined) and the amount of Basic Rent reductions actually received by Tenant shall be paid to Tenant so long as no Event of Default has occurred and is continuing. As used herein, "Total Benefits" shall mean the Present Value of the benefit Tenant would have received under clause (i) of this subparagraph (c) if the Net Award had been paid to Landlord and applied as described in said clause (i).

20. Procedures Upon Purchase.

(a) If the Leased Premises is purchased by Tenant pursuant to any provision of this Lease, Landlord need not convey any better title thereto than that which was conveyed to Landlord, and Tenant shall accept such title, subject, however, to the Permitted Encumbrances and to all other liens, exceptions and restrictions on, against or relating to any of the Leased Premises created by Tenant or (with respect to non-monetary encumbrances) with Tenant's written consent and to all applicable Laws, but free of the lien of and security interest created by any Mortgage or Assignment and liens, exceptions and restrictions on, against or relating to the Leased Premises which

have been created by or resulted from acts of Landlord or any Person claiming by, through or under Landlord after the date of this Leas e, unless the same are Permitted Encumbrances or customary utility easements benefiting the Leased Premises or were created as a result of a default by Tenant under this Lease.

(b)Upon the date fixed for any such purchase of the Leased Premises pursuant to any provision of this Lease (any such date the "Purchase Date"), Tenant shall pay to Landlord, or to any Person to whom Landlord directs payment, the Relevant Amount therefor specified herein, in Federal Funds, less any credit of the Net Award received and retained by Landlord or a Lender allowed against the Relevant Amount, and Landlord shall deliver to Tenant (i) a special warranty deed which describes the premises being conveyed and conveys the title thereto as provided in Paragraph 20(a), together with a standard coverage policy of title insurance covering the Leased Premises in the amount of the Relevant Amount (with Landlord and Tenant to equally split the cost of such title policy) (ii) such other instruments as shall be necessary to transfer to Tenant or its designee any other property (or rights to any Net Award not yet received by Landlord or a Lender) then required to be sold by Landlord to Tenant pursuant to this Lease and (iii) any Net Award received by Landlord, not credited to Tenant against the Relevant Amount and required to be delivered by Landlord to Tenant pursuant to this Lease; provided, that if any Rent payable to Landlord remains outstanding on such date, then Landlord may deduct from the Net Award the amount of such Rent. If on the Purchase Date any such Rent remains outstanding and (a) no Net Award is payable to Tenant by Landlord then Tenant shall pay to Landlord on the Purchase Date the amount of such Rent and (b) if a Net Award is payable to Tenant but is less than the amount of such Rent then Tenant shall pay to Landlord on the Purchase Date the amount of such Rent in excess of the amount of any such Net Award received by Landlord. Upon the completion of such purchase, this Lease and all obligations and l i abilities of Tenant hereunder shall terminate, except any surviving Obligations.

(c) If the completion of such purchase shall be delayed after (i)the Termination Date, in the event of a purchase pursuant to Paragraph 18 or, (ii) the date scheduled for such purchase, in the event of a purchase under any other provision of this Lease then Rent shall continue to be due and payable until completion of such purchase.

(d) Any prepaid Monetary Obligations paid to Landlord shall be prorated as of the Purchase Date, and the prorated unapplied balance shall be deducted from the Relevant Amount due to Landlord; provided, that no apportionment of any Impositions shall be made upon any such purchase.

21. Assignment and Subletting; Prohibition against Leasehold Financing.

(a) Tenant may not assign this Lease, whether by operation of law or otherwise, or sublet any of the Leased Premises at any time to any other Person without the prior written consent of Landlord; provided, however, that Tenant may, with prior or concurrent notice to Landlord but without the written consent of Landlord, enter into one or more subleases covering (in the aggregate) 50% or less of the Leased Premises or assign the Lease to an entity in which Tenant has an ownership interest (directly or indirectly) of more than 50%.

If Tenant assigns all its rights and interest under this Lease, the assignee under such assignment shall expressly assume all the obligations of Tenant hereunder, actual or contingent, including obligations of Tenant which may have arisen on or prior to the date of such assignment, by a written instrument delivered to Landlord at the time of such assignment. Each sublease of any of the Leased Premises shall be subject and subordinate to the provisions of this Lease. No assignment or sublease made as permitted by this Paragraph 21 shall affect or reduce any of the obligations of Tenant hereunder, and all such obligations shall continue in full force and effect as obligations of a principal and not as obligations of a guarantor, as if no assignment or sublease had been made. No assignment or sublease shall impose any additional obligations on Landlord under this Lease.

(b) Tenant shall, within ten (10)days after the execution and delivery of any assignment or sublease consented to by Landlord, deliver a duplicate original copy thereof to Landlord which, in the event of an assignment, shall be in recordable form.

(c) As security for performance of its obligations under this Lease, Tenant hereby grants, conveys and assigns to Landlord all right, title and interest of Tenant in and to all subleases now in existence or hereinafter entered into for any or all of the Leased Premises, any and all extensions, modifications and renewals thereof and all rents, issues and profits therefrom. Landlord hereby grants to Tenant a license to collect and enjoy all rents and other sums of money payable under any sublease of any of the Leased Premises, provided, however, that Landlord shall, following occurrence of an Event of Default, have the absolute right at any time upon notice to Tenant and any subtenants to revoke said license and to collect such rents and sums of money and to retain the same. With respect to subleases requiring Landlord's prior written consent, Tenant shall not consent t o, cause or allow any material modification or material alteration of any of the terms, conditions or covenants of any of the subleases without the prior written approval of Landlord, which consent shall not be unreasonably withheld, nor shall Tenant accept any rents more than thirty (30) days in advance of the accrual thereof nor do nor permit anything to be done, the doing of which, nor omit or refrain from doing anything, the omission of which, will or could be a breach of or default in the terms of any of the subleases.

(d) Tenant shall not have the power to mortgage, pledge or otherwise encumber its interest under this Lease or any sublease of the Leased Premises, and any such mortgage, pledge or encumbrance made in violation of this Paragraph 21 shall be void.

(e)Subject to Paragraph 36, Landlord may sell or transfer the Leased Premises at any time without Tenant's consent to any third party (each a "Third Party Purchaser "). In the event of any such transfer, Tenant shall attorn to any Third Party Purchaser as Landlord so long as such Third Party Purchaser and Landlord notify Tenant in writing of such transfer. At the request of Landlord, Tenant will execute such documents confirming the agreement referred to above and an estoppel certificate described in paragraph 25.

22. Events of Default.

(a) The occurrence of any one or more of the following (after expiration of any applicable cure period as provided in Paragraph 2 2 (b)) shall, at the sole option of Landlord, constitute an "Event of Default" under this Lease:

(i) a failure by Tenant to make any payment of any Monetary Obligation, regardless of the reason for such failure;

(ii) a failure by Tenant duly to perform and observe, or a violation or breach of, any provision of the Warrant Agreement or other provision hereof not otherwise specifically mentioned in this Paragraph 22(a);

(iii) any representation or warranty made by Tenant herein or in any certificate, demand or request made pursuant hereto proves to be incorrect, now or hereafter, in any material respect;

(iv) [intentionally omitted]

(v) [intentionally omitted]

(vi) [intentionally omitted]

(vii) Tenant shall breach any Covenant;

(viii) Tenant shall (A) voluntarily be adjudicated a bankrupt or insolvent, (B)seek or consent to the appointment of a receiver or trustee for itself or for the Leased Premises, { C)file a petition seeking relief under the bankruptcy or other similar laws of the United states, any state or any jurisdiction, (D) make a general assignment for the benefit of creditors, or (E)be unable to pay its debts as they mature;

(ix) a court shall enter an order, judgment or decree appointing, without the consent of Tenant, a receiver or trustee for it or for any of the Leased Premises or approving a petition filed against Tenant which seeks relief under the bankruptcy or other similar laws of the United states, any state or any jurisdiction, and such order, judgment or decree shall remain undischarged or unstayed sixty (60)days after it is entered;

(x) the Leased Premises shall have been vacated or abandoned;

(xi) Tenant shall be liquidated or dissolved or shall begin proceedings towards its liquidation or dissolution:

(xii) the estate or interest of Tenant in any of the Leased Premises shall be levied upon or attached in any proceeding and such estate or interest is about to be sold or transferred or such process shall not be vacated or discharged within sixty (60) days after it is made;

(xiii) a failure by Tenant to maintain in effect any other license or permit necessary for the use, occupancy or operation of the Leased Premises;

(xiv) Tenant shall sell or transfer all or substantially all of its assets; or

(xv) an Event of Default (as defined in the shall occur under the Construction Agency Agreement) shall occur under the Agency Agreement.

(b) If the default consists of a default specified in clauses (x), (xi) or (xiv) of Paragraph 22(a), the applicable cure period shall be five (5) business days from the date on which notice is given to Tenant. If the default consists of any other default specified in Paragraph 22 (a), the applicable cure period shall be twenty (20) days from the date on which notice is given or, if the default cannot be cured within such twenty (20) day period, the cure period shall be extended for the period required to cure the default, provided that Tenant shall commence to cure the default within the said twenty-day period and shall actively, diligently and in good faith proceed with and in good faith proceed with and continue the curing of the default until it shall be fully cured.

23. Remedies and Damages Upon Default.

(a) If an Event of Default shall have occurred and is continuing, Landlord shall have the right, at its sole option, then or at any time thereafter, to exercise its remedies and to collect damages from Tenant in accordance with this Paragraph 23, without demand upon or notice to Tenant except as otherwise provided in Paragraph 22(b) and this Paragraph 23.

(i) Landlord may give Tenant notice of Landlord ' s intention to terminate this Lease on a date specified in such notice. Upon such date, this Lease, the estate hereby granted and all rights of Tenant hereunder shall expire and terminate. Upon such termination, Tenant shall immediately surrender and deliver possession of the Leased Premises to Landlord in accordance with Paragraph 26. If Tenant does not so surrender and deliver possession of the Leased Premises, Landlord may re-enter and repossess the Leased Premises, with or without legal process, by peaceably entering the Leased Premises and changing locks or by summary proceedings, ejectment or any other lawful means or procedure. Upon or at any time after taking possession of the Leased Premises, Landlord may, by peaceable means or legal process, remove any Persons or property therefrom. Landlord shall be under no liability for or by reason of any such entry, repossession or removal. Notwithstanding such entry or repossession, Landlord may (A) exercise the remedy set forth in and collect the damages permitted by Paragraph 23(a)(iii) or (B) collect the damages set forth in Paragraph 23(b)(i) or 23(b)(ii).

(ii) After repossession of the Leased Premises pursuant to clause (i) above, Landlord shall have the right to relet any of the Leased Premises to such tenant or tenants, for such term or terms, for such rent, on such conditions and for such uses as Landlord in its sole discretion may determine, and collect

and receive any rents payable by reason of such reletting. Landlord may make such Alterations in connection with such reletting as it may reasonably deem advisable. Notwithstanding any such reletting, Landlord may collect the damages set forth in Paragraph 23(b)(ii).

(iii) Landlord may, upon notice to Tenant, require Tenant to make an irrevocable offer to terminate this Lease upon payment to Landlord of an amount (the "Default Termination Amount") specified in the next sentence. The "Default Termination Amount" shall be the greatest of (A) the Fair Market Value of the Leased Premises, (B) the sum of the Acquisition Cost and Prepayment Premium which Landlord will be required to pay in prepaying any Loan with proceeds of the Default Termination Amount (such Prepayment Premium, however, will not exceed that Prepayment Premium payable on a Loan in an amount of 80% of the Acquisition Cost having a remaining term (on the closing date) not longer than the then remaining Term, excluding extension options) or (C) an amount equal to the Present Value of the entire Basic Rent from the date of such purchase to the date of expiration of the then current Term (without extensions), except that the Present Value of Basic Rent payable during extension periods for which Tenant has not exercised an extension option may be recovered by Landlord if Landlord establishes (or the appraisers determine pursuant to Paragraph 29(c)) that the exercise of any one or more extension options by Tenant is more likely than not, after taking into consideration factors including (a) Tenant's likelihood of moving its business location out of the Salt Lake County area, (b) improvements made by Tenant to the Leased Premises, (c) the importance of the Leased Premises to the overall business operations of Tenant (and its subsidiaries and affiliates), (d) the ownership or leasing by Tenant (or its subsidiaries and affiliates) of nearby or adjacent properties, (e) then market conditions, and (f) Tenant's then financial condition. Upon such notice to Tenant, Tenant shall be deemed to have made such offer. Landlord and Tenant shall promptly commence to determine Fair Market Value. Within thirty (30) days after the Fair Market Value Date, Landlord shall accept or reject such offer. If Landlord accepts such offer then, on the tenth (10th) business day after such acceptance (it being understood that Tenant may extend the closing date from the 10th business day following acceptance to the 120th business day following acceptance by payment to Landlord of a nonrefundable extension fee of $100,000, which extension fee shall be applied toward the payment of the Default Termination Amount) Tenant shall pay to Landlord the Default Termination Amount and Landlord will convey the Leased Premises to Tenant or its designee in accordance with Paragraph 20. Any rejection by Landlord of such offer shall have no effect on any other remedy Landlord may have under this Lease.

(iv) Landlord may declare by notice to Tenant the entire Basic Rent (in the amount of Basic Rent then in effect) for the remainder of the then current Term to be immediately due and payable. Tenant shall immediately pay to Landlord all such Basic Rent discounted to its Present Value, all accrued Rent then due and unpaid, all other Monetary Obligations which are then due and unpaid and all Monetary Obligations which arise or become due by reason of such Event of Default (including any Costs of Landlord). Upon receipt by Landlord of all such accelerated Basic Rent and Monetary Obligations, this Lease shall remain in full force and effect and Tenant shall have the right to possession of the Leased Premises from the date of such receipt by Landlord to the end of the Term, and subject to all the provisions of this Lease, including the obligation to pay all increases in Basic Rent and all Monetary Obligations that subsequently become due, except that (A) no Basic Rent which has been prepaid hereunder shall be due thereafter during the said Term, (B) Tenant shall have no option to extend or renew the Term and (C) Tenant shall have no further rights under Paragraph 35.

(b) The following constitute damages to which Landlord shall be entitled if Landlord exercises its remedies under Paragraph 23(a)(i) or 23(a)(ii):

(i) If Landlord exercises its remedy under Paragraph 23(a)(i) but not its remedy under Paragraph 23(a)(ii) (or attempts to exercise such remedy and is unsuccessful in reletting the Leased Premises) then, upon written demand from Landlord, Tenant shall pay to Landlord, as liquidated and agreed final damages for Tenant's default and in lieu of all current damages beyond the date of such demand (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), an amount equal to the Present Value of the excess,

if any, of (A) all Basic Rent from the date of such demand to the date on which the then current Term (without further extension) is scheduled to expire hereunder in the absence of any earlier termination, re-entry or repossession over (B) the then fair market rental value of the Leased Premises for the same period. Tenant shall also pay to Landlord all of Landlord's Costs in connection with the repossession of the Leased Premises and any attempted reletting thereof, including all reasonable attorneys' fees.

(ii) If Landlord exercises its remedy under Paragraph 23(a)(i) or its remedies under Paragraph 23(a)(i) and 23(a)(ii), then Tenant shall, until the end of what would have been the Term (without further extension) in the absence of the termination of the Lease, and whether or not any of the Leased Premises shall have been relet, but provided that Landlord has exercised commercially reasonable efforts to mitigate its damages, be liable to Landlord for, and shall pay to Landlord, as and when such amounts would otherwise have been due, as liquidated and agreed current damages all Monetary Obligations which would be payable under this Lease by Tenant in the absence of such termination less the net proceeds, if any, of any reletting pursuant to Paragraph 23(a)(ii), after deducting from such proceeds all of Landlord's Costs (including the items listed in the last sentence of Paragraph 23(b)(i) hereof) incurred in connection with such repossessing and reletting; provided, that if Landlord has not relet the Leased Premises, such Costs of Landlord shall be considered to be Monetary Obligations payable by Tenant. Tenant shall be and remain liable for all sums aforesaid, and Landlord may recover such damages from Tenant and institute and maintain successive actions or legal proceedings against Tenant for the recovery of such damages. Nothing herein contained shall be deemed to require Landlord to wait to begin such action or other legal proceedings until the date when the Term would have expired by its own terms had there been no such Event of Default. In connection with the foregoing provisions of this Paragraph 23(b)(ii), Tenant shall have the burden of proving that Landlord has not exercised commercially reasonable efforts to mitigate damages. In connection with any other provision, such burden of proof shall be allocated by applicable law.

(c) Notwithstanding anything to the contrary herein contained, in lieu of or in addition to any of the foregoing remedies and damages, Landlord may exercise any remedies and collect any damages available to it at law or in equity. If Landlord is unable to obtain full satisfaction pursuant to the exercise of any remedy, it may pursue any other remedy which it has hereunder or at law or in equity.

(d) Except as provided in Paragraph 23(b)(ii), Landlord shall not be required to mitigate any of its damages hereunder unless required to by applicable Law. If any Law shall validly limit the amount of any damages provided for herein to an amount which is less than the amount agreed to herein, Landlord shall be entitled to the maximum amount available under such Law.

(e) No termination of this Lease, repossession or reletting of the Leased Premises, exercise of any remedy or collection of any damages pursuant to this Paragraph 23 shall relieve Tenant of any Surviving Obligations.

(f) WITH RESPECT TO ANY REMEDY OR PROCEEDING HEREUNDER, LANDLORD AND TENANT WAIVE ANY RIGHT TO A TRIAL BY JURY.

(g) Upon the occurrence of any Event of Default, Landlord shall have the right (but no obligation) to perform any act required of Tenant hereunder and, if performance of such act requires that Landlord enter the Leased Premises, Landlord may enter the Leased Premises for such purpose.

(h) No failure of Landlord (i) to insist at any time upon the strict performance of any provision of this Lease or (ii) to exercise any option, right, power or remedy contained in this Lease shall be construed as a waiver, modification or relinquishment thereof. A receipt by Landlord of any sum in satisfaction of any Monetary Obligation with knowledge of the breach of any provision hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision hereof shall be deemed to have been made unless expressed in a writing signed by Landlord.

(i) Tenant hereby waives and surrenders, for itself and all those claiming under it, including creditors of all kinds, (i) any right and privilege which it or any of them may have under any present or future Law to redeem any of the Leased Premises or to have a continuance of this Lease after termination of this Lease or of Tenant ' s right of occupancy or possession pursuant to any court order or any provision hereof, and (ii) the benefits of any present or future Law which exempts property from liability for debt or for distress for rent.

(j) Except as otherwise provided herein, all remedies are cumulative and concurrent and no remedy is exclusive of any other remedy. Each remedy may be exercised at any time an Event of Default has occurred and is continuing and may be exercised from time to time. No remedy shall be exhausted by any exercise thereof.

24. Notices. All notices, demands, requests, consents, approvals, offers, statements and other instruments or communications required or permitted to be given pursuant to the provisions of this Lease shall be in writing and shall be deemed to have been given for all purposes when delivered in person or by Federal Express or other reliable 24-hour delivery service or when delivered by the United states mail, by registered or certified mail, return receipt requested, postage prepaid, addressed to the other party at its address stated above. Notwithstanding the foregoing, after the Completion Date, all notices to Tenant shall be given to Tenant at the Leased Premises, unless Landlord is otherwise notified in writing by Tenant. A copy of any notice given by Tenant to Landlord shall simultaneously be given by Tenant to Reed Smith Shaw & McClay, 2500 One Liberty Place, Philadelphia, PA 19103, Attention: Chairman, Real Estate Department. A copy of any notice given by Landlord to Tenant shall simultaneously be given by Landlord to Kimball, Parr, Waddoups, Brown & Gee, 185 South State Street, Suite 1300, Salt Lake City, Utah 84111, Attention: Victor A. Taylor, Esq. For the purposes of this Paragraph, any party may substitute another address than stated above (or substituted by a previous notice) for its address by giving fifteen (15) days' notice of the new address to the other party, in the manner provided above.

25. Estoppel Certificate. Tenant shall, at any time upon not less than twenty (20) days' prior written request by Landlord, deliver to Landlord a statement in writing, executed by the president or a vice president of Tenant, certifying (a) that, except as otherwise specified, this Lease is unmodified and in full force and effect, (b) the dates to which Basic Rent, Additional Rent and all other Monetary Obligations have been paid, (c) that, to the knowledge of the signer of such certificate and except as otherwise specified, no default by either Landlord or Tenant exists hereunder, (d) such other matters as Landlord may reasonably request, and (e) that, except as otherwise specified, there are no proceedings pending or, to the knowledge of the signer, threatened, against Tenant before or by any court or administrative agency which, if adversely decided, would materially and adversely affect the financial condition and operations of Tenant. Any such statements by Tenant may be relied upon by Lender, Landlord or their assignees and by any prospective purchaser or mortgagee of any of the Leased Premises. Any certificate required under this Paragraph 25 shall state that, in the opinion of each person signing the same, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to the subject matter of such certificate, and shall briefly state the nature of such examination or investigation.

26. Surrender. Upon the expiration or earlier termination of this Lease, Tenant shall peaceably leave and surrender the Leased Premises to Landlord in the same condition in which the Leased Premises was at the commencement of this Lease, except as repaired, rebuilt, restored, altered, replaced or added to as permitted or required by any provision of this Lease, and except for ordinary wear and tear and except as provided in Paragraph 18. Upon such surrender, Tenant shall (a) remove from the Leased Premises all property which is owned by Tenant or third parties other than Landlord and (b) repair any damage caused by such removal. Property not so removed shall become the property of Landlord, and Landlord may thereafter cause such property to be removed from the Leased Premises. The cost of removing and disposing of such property and repairing any damage to any of the Leased Premises caused by such removal shall be paid by Tenant to Landlord upon demand. Landlord shall not in any manner or to any extent be obligated to reimburse Tenant for any such property which becomes the property of Landlord pursuant to this Paragraph 26.

27. No Merger of Title. There shall be no merger of the leasehold estate created by this Lease with the fee estate in any of the Leased Premises by reason of the fact that the same Person may acquire or hold or own, directly or indirectly, (a) the leasehold estate created hereby or any part thereof or interest therein and (b) the fee estate in

any of the Leased Premises or any part thereof or interest therein, unless and until all Persons having any interest in the interests described in (a) and (b) above which are sought to be merged shall join in a written instrument effecting such merger and shall duly record the same.

28. Books and Records.

(a) Tenant shall keep adequate records and books of account with respect to the finances and business of Tenant generally and with respect to the Leased Premises, in accordance with generally accepted accounting principles ("GAAP") consistently applied, and shall permit Landlord and Lender by their respective agents, accountants and attorneys, upon reasonable notice to Tenant, to visit and inspect the Leased Premises and examine (and make copies of) the records and books of account and to discuss the finances and business with the officers of Tenant, at such reasonable times as may be requested by Landlord.

(b) Tenant shall deliver to Landlord and to Lender within ninety (90) days of the close of each fiscal year, annual audited financial statements of Tenant prepared by nationally recognized independent certified public accountants. Tenant shall also furnish to Landlord all quarterly reports of Tenant, certified by Tenant's chief financial officer, and all filings, if any, of Form 10-K, Form 10-Q and other required filings with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934, as amended, or any other Law. All financial statements of Tenant shall be prepared in accordance with GAAP consistently applied. All annual financial statements shall be accompanied by an unqualified opinion of said accountants and by the affidavit of the president or a vice president of Tenant, dated within five (5) days of the delivery of such statement, stating that (i) the affiant knows of no Event of Default, or event which, upon notice or the passage of time or both, would become an Event of Default which has occurred and is continuing hereunder or, if any such event has occurred and is continuing, specifying the nature and period of existence thereof and what action Tenant has taken or proposes to take with respect thereto and (ii) except as otherwise specified in such affidavit, to the knowledge of affiant that Tenant has fulfilled all of its obligations under this Lease which are required to be fulfilled on or prior to the date of such affidavit.

29. Determination of Value.

(a) Whenever a determination of Fair Market Value is required pursuant to any provision of this Lease, such Fair Market Value shall be determined in accordance with the following procedure:

(i) Landlord and Tenant shall endeavor to agree upon such Fair Market Value within thirty (30) days after the date (the "Applicable Initial Date") on which (A) Tenant provides Landlord with notice of its intention to terminate this Lease and purchase the Leased Premises pursuant to Paragraph 18, (B) Landlord provides Tenant with notice of Landlord's intention to require Tenant to make an offer to terminate this Lease pursuant to Paragraph 23(a)(iii) or (C) Tenant provides Landlord with notice of Tenant's intention to purchase the Leased Premises pursuant to Paragraph 35, but as to this item (C) only, in no event earlier than the first day of the 10th anniversary date of this Lease, as applicable. Upon reaching such agreement, the parties shall execute an agreement setting forth the amount of such Fair Market Value.

(ii) If the parties shall not have signed such agreement within thirty (30) days after the Applicable Initial Date, Tenant shall within fifty (50) days after the Applicable Initial Date select an appraiser and notify Landlord in writing of the name, address and qualifications of such appraiser. Within twenty (20) days thereafter, Landlord shall select an appraiser and notify Tenant of the name, address and qualifications of such appraiser. Such two appraisers shall endeavor to agree upon Fair Market Value based on an appraisal made by each of them as of the Relevant Date. If such two appraisers shall agree upon a Fair Market Value, the amount of such Fair Market Value as so agreed shall be binding and conclusive.

(iii) If such two appraisers shall be unable to agree upon a Fair Market Value within twenty (20) days after the selection of an appraiser by Landlord, then such appraisers shall advise Landlord and Tenant of their

respective determination of Fair Market Value and shall select a third appraiser to make the determination of Fair Market Value, which determination shall be binding and conclusive upon Landlord and Tenant.

(iv) If such two appraisers shall be unable to agree upon the designation of a third appraiser within ten (10) days after the expiration of the twenty (20) day period referred to in clause (iii) above, or if such third appraiser does not make a determination of Fair Market Value within twenty (20) days after his selection, then such third appraiser or a substituted third appraiser, as applicable, shall, at the request of either party hereto, be appointed by the President or Chairman of the American Arbitration Association in Salt Lake City, Utah. The determination of Fair Market Value made by the third appraiser appointed pursuant hereto shall be made within twenty (20) days after such appointment. Fair Market Value shall be the average of the determination of Fair Market Value made by the third appraiser and the determination of Fair Market Value made by the appraiser (pursuant to Paragraph 29 (a) (iii) hereof) whose determination of Fair Market Value is nearest to that of the third appraiser. Such average shall be binding and conclusive upon Landlord and Tenant.

(v) All appraisers selected or appointed pursuant to this Paragraph 29 (a) shall (A) be independent qualified MAI appraisers (B) have no right, power or authority to alter or modify the provisions o f this Lease, (C) utilize the definition of Fair Market Value hereinabove set forth above, and (D) be registered in the State if the State provides for or requires such registration. The Cost of the procedure (including the costs and fees of the appraisers described in this Paragraph 29 (a) above) shall be split equally between Landlord and Tenant, except that Tenant will pay 100% of such costs if the appraisal is being made pursuant to Paragraph 23 (a) (iii).

(b) If, by virtue of any delay, Fair Market Value is not determined by the expiration or termination of the then current Term, then the date on which the Term would otherwise expire or terminate shall be extended to the date specified for termination in the particular provision of this Lease pursuant to which the determination of Fair Market Value is being made.

(c) In determining the Fair Market Value (as encumbered by the Lease), the appraisers shall add (a) the present value of the Rent for the remaining Term (with assumed increases in the CPI (as defined in Exhibit D) to be determined by the appraisers) and (b) the present value of the Leased Premises as of the end of such Term. The appraisers shall further assume that no default then exists under the Lease, that Tenant has complied (and will comply) with a l l provisions of the Lease, and that Tenant has not violated (and will not violate) any Covenants.

In determining Fair Market Value (as encumbered by the Lease) in connection with a determination of the Default Termination Amount or the Purchase Price (as defined in Paragraph 35), any Rent payable during future extension periods under the Lease for which Tenant has not exercised its extension option shall be taken into account by an appraiser in connection with such determination only if such appraiser believes that the exercise of any one or more extension options by Tenant is more likely than not, after taking into consideration factors including (a) Tenant's likelihood of moving its business location out of the Salt Lake County area, (b) improvements made by Tenant to the Leased Premises, (c) the importance of the Leased Premises to the overall business operations of Tenant (and its subsidiaries and affiliates), (d) the ownership or leasing by Tenant (or its subsidiaries and affiliates) of nearby, or adjacent properties, (e) then market conditions, and (f) Tenant's then financial condition.

30. Non-Recourse as to Landlord. Anything contained herein to the contrary notwithstanding, any claim based on or in respect of any liability of Landlord or Corporate Property Associates 11 Incorporated ("CPA:11") (except as set forth in the last sentence of this Paragraph 30) under this Lease shall be enforced only against the Leased Premises and Landlord's interest in the rents, issues, profits and income from the Leased Premises and not against any other assets, properties or funds of (a) Landlord or CPA :11, (b) any director, officer, general partner, shareholder, limited partner, employee or agent of Landlord or CPA:11, (c) any predecessor or successor partnership or corporation (or other entity). of landlord or CPA:11 or any of their general partners, shareholders, officers, directors, employees or agents, either directly or through Landlord or CPA:11 or their general partners, shareshareholders, officers, directors, employees or agents or any predecessor or successor partnership or corporation (or other entity), or (d) Carey Property Advisors, Carey Fiduciary Advisors, Inc., WP. Carey & Co. Inc., and any person affiliated with any of the foregoing, or any director, officer, employee or agent of any thereof. The

foregoing shall not, however, affect CPA:11's liability pursuant to any guaranty or suretyship agreement executed by CPA:11.

31. Financing.

(a) Tenant shall pay 100% of the cost of procuring and closing the First Interstate Loan (including the Take-Out Loan), but excluding any internal or overhead costs of Landlord . Tenant agrees to pay, within three business days of written demand ther.efor·, 100% o f the cost, but excluding any internal or overhead costs of Landlord, of procuring any refinancing of the First Interstate Loan which occurs prior to the last day of the 60th calendar month following the Completion Date and which will result in a reduction of Basic Rent to Tenant, except that Tenant shall pay only 75 % of such costs if the refinancing is at an interest rate of 6% or less, and Landlord shall pay, within three business days of written demand, the remaining 25 % of such costs. In connection with any refinancing within such sixty (60) month period, seventy-five percent (75%) or, if the refinancing is at an interest rate of more than 6%, one hundred percent (100 %) of the benefit received in the reduction of monthly debt service from the monthly debt service of the First Interstate permanent Loan (assuming the same amortization as the First Interstate permanent Loan) shall be passed through to Tenant by a reduction in the monthly Basic Rent on a dollar for dollar basis.

(b) If Landlord desires to obtain or refinance any Loan, Tenant shall agree, upon request of Landlord, to supply any such Lender with such notices and information as Tenant is required to give to Landlord hereunder and to extend the rights of Landlord hereunder to any such Lender and to consent to such financing if such consent is requested by such Lender. Tenant shall execute an estoppel certificate and a subordination, non-disturbance and attornment agreement provided such subordination, nondisturbance and attornment agreement also contains provisions contained in a Nondisturbance Agreement. Such subordination, nondisturbance and attornment agreement may require Tenant to confirm that (a) Lender and its assigns will not be liable for any misrepresentation, act or omission of Landlord, and (b) Lender and its assigns will not be subject to any counterclaim demand or offset which Tenant may have against Landlord.

32. Subordination. This Lease and Tenant' s interest hereunder shall be subordinated, by a written agreement executed by Tenant, to any Mortgage or other security instrument hereafter placed upon the Leased Premises by Landlord, and to any and all advances made or to be made thereunder, to the interest thereon, and all renewals, replacements and extensions thereof, if , but only if , each such Mortgage or other security instrument (or a separate instrument in recordable form duly executed by the holder of any such Mortgage or other security instrument and delivered to Tenant) shall provide for the non-disturbance of Tenant containing the terms of a Nondisturbance Agreement.

33. Financial Covenants. Tenants hereby covenants and agrees to comply with all the covenants and agreements described in Exhibit "E" hereto.

34. Tax Treatment; Reporting. Landlord and Tenant each shall report this transaction consistently for Federal income tax purposes. For Federal income tax purposes each shall report this Lease as a true lease with Landlord as the owner of the Leased Premises and Equipment and Tenant as the lessee of such Leased Premises and Equipment including (1) treating Landlord as the owner of the property eligible to claim depreciation deductions under Section 167 or 168 of the Internal Revenue Code of 1986 (the "Code") with respect to the Leased Premises and Equipment, (2) Tenant reporting its Rent payments as rent expense under Section 162 of the Code , and (3) Landlord reporting the Rent payments as rental income. To the extent the law and REIT guidelines allow, Tenant shall receive any investment tax credits available in connection with the construction of the New Improvements, and Landlord shall endeavor to facilitate the receipt of such investment tax credits by Tenant.

35. Option to Purchase.

(a) Landlord does hereby give and grant to Tenant the 4 5 option to purchase the Leased Premises for a purchase price (the "Purchase Price ") set forth below on a date (the "Option Purchase Date") (i) on the 10th

anniversary o f the Completion Date (or if not a business day, on the next succeeding business day) and, if such option is not exercised, (ii) on the 25th anniversary of the Completion Date hereof (or if not a business day, on the next succeeding business day) , but in any event not sooner than thirty (30) days after the Fair Market Value Date. If Tenant intends to exercise such option, Tenant shall give written notice to Landlord to such effect not earlier than 12 months prior to, and not later than five and one-half (5 1/2) months prior to, the 10th anniversary or 25th anniversary of the Completion Date, as the case may be. Promptly upon receipt of such notice by Landlord, the parties shall commence to determine Fair Market Value. "Purchase Price" shall mean the greater of (i) Fair Market Value of the Leased Premises or (ii) the sum of the Acquisition Cost and any Prepayment Premium which Landlord will be required to pay in prepaying any Loan with proceeds of the Purchase Price (such Prepayment Premium, however , will not exceed that Prepayment Premium payable on a Loan in an amount of 80% of the Acquisition Cost having a remaining term (on the Option Purchase Date) not longer than the then remaining Term, excluding any future extension options).

(b) If Tenant shall exercise the foregoing option to purchase the Leased Premises, on the later to occur of (i) the Option Purchase Date or (ii) the date when Tenant has paid the Purchase Price and has satisfied all other Monetary Obligations then liquidated and due and payable, Landlord shall convey the Leased Premises to Tenant in accordance with Paragraph 20 hereof. If this Lease shall terminate for any reason prior to the date originally fixed herein for the expiration of the Term, or if Tenant shall fail to give the aforesaid notice of intention to purchase, time being of the essence, the option provided in this Paragraph 35 and any exercise thereof by Tenant shall cease and terminate and shall be null and void.

(c) No option may be exercised if, on the date of the purported exercise of the option, an Event of Default consisting of a failure to pay Basic Rent, or any Event of Default under clauses (x), (xi) or (xiv) of Paragraph 2 2 (a) , has occured and is continuing. Landlord shall have no obligation to sell the Leased Premises to Tenant pursuant to the exercise of such option if, after the valid exercise of such option, an Event of Default consisting of failure to pay any Basic Rent, or any Event of Default under clauses (x), (xi) or (xiv) of Paragraph 22 (a), has occurred and is continuing.

36. Right of First Refusal.

(a) Except as otherwise provided in Paragraph 36(e), and provided an Event of Default does not then exist, prior to selling the Leased Premises to any Third Party Purchaser, Landlord shall either (i) obtain a bona fide written offer from such Third Party Purchaser to purchase the Leased Premises which is acceptable to Landlord or (ii) enter into a contract for the sale of the Leased Premises with a Third Party Purchaser, which contract shall be conditioned upon Tenant's failure to exercise its right under this Paragraph 36 (a). Landlord shall give written notice to Tenant of the offer (and Landlord's willingness to accept the same) or contract for sale, together with a copy of the executed offer or contract and the name and business address of the Third Party Purchaser.

For a period of forty-five (45) days following receipt of such notice, Tenant shall have the right and option, exercisable by written notice to Landlord given within said forty-five (45) day period, to elect to purchase the Leased Premises at the purchase price (which, if other than the payment of money currently or on a deferred basis, shall be deemed to be a cash purchase price equal to the fair market value of the consideration offered) and upon all the terms and conditions set forth in such written offer or contract for sale except that no contingencies contained in such offer or agreement as to environmental assessments , engineering studies , inspection of the Leased Premises, sale of other property, state of the title to or encumbrances on the Leased Premises (it being understood, however, that title shall be conveyed to Tenant in accordance with Paragraph 20(a) or the state of title agreed by Landlord to be conveyed pursuant to the offer or contract, whichever Tenant elects), or any other condition or contingency to the Third Party Purchaser ' s obligation to purchase the Leased Premises which pertains to the condition of the Leased Premises, shall apply to Tenant's obligation to purchase the Leased Premises under this Paragraph 36, and Tenant shall be obligated to purchase the Leased Premises without any such condition or contingency. If there is a financing contingency in such offer or contract, however, Tenant shall have the benefit of such contingency.

If at the expiration of the aforesaid forty-five (45) day period Tenant shall have failed to exercise the aforesaid option, Landlord may sell the Leased Premises to such Third Party Purchaser upon the terms set forth in such offer or contract, but not on any other terms.

(b) Except as otherwise specifically provided herein, the closing date for any purchase of the Leased Premises by Tenant pursuant to this Paragraph 36 shall be the later to occur of (i) one hundred twenty (120) days after the date of Tenant ' s notice to Landlord of its intention to purchasse the Leased Premises upon the terms of an offer from or contract for sale with a Third Party Purchaser or (ii) the closing date provided in such offer or contract for sale. At such closing Landlord shall convey the Leased Premises to Tenant in accordance with, and Tenant shall pay to Landlord the purchase price and other consideration set forth in, the applicable offer or contract.

(c) Tenant shall have the right to exercise the foregoing right of first refusal (i) upon each proposed sale of the Leased Premises prior to the tenth (10th) anniversary of this Lease and (ii) if Tenant does not exercise its purchase option described in Paragraph 35, one (1) time during the period commencing with the tenth (10th) anniversary of this Lease and ending with the last day of the 300th calendar month following the date here of; provided, that if, following compliance with the procedure described in Paragraph 36 (a), a Third Party Purchaser does not purchase the Leased Premises, such event shall not count as an exercise of Tenant's right of first refusal. Notwithstanding anything to the contrary, if Tenant fails to exercise the right of first refusal granted pursuant to this Paragraph (c), subsection (ii), after the 10th anniversary of this Lease and the sale to the Third Party Purchaser is consummated such right shall terminate and be null and void and of no further force and effect.

(d) If Tenant does not exercise its right of first refusal to purchase the Leased Premises and the Leased Premises are transferred to a Third Party Purchaser, Tenant will attorn to any Third Party Purchaser as Landlord so long as such Third Party Purchaser and Landlord notify Tenant in writing of such transfer. At the request of Landlord, Tenant will execute such documents confirming the agreement referred to above and such other agreements as Landlord may reasonably request, provided that such agreements do not increase the liabilities and obligations of Tenant hereunder.

(e) The provisions of Paragraph 36 (a) shall not apply to or prohibit (i) any mortgaging, subjection to deed of trust or other hypothecation of Landlord's interest in the Leased Premises solely for security purposes, (ii) any sale of the Leased Premises pursuant to a private power of sale under or judicial foreclosure of any bona-fide Mortgage or other security instrument or device to which Landlord's interest in the Leased Premises is now or hereafter subject, (iii) any transfer of Landlord's interest in the Leased Premises to a Lender, beneficiary under bona-fide deed of trust or other holder of a bonafide security interest therein (or any of their affiliates or designees), by deed in lieu of foreclosure, (iv) any transfer of the Leased Premises to any governmental or quasi-governmental agency with power of condemnation, (v) any transfer of the Leased Premises or the stock of Landlord to any publicly held (directly or indirectly) partnership, corporation or REIT for whom W . P . Carey & Co., Inc. or any of its affiliates is the sole provider of property management and property investment advice in a transaction in which all or substantially all of the assets of CPA:11 are sold, (vi) any transfer of the Leased Premises to any of the successors or assigns of any of the Persons referred to in the foregoing clauses (i) through (v) or (vii) any transfer, sale or conveyance of any part or all of the stock of CPA:l l.

(f) Any sale or transfer of the Leased Premises to a Third Party Purchaser or any other Person shall be subject to the purchase options set forth in Paragraph 35, which options shall continue unaffected by such sale or transfer .

37. Financing Major Alterations.

(a) Should Tenant, during the Term of this Lease, desire to make Alterations to any of the Leased Premises which are not readily removable without causing material damage to the Leased Premises and which will cost in excess of $500,000.00 ("Major Alterations"), Tenant may, prior to the commencement of construction of such Major Alterations, request Landlord to reimburse the costs thereof to Landlord (the "Alteration Cost") to Tenant, to wit:

cost o f labor and materials, financing fees, legal fees, survey, title insurance and other normal and customary loan or construction costs

(b) Should Landlord agree to reimburse such costs, Landlord and Tenant shall enter into good faith negotiations regarding the execution and delivery of a written agreement of modification of this Lease, which agreement shall set forth the terms of the parties' agreement relating to re imbursement of such costs.

(c) If Landlord and Tenant do not reach agreement on Tenant's request to have Landlord finance the Alteration Cost, Tenant shall, subject to the provisions of Paragraph 13 of this Lease, have the right to construct the Major Alterations at Tenant' s sole cost and expense. In any event, the construction of the Major Alterations shall be performed in accordance with the provisions of Paragraph 13 hereof and the Major Alterations shall be the property of Landlord and part o f the Leased Premises subject to this Lease.

(d) Nothing contained in this Paragraph 37 shall be construed to modify Paragraph 13 hereof, and the provisions of Paragraph 12 and subparagraphs (i) and (ii) of Paragraph 13 (a) shall apply to all Major Alterations made or constructed hereunder, including the requirement for Landlord's consent to Alterations but only to the extent set forth in Paragraph 13 .

38. Miscellaneous.

(a) The paragraph headings in this Lease are used only for convenience in finding the subject matters and are not part of this Lease or to be used in determining the intent of the parties or otherwise interpreting this Lease.

(b) As used in this Lease, the singular shall include the plural and any gender shall include all genders as the context requires and the following words and phrases shall have the fol lowing meanings: (i) " including" shall mean " including without limitation"; (ii) "provisions" shall mean "provisions, terms , agreements, covenants and/or conditions"; (iii) " lien" shall mean " lienn , charge, encumbrance, title retention agreement , pledge, security interest, mortgage andjor deed of trust "; (iv) "obligation" shall mean "obligation, duty , agreement, liability, covenant and/or condition"; (v) "any of the Leased Premises" shall mean "the Leased Premises or any part thereof or interest therein; (vi) "any of the Land" shall mean "the Land or any part thereof or interest therein"; (vii) "any of the Improvements" shall mean "the Improvements or any part thereof or interest therein"; and (viii) "any of the Equipment" shall mean "the Equipment or any part thereof or interest therein".

(c) Any act which Landlord is permitted to perform under this Lease may be performed at any time and from time to time by Landlord or any person or entity designated by Landlord. Each appointment of Landlord as attorney-in-fact for Tenant hereunder is irrevocable and coupled with an interest. Time is of the essence with respect to the performance by Tenant of its obligations under this Lease.

(d) Neither Tenant nor Landlord shall in any event be construed for any purpose to be a partner, joint venturer or associate of the other or of any subtenant, operator, concessionaire or licensee of the other with respect to any of the Leased Premises or otherwise in the conduct of their respective businesses.

(e) This Lease and any documents which may be executed by Tenant on or about the effective date hereof at Landlord's request constitute the entire agreement between the parties and supersede all prior understandings and agreements, whether written or oral, between the parties hereto relating to the Leased Premises and the transactions provided for herein.

(f) This Lease may be modified, amended , discharged or waived only by an agreement in writing signed by the party against whom enforcement of any such modification, amendment, discharge or waiver is sought.

(g) The covenants of this Lease shall run with the land and bind and inure to the benefit of Tenant, its successors and assigns and all present and subsequent encumbrancers and subtenants of any of the Leased Premises,

and shall bind and inure to the benefit of Landlord, its successors and assigns. If there is more than one Tenant, the obligations of each shall be joint and several.

(h) If any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Lease, but this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

(i) This Lease shall be governed by and construed and enforced in accordance with the Laws of the State.

(j) If either Landlord or Tenant brings suit to enforce or interpret this Lease or any document, instrument or agreement delivered pursuant to this Lease , the prevailing party shall be entitled to recover from the other party the prevailing party ' s reasonable attorneys ' fees and costs incurred in any such action or in any appeal from such action, in addition to the other relief to which the prevailing party is entitled

IN WITNESS WHEREOF, Landlord and Tenant have caused this lease to be duly executed under seal as of the day and year first above written.

LANDLORD:
MM (UT) QRS 11-20, INC.,
a Utah corporation

By: /s/ T.E. Zacharias
Title: First Vice President

TENANT:
MERIT MEDICAL SYSTEMS, INC.,
a Utah corporation

By: /s/ Fred Lampropoulos
Title: President

Exhibit 10.29

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "Amendment") dated as of May 22, 2017 (the "Effective Date") by and between **MM (UT) QRS 11-59, INC.**, a Delaware corporation ("Landlord"), as lessor, and **MERIT MEDICAL SYSTEMS, INC.,** a Utah corporation ("Tenant"), as lessee.

W I T N E S S E T H :

WHEREAS, QRS 11-20 (UT), INC., a Utah corporation ("Original Landlord") and Tenant entered into that certain Lease Agreement dated as of June 8, 1993 (the "Original Lease"), as such Original Lease was assigned pursuant to that certain Assignment and Assumption of Lease dated August 29, 2002 (the "Assignment") from Original Landlord to Landlord, and amended by that certain Addendum to Lease Agreement dated April 24, 2003 (the "Addendum", and collectively with the Original Lease and Assignment, the "Existing Lease"), with respect to certain real property located at 1600 West Merit Parkway, South Jordan, UT (the "Leased Premises"); and

WHEREAS, Landlord and Tenant executed in error that certain First Amendment to Lease Agreement dated May 8, 2017 (the "Erroneous Amendment") and hereby desire (i) to deem such Erroneous Amendment null and void and (ii) to further amend the Existing Lease to (A) extend the initial Term of the Lease, (B) revise Basic Rent and (C) provide Tenant with the Reimbursement (defined hereinafter), a right of first offer and the Tenant Improvement Allowance (defined hereinafter), among other things.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant hereby covenant and agree as follows:

1. Definitions. All capitalized terms contained in this Amendment shall, for the purposes hereof, have the same meanings ascribed to them in the Existing Lease unless otherwise defined herein. As used herein, the term "Lease" shall mean the Existing Lease as amended by this Amendment and as hereafter amended.

2. Lease Amendments. Effective as of the Effective Date, the Existing Lease is hereby amended as follows:

a. Paragraph 5 of the Lease is hereby amended and restated in its entirety as follows:

"5. Term

(a) Subject to the provisions hereof, Tenant shall have and hold the Leased Premises for an initial term (such term, as actually extended or renewed in accordance with the provisions hereof, being called the "**Term**") commencing on June 8, 1993 and expiring on December 31, 2037 (the "**Expiration Date**").

(b) Provided that if, on or prior to the Expiration Date or any other Renewal Date (as hereinafter defined) this Lease shall not have been terminated pursuant to any provision hereof, then on the Expiration Date and on the tenth (10^{th}) anniversary of the Expiration Date (the Expiration Date and such anniversary being a "**Renewal Date**"), the term shall be deemed to have been automatically extended for an additional period of ten (10) years, unless Tenant shall notify Landlord in writing at least 18 months prior to the next Renewal Date that Tenant is terminating this Lease as of the next Renewal Date."

b. Paragraphs 35 and 36 of the Lease are hereby deleted in their entirety.

c. Exhibit D of the Lease is hereby deleted in its entirety and replaced with "Exhibit D" attached hereto and made a part hereof.

3. Basic Rent.

a. Tenant shall pay Basic Rent pursuant to Exhibit D, attached hereto, as of April 1, 2017 (the "Extension Commencement Date").

b. The parties hereto acknowledge that Tenant overpaid Basic Rent for the period beginning on the Extension Commencement Date through and including July 31, 2017 in the total amount of $60,918.45. Accordingly, Landlord

shall provide a credit to Tenant for $60,918.45 toward the next quarterly installment of Basic Rent due pursuant to the Lease on August 1, 2017.

4. Reimbursement for Completed Tenant Improvements and Rent. Within thirty (30) days of Effective Date, Landlord shall reimburse Tenant in the amount of One Million Six Hundred Forty-One Thousand Eight Hundred Ninety-Eight and 39/100 Dollars ($1,641,898.39) (the "Reimbursement") pursuant to the wiring instructions attached hereto as "Schedule 1" for costs incurred by Tenant related to certain Improvements completed by Tenant and certain rental reimbursements.

5. Tenant Improvement Allowance.

a. Landlord shall provide to Tenant an improvement allowance ("TI Allowance") equal to $967,245.00 for Approved Work (hereinafter defined) to be completed by Tenant that Tenant deems necessary or desirable for its continued use and occupancy of the Leased Premises. Landlord shall reimburse Tenant after the completion of the Approved Work. As used herein, "Approved Work" shall be performed in accordance with Paragraph 13 of the Lease and shall mean (i) physical improvements to the building(s) located on or comprising a part of the Leased Premises, including, but not limited to, all interior and exterior improvements or modifications to such building(s) and the addition of solar panels to the Building(s), the upgrade or replacement of building systems (HVAC, plumbing and electrical), and any improvements to the parking area or the land comprising the Leased Premises, including landscaping replacement or upgrades, and (ii) certain soft costs (which soft costs shall not, in any event, exceed thirty percent (30%) of the TI Allowance), including, but not limited to, space planning, space programming, interior design, design development drawings, construction drawings, electrical / mechanical / plumbing / engineering drawings, approval fees, and other construction design costs. Notwithstanding the foregoing, "Approved Work" shall specifically exclude the purchase of moveable furniture, fixtures or other equipment which have no permanent connection to the Leased Premises.

b. Approved Work eligible for reimbursement from the TI Allowance may be performed at any time after the Effective Date and prior to February 1, 2022 (the "Outside TI Completion Date"). Tenant may make no more than five (5) draw requests (each a "Reimbursement Demand") and each Reimbursement Demand shall be for no less than $100,000.00 and shall be requested prior to April 1, 2022 (the "Outside TI Submission Date"); provided, however, that the final Reimbursement Demand may be for less than $100,000.00 if such Reimbursement Demand is for the previously unpaid balance of the TI Allowance, even if such balance is less than $100,000.00.

c. Tenant shall submit to Landlord the following documentary evidence (the "TI Documents") with each Reimbursement Demand: (i) invoices for the Approved Work; (ii) proof of payment by Tenant of such invoices; (iii) reasonably satisfactory evidence that the Approved Work for which the Reimbursement Demand is made has been completed on a lien free basis, which evidence may include a lien waiver executed by Tenant's contractor in respect of the alterations and improvements described in Tenant's contract with contractor for the Approved Work and a copy of a lien waiver executed by each subcontractor who provides goods and services in connection with such Approved Work who is entitled to receive $10,000.00 or more in connection with the furnishing of those goods and services; and (iv) certification in writing by Tenant delivered to Landlord stating that all Approved Work completed in connection with the Reimbursement Request has been completed in a workmanlike manner in accordance with the terms of the Lease in a manner acceptable to Tenant. Landlord shall distribute to Tenant the funds requested in the Reimbursement Demand within thirty (30) days of Landlord's receipt of the TI Documents in accordance with the terms hereof.

d. If the aggregate amount of the cost for all Approved Work exceeds the amount of the TI Allowance, Landlord will have no liability for the excess. Tenant acknowledges and agrees that any and all work, including, without limitation, the Approved Work, performed shall be performed or made by Tenant in accordance with applicable provisions of the Lease. Tenant acknowledges and agrees that any portion of the TI Allowance that is not included in a Reimbursement Request submitted on or before the Outside TI Submission Date shall not be available for reimbursement to Tenant.

6. Right of First Offer.

a, If Landlord decides to offer the Leased Premises for sale to any third party during the Term, Landlord shall first offer by written notice (the "Offer") to sell the Leased Premises to Tenant for a specific purchase price (the "ROFO Purchase Price") and, upon such terms and conditions as Landlord, in Landlord's sole discretion, would otherwise intend to offer to sell the Leased Premises, prior to Landlord's offering to sell the Leased Premises to any such third party except that the terms and conditions of any such sale to Tenant shall be (i) consistent with the terms and provisions of this Paragraph 6 and (ii) the sale to Tenant shall be "AS IS", "WHERE IS", without any representation or warranty by Landlord, except for representations and warranties typical to commercial real estate transactions in Salt Lake County, Utah, but not any representation or warranty whatsoever relating to the physical, environmental or other condition of the Leased Premises. If Landlord shall make the Offer, then, whether or not Tenant has accepted the Offer, Landlord shall have the unilateral right, in Landlord's sole discretion, to revoke

the Offer if an Event of Default exists under this Lease and continues to exist beyond any applicable cure period on the date on which Landlord shall give, or would otherwise be required to give, Tenant the Offer.

b. Tenant shall have the right to accept the Offer only by giving Landlord written notice of such acceptance (the "ROFO Notice") within fifteen (15) business days after delivery by Landlord to Tenant of the Offer. Time shall be of the essence with respect to said fifteen (15) business day period and delivery of the ROFO Notice by Tenant. If Tenant shall accept the Offer, Landlord and Tenant shall execute a purchase and sale agreement with respect to the Leased Premises, which purchase and sale agreement shall be in a form reasonably acceptable to Landlord and Tenant and consistent with this Paragraph 6. Notwithstanding anything to the contrary contained in this Lease upon the delivery of the ROFO Notice by Tenant, no event or circumstances affecting the Leased Premises including, but not limited to, a Condemnation or Casualty, shall give Tenant any right or option of Tenant to cancel, surrender or otherwise terminate this Lease.

c. If Tenant does not accept, or fails to accept, the Offer in accordance with the provisions herein, Landlord shall be under no further obligation with respect to such Offer pursuant to the terms contained herein, and Tenant shall have forever waived and relinquished its right to such Offer, and Landlord shall at any and all times thereafter be entitled to market the Leased Premises to others upon such terms and conditions as Landlord in its sole discretion may determine. Tenant shall, within five (5) days after Landlord's request therefor, deliver an instrument in form reasonably satisfactory to Landlord confirming the aforesaid waiver, but no such instrument shall be necessary to make the provisions hereof effective.

d. If Tenant does not timely deliver the ROFO Notice and the Leased Premises are transferred to a third party, Tenant will attorn to such third party as Landlord so long as such third party and Landlord notify Tenant in writing of such transfer and such third party assumes in writing all of Landlord's obligations under the Lease arising from and after the date that such third-party acquires the Leased Premises. At the request of Landlord, Tenant will execute such documents confirming the agreement referred to above and such other agreements as Landlord may reasonably request, provided that such agreements do not increase the liabilities and obligations of Tenant hereunder.

e. Notwithstanding anything to the contrary contained herein, the provisions of this Paragraph 6 shall not apply to or prohibit (i) any mortgaging, subjection to deed of trust or other hypothecation of Landlord's interest in the Leased Premises, (ii) any sale of the Leased Premises pursuant to a private power of sale under or judicial foreclosure of any Mortgage or other security instrument or device to which Landlord's interest in the Leased Premises is now or hereafter subject, (iii) any transfer of Landlord's interest in the Leased Premises to a Lender, beneficiary under deed of trust or other holder of a security interest therein or their designees by deed in lieu of foreclosure, (iv) any transfer of the Leased Premises to any governmental or quasi-governmental agency with power of condemnation, (v) any transfer of the Leased Premises or any interest therein or in Landlord to any affiliate of W. P. Carey Inc. ("WPC") or to any entity for whom WPC or any of its affiliates or subsidiaries provides management or advisory services or investment advice, directly or indirectly, (vi) a transfer to any person or entity to whom WPC sells all or substantially all of its assets, (vii) any transfer of the interest of WPC or (viii) any transfer of the Leased Premises to any of the successors or assigns of any of the persons or entities referred to in the foregoing clauses (i) through (iv).

f. If the Leased Premises is purchased by Tenant pursuant to this Paragraph 6, Landlord need not convey any better title thereto than that which was conveyed to Landlord, and Tenant shall accept such title, subject, however, to the Permitted Encumbrances and to all other liens, exceptions and restrictions on, against or relating to any of the Leased Premises and to all applicable Laws, but free of the lien of and security interest created by any Mortgage or assignment of leases and rents and liens, exceptions and restrictions on, against or relating to the Leased Premises which have been created by or resulted solely from acts of Landlord after the date of this Lease, unless the same are Permitted Encumbrances or customary utility easements benefiting the Leased Premises or were created with the concurrence of Tenant or as a result of a default by Tenant under this Lease.

g. Upon the date fixed for a purchase of the Leased Premises pursuant to this Paragraph 6 which shall be a date mutually acceptable to Landlord and Tenant which shall be no later than either sixty (60) days following acceptance of the Offer (the "Purchase Date"), Tenant shall pay to Landlord, or to any Person to whom Landlord directs payment, the ROFO Purchase Price and all other sums payable by Tenant under the Offer, in Federal Funds, and Landlord shall deliver to Tenant or its designee (i) special warranty deeds or their equivalent which describe the Leased Premises being conveyed and conveys the title thereto as provided in Paragraph 6(f) above and (ii) such other instruments as shall be necessary to transfer the Leased Premises to Tenant or its designee. If on the Purchase Date any Monetary Obligations arising under the Lease remain outstanding Tenant shall pay to Landlord on the Purchase Date the amount of such Monetary Obligations; provided, however, for purposes of this sentence, "Monetary Obligations" shall not include Monetary Obligations that, but for the termination of the Lease pursuant to the next sentence, would first become due under the Lease following the Purchase Date and that do not relate to matters that first arose prior to such termination. Upon the completion of such purchase by Tenant or its designee, this Lease and all obligations and liabilities of Tenant hereunder shall terminate, except any obligations of Tenant under this Lease, actual or contingent, which arise

on or prior to the expiration or termination of this Lease or which survive such expiration or termination by their own terms. Any prepaid Monetary Obligations paid to Landlord shall be prorated as of the Purchase Date, and the prorated unapplied balance shall be deducted from the ROFO Purchase Price due to Landlord; provided, that no apportionment of any Impositions shall be made upon any such purchase.

h. If the completion of the purchase by Tenant or its designee pursuant to this Paragraph 6 shall be delayed after the date scheduled for such purchase, Basic Rent and Additional Rent shall continue to be due and payable until completion of such purchase.

7. Modification. Except as modified and amended by this Amendment, all of the conditions, covenants and terms of the Lease hereby are confirmed and ratified and shall continue to be and remain in full force and effect.

8. Entire Agreement. This Amendment and the Lease together contain the entire understanding between the parties hereto and supersedes all prior agreements and understandings, if any, relating to the subject matter hereof or thereof. Any guarantees, promises, representations or warranties not herein or therein contained and hereinafter made shall have no force and effect unless in writing and executed by the party or parties making such guarantees, promises, representations or warranties.

9. Counterparts. This Amendment may be executed in any number of and by different parties hereto on separate counterparts, all of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one (1) and the same instrument.

10. Enforceability. If any provision of this Amendment or its application to any person or circumstances is invalid or unenforceable to any extent, the remainder of this Amendment, or the applicability of such provision to other persons or circumstances, shall be valid and enforceable to the fullest extent permitted by law and shall be deemed to be separate from such invalid or unenforceable provisions and shall continue in full force and effect.

11. Brokers. Each of Landlord and Tenant represents and warrants to the other that it has paid any realtors, brokers, finders or agents it worked with in connection with this Amendment, and each releases and agrees to indemnify the other from and against any claims based on the failure or alleged failure to pay any realtors, brokers, finders or agents and from any cost, expense or liability for any compensation, commission or changes claimed by any realtors, brokers, finders or agents claiming by, through or on behalf of it with respect to this Amendment or the negotiation of this Amendment.

12. Governing Law. Paragraph 38(i) of the Lease is incorporated herein by this reference to the same extent as if fully set forth herein.

13. Ratified. The Lease and all covenants agreements, terms and conditions thereof shall remain in full force and effect, and are hereby ratified and confirmed, as modified by this Amendment.

14. Binding Agreement. This Amendment shall be binding on the parties hereto and their respective successors and assigns.

15. Estoppel. Each of Landlord and Tenant hereby certifies to the other party that to the knowledge of such party, no default by either Landlord or Tenant exists under the Lease as modified and amended by this Amendment.

16. Erroneous Amendment. Landlord and Tenant agree to deem the Erroneous Amendment null and void and of no further force or effect.

17. Contingency. The effectiveness of this Amendment is conditioned upon the approval of Landlord’s existing mortgage lender. If Landlord has not notified Tenant of such mortgage lender’s approval within thirty (30) days following the Effective Date, this Amendment shall be deemed null and void, ab initio.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Landlord and Tenant have caused this Amendment to be duly executed as of the date first above written.

LANDLORD:
MM (UT) QRS 11-59, INC.,
a Delaware corporation

By: /s/ Nicolas Isham
Name: Nicolas Isham
Title: Director

TENANT:
MERIT MEDICAL SYSTEMS, INC.,
a Utah corporation

By: /s/ George Frioux
Name: George Frioux
Title: V.P., Business Development

Exhibit 10.30

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

MERIT MEDICAL SYSTEMS, INC. ("PURCHASER");

AND

BECTON, DICKINSON AND COMPANY ("SELLER")

Dated as of November 15, 2017

TABLE OF CONTENTS

EXHIBITS

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is dated as of November 15, 2017, by and between:

(A) MERIT MEDICAL SYSTEMS, INC., a company incorporated in Utah ("Purchaser"); and

(B) BECTON, DICKINSON AND COMPANY, a company incorporated in New Jersey ("Seller").

The capitalized terms used in this Agreement are defined in Exhibit A hereto, unless otherwise defined herein.

RECITALS

WHEREAS, on April 23, 2017, Seller entered into an Agreement and Plan of Merger (the "Bard Merger Agreement") with C. R. Bard, Inc., a New Jersey corporation ("Bard"), and Lambda Corp., a New Jersey corporation and wholly owned subsidiary of Seller ("Lambda"), pursuant to which, upon the terms and subject to the conditions set forth in the Bard Merger Agreement, Lambda will merge with and into Bard, with Bard surviving as a wholly owned subsidiary of Seller (the "Merger");

WHEREAS, Seller, those Subsidiaries of Seller set forth on Schedule I hereto and those Entities that will become Subsidiaries of Seller upon the Lambda Closing set forth on Schedule I hereto (collectively, the "Seller Subsidiaries;" the Seller Subsidiaries collectively with Seller, the "Seller Entities") are engaged in, among other things, the Rhodes Product Line and the Corfu Product Line (together, the "Product Lines");

WHEREAS, Seller desires to sell to, or cause the Seller Subsidiaries to sell to, Purchaser, and Purchaser desires to purchase from the Seller Entities, the Purchased Assets, on the terms and conditions set forth herein; and

WHEREAS, the United States Federal Trade Commission (the "FTC") is expected to issue an Order in connection with its review of the Merger (such Order, the "FTC Order") and the European Commission (the "EC") is expected to issue the commitments submitted by Seller and Bard under Article 6(2) of the Council Regulation (EC) 139/2004 (the "EC Commitments") and to adopt a decision in Case M.8523 (the "EC Decision") in connection with its review of the Merger.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual representations, warranties, covenants and promises contained herein, the adequacy and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1

THE TRANSACTIONS

1.1 Purchased Assets. Subject to the terms and conditions of this Agreement, at the Closing, Seller shall, and shall cause the Seller Subsidiaries to, sell, transfer, convey, assign and deliver to Purchaser, and Purchaser shall purchase from the Seller Entities, all of their respective right, title and interest in, to and under the following, free and clear of any Encumbrances, other than Permitted Encumbrances (collectively, the "Purchased Assets"):

(a) Purchased Inventory. The inventory of finished goods to the extent related exclusively or predominantly to the Products and owned by the Seller Entities as of the Closing Date without taking into account any reserve therefor (collectively, the "Purchased Inventory"), and any and all rights to market, distribute and sell all such Purchased Inventory;

(b) Intellectual Property. The Seller Intellectual Property and any unregistered Intellectual Property Rights owned by the Seller Entities to the extent used in the (i) "Sontina" handheld forward-coring core needle biopsy device pipeline project or (ii) terminated "Echo" breast tissue marker pipeline project, in each case, as of the Closing Date;

(c) Contracts. The Contracts identified on Schedule 1.1(c) and any other Contracts exclusively or predominantly related to the Product Lines entered into by the Seller Entities prior to the Closing in compliance with Section 6.1 (collectively, the "Assigned Contracts");

(d) Contract Claims. All claims and other rights arising from performance or breach by third parties of their obligations under the Assigned Contracts and Shared Contracts (including all rights under or pursuant to warranties, representations, covenants, indemnities or guarantees made by suppliers, manufacturers or contractors and any rights to credits or claims for refunds or reimbursements, but excluding cash security or other deposits and Tax assets) from third parties that occur after the Closing to the extent pertaining to the Product Lines;

(e) Governmental Approvals. The Governmental Approvals (and pending applications therefor) identified on Schedule 1.1(e), to the extent transferable to Purchaser under applicable Legal Requirements (as identified on Schedule 1.1(e) to the extent any restrictions on transferability are exclusively within Seller's control);

(f) Books and Records. All information, including customer and supplier lists and details (including information reasonably necessary to enable Purchaser to fulfill any supplier due diligence obligations imposed by applicable Legal Requirements related to the Product Lines with respect to conflict minerals and supply chain management), product and pricing information, account histories, research data and commercial data, in each case to the extent relating exclusively to the Product Lines or the Purchased Assets, on whatever medium (including paper and electronic media) and all books of account, general, financial, quality system, regulatory and tax records to the extent pertaining to the Product Lines or to the extent such information is, as of the Closing Date, used in the (i) "Sontina" handheld forward-coring core needle biopsy device pipeline project or (ii) terminated "Echo" breast tissue marker pipeline project (other than minute books, organizational documents, stock records and similar records of the Seller Entities) (collectively, the "Books and Records") and in the possession of any of the Seller Entities; *provided*, that Seller shall be permitted to redact any information to the extent that it does not relate to the Product Lines.

(g) Equipment and Machinery. All equipment and machinery (including all molds) identified on Schedule 1.1(g), and the spare parts held by a Seller Entity at the Closing for use in such equipment and machinery;

(h) Sales, Promotional and Training Items. All sales and promotional literature and other sales-related materials, all training videos and other training-related materials, including training materials used in the onboarding of employees, and all patient forms and other patient-related materials, to the extent used, formerly used or held for use exclusively or predominantly in the Product Lines; *provided*, that Seller shall be permitted to redact any information to the extent that it does not relate to the Product Lines;

(i) Goodwill. All goodwill of the Seller Entities of every kind and description to the extent pertaining to or used in the Product Lines, together with the exclusive right of Purchaser to represent itself as carrying on the Product Lines in succession to the Seller Entities;

(j) Claims. All of the Seller Entities' rights, causes of action, claims, defenses, counterclaims, rights of offset, deposits, prepayments, refunds, judgments, deductions, accounting rights, and demands of whatever nature, known or unknown, to the extent related to the Product Lines, the other Purchased Assets or the Assumed Liabilities and arising after the Closing, other than with respect to any Accounts Receivable; and

(k) Other Assets. The other assets of the Seller Entities identified on Schedule 1.1(k).

1.2 Excluded Assets.

(a) Notwithstanding any other provision of this Agreement, the Purchased Assets shall not include, and the Seller Entities hereby retain and shall not sell, transfer, convey, assign or deliver to Purchaser, any property or assets of the Seller Entities not expressly set forth in Section 1.1 hereof (collectively, the "Excluded Assets"), which shall include:

(i) any cash, checks, money orders, marketable securities, short-term instruments and other cash equivalents, funds in time and demand deposits or similar accounts, and any evidence of indebtedness issued or guaranteed by any Governmental Authority, in each case, held by the Seller Entities (whether or not arising from the conduct of the Product Lines);

(ii) any accounts receivable of the Seller Entities, including any accounts receivable of the Product Lines as of the Closing (collectively, the "Accounts Receivable");

(iii) the Seller Transitional Trademarks, including any right, title or interest in Seller's corporate name, corporate service mark or corporate logo, whether standing alone or as any portion of any other name, mark or logo;

(iv) any Intellectual Property Rights other than the Seller Intellectual Property;

(v) any software, laptops, desktops, computer peripherals or related computer hardware;

(vi) all Tax losses and credits, Tax loss and credit carry forwards and other Tax attributes, all deposits or advance payments with respect to Taxes, and any claims, rights and interest in and to any refund, credit or reduction of Taxes;

(vii) all Tax Returns and other Tax records of the Seller Entities or their Affiliates not relating exclusively to the Purchased Assets and the Assumed Liabilities;

(viii) all intercompany accounts receivable and intercompany notes, including where the obligor is a Seller Entity or any Affiliate of a Seller Entity;

(ix) any claims under insurance policies maintained by any Seller Entities or their Affiliates;

(x) the assets, Contracts, equipment and other property listed on Schedule 1.2(a)(x) and all Contracts other than the Assigned Contracts;

(xi) any assets related to any business or product lines of the Seller Entities other than the Product Lines, other than the Purchased Assets;

(xii) all real property interests held by the Seller Entities and their Affiliates (including leases of real property and leasehold interests);

(xiii) all Employee Plans and assets related thereto;

(xiv) each Seller Entity's ownership or other equity interests in any Person; and

(xv) all rights of the Seller Entities under this Agreement and any other Transaction Agreement.

(b) Purchaser expressly acknowledges that it is not acquiring any rights whatsoever to the Intellectual Property Rights of the Seller Entities within the Excluded Assets other than the Intellectual Property Rights of the Seller Entities to the extent expressly licensed to Purchaser under, and subject to, the Patent and Know-How Agreement and Section 7.9.

1.3 Excluded Liabilities. Notwithstanding anything to the contrary in this Agreement, the Seller Entities and their Affiliates shall retain, and shall be responsible for paying, performing and discharging when due, and the Purchaser shall not assume or have any responsibility for, any and all Liabilities of the Seller Entities and their Affiliates resulting from the Product Lines or the ownership of the Purchased Assets, other than the Assumed Liabilities, including the following Liabilities (collectively, the "Excluded Liabilities"):

(a) all Liabilities, whether arising before, on or after the Closing Date arising out of, resulting from or related to the Excluded Assets or the operation or conduct of any business other than the Product Lines;

(b) all Liabilities arising out of, resulting from or related to the sales, marketing, operation or conduct of the Product Lines prior to the Closing or ownership or use of any of the Purchased Assets prior to the Closing (other than with respect to any design defects of any Products sold after the Closing);

(c) all Liabilities relating to any claim of any third party arising out of the sale of Products prior to Closing, including any Liabilities for any returns and any warranty claims for Products sold prior to the Closing (regardless of whether the applicable warranty is express or implied);

(d) any Liabilities with respect to indemnification of any Purchaser Indemnified Persons for any Purchaser Damages pursuant to Section 11.1;

(e) all Liabilities of the Seller Entities for borrowed money;

(f) all outstanding accounts payable under the Assigned Contracts arising prior to the Closing Date and all Liabilities of the Seller Entities or their Affiliates, as applicable, under the Assigned Contracts to the extent such Liabilities became owing, due or payable, or relate to a breach occurring, prior to the Closing Date;

(g) all Damages and other Liabilities arising with respect to or related to any Recall with respect to any units of Product sold prior to Closing;

(h) all Liabilities for Taxes related to the Purchased Assets, the Product Lines or the Assumed Liabilities that are attributable to a Pre-Closing Tax Period;

(i) all Liabilities for Transfer Taxes to be paid by Seller pursuant to Section 9.1(b);

(j) all Liabilities arising under or in connection with any Employee Plan including but not limited to, any liability imposed on Purchaser or any of its Subsidiaries or Affiliates by a Governmental Authority or any other Person resulting from successor liability or similar concepts;

(k) all Liabilities in any way related to the employment or retention of any employees, former employees, directors or independent contractors of any of the Seller Entities;

(l) all Liabilities arising under or in connection with any Environmental Law; and

(m) all obligations of Seller under this Agreement or any other Transaction Agreement.

1.4 Non-Assignable Assets.

(a) Notwithstanding the foregoing, if any Assigned Contract or other Purchased Asset, including any Governmental Approval identified on Schedule 1.1(e), is not assignable or transferable (each, a "Non-Assignable Asset") without the Consent of, or waiver by, a third party or action by a Governmental Authority (each, an "Assignment Consent"), either as a result of the provisions thereof or applicable Legal Requirements, and any such Assignment Consent is not obtained on or prior to the Closing Date, this Agreement and the related instruments of transfer shall not constitute an assignment or transfer of such Non-Assignable Asset, and such Non-Assignable Asset shall not be included in the Purchased Assets. Instead, without limiting Seller's obligations under Section 6.5, each of the parties hereto shall use commercially reasonable efforts to obtain all such Assignment Consents after the Closing Date and after any such Assignment Consents are obtained the Seller Entities shall assign to Purchaser or its designee such Non-Assignable Assets for no additional consideration. Following any such assignment, such assets shall be deemed Purchased Assets for purposes of this Agreement.

(b) For a period of two (2) years after the Closing and subject to payment of the Purchase Price by Purchaser pursuant to Section 2.1, Seller shall and shall cause the Seller Subsidiaries and their Affiliates to (i) cooperate with Purchaser or its designees in any commercially reasonable arrangement designed to provide Purchaser or its designee with all of the rights and benefits of the Non-Assignable Assets after the Closing as if the appropriate Assignment Consents had been obtained (including enforcement for the benefit of Purchaser of any and all rights of any Seller Entity or its Affiliates against any other party arising out of any breach or cancellation of any such Non-Assignable Assets by such other party and, if requested by Purchaser, acting as an agent on behalf of Purchaser or as Purchaser shall otherwise reasonably require), including by granting subleases or other rights and establishing arrangements whereby Purchaser or its designee shall undertake the obligation to perform under Assigned Contracts. Seller shall advise Purchaser in writing at least two (2) Business Days prior to the Closing with respect to any Assigned Contract or Governmental Approval that Seller knows or has substantial reason to believe will or may not be assignable or transferable to Purchaser hereunder at the Closing.

(c) With respect to any Governmental Approval that is a Non-Assignable Asset, notwithstanding any other provision of this Agreement, the Seller Entities' liabilities and obligations with respect thereto shall

cease in all respects as of the date that is two (2) years after the Closing Date. On and after such date, the Seller Entities shall have no ongoing liabilities or obligations to Purchaser whatsoever in relation to such Governmental Approvals or the Products approved, cleared, marketed or sold under such Governmental Approvals, including any obligation to assist in the transfer of any such Governmental Approvals. On and after such date, the Seller Entities shall have the right, exercisable in their sole discretion, to cease, or cause to cease, the maintenance of such Governmental Approvals in the applicable issuing countries or territories, and to terminate the same.

1.5 Shared Contracts. Seller shall use commercially reasonable efforts prior to the Closing to cause the counterparty to each Shared Contract to consent to the partial assignment of those rights of the applicable Seller Subsidiary under such Shared Contract related to a Product, or to otherwise reasonably cooperate with Purchaser in Purchaser's efforts to enter into a new contract with such counterparty on substantially the same terms as exist under such Shared Contract, in each case as of the Closing; *provided*, *however*, that nothing in this Section 1.5 shall require any of the Seller Entities or any of their Affiliates to pay any fee or other payment, or incur any liability or out of pocket expense in connection with the efforts set forth in this Section 1.5 (other than any fees and expenses payable to attorneys or other advisors retained by a Seller Entity in connection with the foregoing). The portion related to the Products of each such Shared Contract for which the parties have received consent to such partial assignment shall thereafter be deemed to be an Assigned Contract hereunder and, if applicable, the Seller Entities shall wholly assign, or partially assign, such portion to Purchaser as of the Closing. Any Shared Contract for which the arrangements described in this Section 1.5 could not be entered into prior to the Closing shall be a Non-Assignable Asset subject to Section 1.4. The portion related to the Products of each such Shared Contract for which the parties have not received consent to such partial assignment shall thereafter be deemed to be an Excluded Liability.

ARTICLE 2

CONSIDERATION FOR TRANSFER

2.1 Purchase Price and Assumption of Assumed Liabilities.

(a) As full consideration for the sale, transfer, conveyance, assignment and delivery to Purchaser of the Purchased Assets by the Seller Entities, Purchaser shall (i) deliver to Seller (for the further payment to the Seller Entities) at the Closing a wire transfer(s) of immediately available funds in an amount equal to $100,000,000, *plus* the amount, if any, by which the Estimated Inventory is greater than the Closing Date Inventory Target, *minus* the amount, if any, by which the Closing Date Inventory Target is greater than the Estimated Inventory, in the aggregate (collectively, the "Estimated Purchase Price" and, subject to the adjustment set forth in Section 2.2, the "Purchase Price") and (ii) assume at the Closing and subsequently, in due course in accordance with the terms applicable thereto, pay, perform and discharge the Assumed Liabilities. The Purchase Price shall be paid by wire transfers of immediately available funds to the wire transfer address of Seller as provided to Purchaser on or before the second (2nd) Business Day prior to the Closing Date.

(b) Not less than two (2) Business Days prior to the anticipated Closing Date, Seller shall deliver to Purchaser a good-faith estimate, calculated in accordance with the Accounting Protocol, which shall set forth the estimated amount of Purchased Inventory of the Product Lines (the "Estimated Inventory") with reasonably detailed supporting documentation, as of 11:59 p.m., Eastern time, on the Business Day immediately preceding the Closing Date and determined in accordance with the Accounting Protocol. Purchaser shall be entitled to review and provide comments to Seller on the calculations of the Estimated Inventory and the components thereof. Seller shall in good faith consider and discuss with Purchaser any comments that Purchaser makes on such calculations and may, if Seller, in its reasonable discretion, considers it appropriate in light of timing, facts and circumstances, re-issue the Estimated Inventory prior to the Closing, and any such re-issued Estimated Inventory shall serve as the basis for calculating the Estimated Purchase Price for purposes of Closing and the provisions of Section 2.2.

2.2 Purchase Price Adjustment; Procedures for Calculating and Paying the Purchase Price Adjustment.

(a) Purchase Price Adjustment. After the Closing, the Purchase Price shall be adjusted by an amount (the "Purchase Price Adjustment") determined in accordance with this Section 2.2.

(b) Procedures for Calculating and Paying the Purchase Price Adjustment.

(i) Calculation. As soon as practicable after the Closing Date but in no event later than the sixtieth (60th) day after the Closing Date, Purchaser shall prepare or cause to be prepared, and shall deliver to Seller, a calculation of the Purchased Inventory of the Product Lines (the "Closing Inventory") as of the Closing (the "Closing Date Statement") together with reasonably detailed supporting documentation. The Closing Date Statement

shall be prepared in accordance with the Accounting Protocol. If Seller shall have any objections to the Closing Date Statement, including whether Purchaser has applied the Accounting Protocol in the preparation of the Closing Date Statement, Seller shall notify Purchaser in writing no later than thirty (30) days after receipt of the Closing Date Statement, setting forth with reasonable specificity its objections (the "Objections"). After the end of such thirty (30) day period, (i) Seller may not amend or introduce any additional Objections, and any item not so identified will be deemed agreed to by Seller and will be final and binding upon the parties and (ii) Seller and Purchaser shall endeavor in good faith, for a period not to exceed twenty-one (21) days from the date of delivery of such notice of Objections, to resolve the Objections.

(ii) Dispute Resolution. If at the end of the twenty-one (21) day period there are any unresolved Objections, Seller and Purchaser shall submit their respective determinations and calculations and the items remaining in dispute for resolution (each a "Final Calculation Statement") to one of PricewaterhouseCoopers LLP, Ernst & Young LLP, KPMG International Cooperative or Deloitte Touche Tohmatsu Limited, or their respective Affiliates, to be mutually agreed by Purchaser and Seller (the "Accounting Mediator"). The Accounting Mediator will promptly, in accordance with the Commercial Arbitration Rules of the American Arbitration Association, review only those items and amounts specifically set forth and objected to in the Final Calculation Statements and resolve the dispute by assigning a value to such item that is neither greater than the greatest value for such item nor less than the lowest value for such item claimed in the Final Calculation Statement of either Seller or Purchaser. The scope of the disputes to be resolved by the Accounting Mediator shall be limited to (A) those matters that remain in dispute and that were included in the Final Calculation Statements, (B) whether, for each calculation of Inventory, such calculation was prepared in accordance with the Accounting Protocol, and (C) whether there were any errors in the Final Calculation Statements, and the Accounting Mediator is not to make any other determination (including the interpretation of any other provision of this Agreement). The fees and expenses of the Accounting Mediator will be shared equally by Seller and Purchaser, and the decision of the Accounting Mediator with respect to the items of the Final Calculation Statements submitted to it will be final, conclusive and binding on the parties. Each of the parties to this Agreement agrees to use its commercially reasonable efforts to cooperate with the Accounting Mediator and to cause the Accounting Mediator to resolve any dispute no later than thirty (30) Business Days after such dispute is submitted to the Accounting Mediator, including furnishing to each other and to the Accounting Mediator such work papers and other documents and information relating to the Objections as the Accounting Mediator may reasonably request and are available to that party (or its independent public accountants). For purposes of complying with this Section 2.2, Purchaser and Seller will be afforded the opportunity to present to the Accounting Mediator any material related to the Objections and to discuss the items with the Accounting Mediator.

(iii) Amount. The Purchase Price Adjustment (which may be positive, negative or zero) shall be calculated as an amount equal to the Closing Inventory *minus* the Estimated Inventory. If the Purchase Price Adjustment as finally determined (whether by agreement of Purchaser and Seller, lapse of time or resolution of the Objections) is positive, Purchaser shall pay to Seller an amount equal to the Purchase Price Adjustment. If the Purchase Price Adjustment as finally determined is negative, Seller shall pay to Purchaser an amount equal to the absolute value of the Purchase Price Adjustment.

(iv) Payment. Payment of the Purchase Price Adjustment, if any, shall be made by Purchaser or Seller, as the case may be, by wire transfer of immediately available funds to the wire transfer address of the other party not later than the fifth (5th) Business Day following the date on which the period for Objections has expired or, if any Objections are asserted, not later than the fifth (5th) Business Day following the date on which the procedures for resolution of the Objections in this Section 2.2 have been completed. The wire transfer address for such payment shall be designated by Purchaser or Seller, as the case may be, by notice to the other party on or before the second (2nd) Business Day prior to the date for payment set forth above.

2.3 Withholding Taxes. Purchaser or any of its designated Affiliates shall be entitled to deduct and withhold (without duplication) from the Purchase Price or other payments required to be made in accordance with this Agreement, such amounts as Purchaser is required to deduct and withhold with respect to the making of such payment under any provision of federal, state, local or foreign Tax or Legal Requirement, as reasonably determined by Purchaser after reasonable consultation with Seller and after providing Seller with any supporting documentation reasonably requested by Seller. Each of Purchaser and Seller shall take all commercially reasonable actions necessary or advisable to reduce or eliminate all such required deduction and withholding.

ARTICLE 3

CLOSING AND CLOSING DELIVERIES

3.1 Closing; Time and Place. The closing of the Transactions (the "Closing") shall occur at the offices of Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), Four Times Square, New York, New York 10036 (or, if agreed by the parties, electronically through the exchange of documents), at 10:00 a.m., Eastern time, on the second (2nd) Business Day after the day on which all of the conditions to closing set forth in Article 8 are satisfied or waived (other than conditions that are intended to be satisfied at the Closing), or at such other date, time or place as the parties may agree (the "Closing Date").

3.2 Deliveries by Seller Entities. At the Closing, Seller shall deliver, or shall undertake to procure that the Seller Subsidiaries deliver, to Purchaser, each of the following items, duly executed and delivered by the applicable Seller Entities:

(a) General Assignment and Bill of Sale. General Assignment and Bill of Sale covering all of the applicable Purchased Assets, substantially in the form attached hereto as Exhibit B (the "General Assignment and Bill of Sale");

(b) Purchaser Assignment and Assumption Agreements. One or more Purchaser Assignment and Assumption Agreements between various Seller Entities and Purchaser enforceable in various jurisdictions covering the assignment to, and assumption by, Purchaser of the Assumed Liabilities, including specific foreign agreements, the Purchased Inventory and specified manufacturing assets, in forms to be mutually agreed upon by the parties ("Purchaser Assignment and Assumption Agreements");

(c) Intellectual Property Assignments. (i) A patent assignment (the "Patent Assignment"), substantially in the form of Exhibit C attached hereto, for all of the patents or Patent Rights listed on Schedule 4.6(a) and (ii) a trademark assignment (the "Trademark Assignment"), substantially in the form of Exhibit D attached hereto, for all of the Trademarks listed on Schedule 4.6(a);

(d) Transition Services Agreement. A transition services agreement, substantially in the form attached hereto as Exhibit E (the "Transition Services Agreement"), obligating the Seller Entities and certain of their Affiliates to provide certain transition services to Purchaser and certain of its Affiliates after the Closing;

(e) Contract Manufacturing Agreement. A contract manufacturing agreement, substantially in the form attached hereto as Exhibit F (the "Contract Manufacturing Agreement") obligating Seller to supply Purchaser with certain products;

(f) Distribution Agreement. A distribution agreement, substantially in the form attached hereto as Exhibit G (the "Distribution Agreement") obligating Seller to distribute certain products on Purchaser's behalf;

(g) Patent and Know-How License Agreement. The patent and know-how license agreement, substantially in the form of Exhibit H (the "Patent and Know-How License Agreement");

(h) Books and Records. The Books and Records;

(i) Certificate of Representations, Warranties and Covenants. A certificate executed on behalf of Seller by an executive officer of Seller, dated as of the Closing Date, certifying as to the matters in Section 8.1(a); and

(j) FIRPTA Certificate. A certification conforming to the requirements of Treasury Regulation Section 1.1445-2(b)(2) with respect to the Seller Entities that are "United States persons" within the meaning of Section 7701 of the Code and applicable Treasury Regulations, dated as of the Closing Date, in form and substance reasonably acceptable to Purchaser.

3.3 Deliveries by Purchaser. At the Closing, Purchaser shall deliver to Seller the following items, duly executed by Purchaser as applicable:

(a) Wire Transfer. One or more wire transfers in the aggregate amount of the Estimated Purchase Price in immediately available funds in accordance with Section 2.1;General Assignment and Bill of Sale. The General Assignment and Bill of Sale;

(c) Purchaser Assignment and Assumption Agreements. The Purchaser Assignment and Assumption Agreements;

(d) Intellectual Property Assignments. The Patent Assignment and the Trademark Assignment;

(e) Transition Services Agreement. The Transition Services Agreement;

(f) Contract Manufacturing Agreement. The Contract Manufacturing Agreement;

(g) Distribution Agreement. The Distribution Agreement;

(h) Patent and Know-How License Agreement. The Patent and Know-How License Agreement;

(i) Sublicense Agreement. A sublicense agreement, substantially in the form attached hereto as Exhibit I (the "Sublicense Agreement"), related to the sublicense to Seller for the Navarre VacuBag Drainage Bag of the patents and patent applications licensed pursuant to the Henry Jackson License Agreement; and

(j) Certificate of Representations, Warranties and Covenants. A certificate executed on behalf of Purchaser by an executive officer of Purchaser, certifying as to the matters in Section 8.2(a).

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth on Schedule 4 of the Project Rhodes Disclosure Schedule or the Project Corfu Disclosure Schedule (together, the "Seller Disclosure Schedule") attached to this Agreement, Seller hereby represents and warrants to Purchaser as follows as of the date hereof and as of the Closing (except for those representations and warranties made as of a particular date, in which case Seller represents to Purchaser as follows as of such date):

4.1 Organization and Good Standing. (a) Each Seller Entity is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) each Seller Entity is duly qualified to conduct business and in good standing under the laws of each jurisdiction in which the operation of the Product Lines and assets (including the Purchased Assets) that such Seller Entity operates or owns requires such qualification, except for failures that do not have a Material Adverse Effect; and (c) each Seller Entity has full power and authority required to own, lease and operate its assets and to carry on the Product Lines that it operates as now being conducted.

4.2 Financial Information; No Undisclosed Liabilities

(a) Schedule 4.2(a) hereto includes unaudited selected financial items from an income statement and unaudited selected asset information, in each case (i) as of, and for the six (6) months ended, June 30, 2017 for certain assets exclusively related to the final assembly and packaging of the Corfu Product Line (collectively, the "Corfu Financial Information") and (ii) as of, and for the nine (9) months ended, June 30, 2017 for certain assets primarily used in the finished goods manufacturing of the Rhodes Product Line (together with the Corfu Financial Information, the "Financial Information"). The Financial Information (i) has been prepared from and in accordance with the Books and Records of the Seller Entities and (ii) has been maintained in accordance with the business and accounting practices and internal controls and policies of the Seller Entities. The Financial Information was prepared internally, has not been audited, is subject to normal year-end adjustments and lacks footnotes. The Financial Information fairly presents in all material respects the revenues and cost of goods sold with respect to the Products as of the dates and for the periods indicated therein. Otherwise, the Financial Information (x) includes information with respect to the Products as of the dates and for the periods indicated therein only with respect to the financial statement line items identified in Schedule 4.2(a) (and not other line items that would be required to be included in an income statement or balance sheet prepared in accordance with GAAP) and (y) does not include "Operating Expenses" line items identified in the Financial Information, such as costs allocated to the Products based on a percentage of the revenue of the operating segment of which the Products business unit is a part, and does not include allocations of corporate overhead expenses, including costs of information technology, legal, finance and accounting, human resources, regulatory and quality, tax or treasury functions, or other similar shared costs or allocations that would be attributable to the Products in an income statement prepared in accordance with GAAP.

(b) Except (i) as set forth on Schedule 4.2(b), (ii) Liabilities reflected in the Financial Information, and (iii) Liabilities incurred by the Seller Entities or their Affiliates in the ordinary course of business since the date of the Financial Information and which are not, individually or in the aggregate, material to the Products, the Purchased Assets or the Product Lines, taken as a whole, none of the Seller Entities or any of their Affiliates have incurred any Liabilities arising out of or related to the Products, the Purchased Assets, the Product Lines or the exploitation of the Products or Product Lines (as conducted by the Seller Entities as of the date hereof) of any kind whatsoever, whether accrued, fixed, absolute, contingent, known, unknown, determined, determinable or otherwise (and whether due or become due) that do not solely constitute Excluded Liabilities.

4.3 Purchased Inventory. All of the items in the Purchased Inventory (i) are in all material respects of a quality and quantity saleable in the ordinary course of business and (ii) meet current industry standards and specifications, in all material respects.

4.4 Absence of Changes

(a) Since December 31, 2016 through the date hereof (x) the Product Lines have been operated in the ordinary course of business and (y):

(i) no Seller Entity or any of its Affiliates has made capital expenditures or entered into any commitment therefore with respect to the Product Lines in an amount greater than $150,000, except in the ordinary course of business;

(ii) no Seller Entity or any of its Affiliates, with respect to the Product Lines, has mortgaged, pledged or subjected to any Encumbrance (other than Permitted Encumbrances) any of its assets (whether tangible or intangible) or properties with a fair market value in excess of $150,000 in the aggregate, except in the ordinary course of business;

(iii) no Seller Entity or any of its Affiliates, with respect to the Product Lines, has incurred, assumed or guaranteed any indebtedness for borrowed money, except as would not constitute an Assumed Liability;

(iv) no Seller Entity or any of its Affiliates, with respect to the Product Lines, has made any loan (or forgiven any loan to), or entered into any other transaction with, any of its current or former Representatives other than employment or consulting relationships in the ordinary course of business, except as would solely constitute an Excluded Liability;

(v) no Seller Entity or any of its Affiliates, with respect to the Product Lines, has sold, assigned, transferred, conveyed, licensed, leased or otherwise disposed of or agreed to sell, assign, transfer, convey, license, lease or otherwise dispose of any material portion of its assets or properties, except for the sale of inventories in the ordinary course of business;

(vi) no Seller Entity or any of its Affiliates, with respect to the Product Lines, has cancelled or compromised any material debt or material claim, or waived, compromised or released any material right, except with respect to any Excluded Asset or Excluded Liability;

(vii) no Seller Entity or any of its Affiliates, with respect to the Product Lines, has entered into, accelerated, terminated, materially modified or cancelled any Material Contract or Governmental Approval, other than in the ordinary course of business; and

(viii) no Seller Entity or any of its Affiliates, with respect to the Product Lines, has executed any Contract or letter of intent (whether or not binding) relating to any of the foregoing.

(b) Since December 31, 2016, (x) no event, development or circumstance has occurred, or would be reasonably expected to occur, that has had a Material Adverse Effect and (y) no material damage, destruction, loss or casualty of or to any of the Purchased Assets has occurred.

4.5 Taxes

(a) Except as set forth in Section 4.5(a) of the Seller Disclosure Schedule, all material Tax Returns in respect of or in relation to the Purchased Assets required to be filed have been timely filed (taking into account any extensions of time in which to file). All such Tax Returns are correct and complete in all material respects and all taxes shown as due on such Tax Returns have been timely paid.

(b) Except as set forth in Section 4.5(b) of the Seller Disclosure Schedule, there is no pending material dispute, audit or claim regarding Taxes pending against any Seller Entity with respect to or in relation to any Purchased Asset claimed or raised by any Tax Authority in writing.

(c) There are no outstanding Encumbrances for material Taxes other than Permitted Encumbrances on the Purchased Assets.

(d) Notwithstanding any provisions of this Agreement to the contrary, the foregoing provisions of this Section 4.5 constitute the sole representations or warranties of the Seller Entities relating to Taxes. Nothing in the Agreement, including this Section 4.5, shall be construed as providing a representation or warranty with respect to the existence, amount, expiration date or limitations on (or availability of) any Tax attribute (including methods of accounting).

4.6 Intellectual Property.

(a) The Seller Entities solely own, and possess valid and legally enforceable rights in the Seller Intellectual Property to use, utilize and exploit as currently used, utilized and exploited, all Seller Intellectual Property, free and clear of all Encumbrances (other than Permitted Encumbrances), except as set forth on Schedule 4.6(a); *provided*, that the foregoing representation and warranty shall not be deemed to constitute a representation and warranty with respect to infringement, misappropriation, or violation of Intellectual Property of third parties (which is addressed below in this Section 4.6). Schedule 4.6(a) sets forth a correct and complete list of all Seller Registered Intellectual Property Rights assigned, transferred, and conveyed to Purchaser hereunder.

(b) All of the Seller Registered Intellectual Property Rights are subsisting (other than those of the Patent Rights identified on Schedule 4.6(a) to have been expired, abandoned, or cancelled) and, to the knowledge of the Seller, valid and in full force and effect. Any and all renewal and maintenance fees, annuities or other fees payable to any Governmental Authority to maintain any of the Seller Registered Intellectual Property Rights as active and due prior to and on the date hereof have been paid in full to such Governmental Authority. Any and all filings, submissions and responses to any Governmental Authority necessary to maintain the Seller Registered Intellectual Property Rights has been timely made with such Governmental Authority. Other than as set forth on Schedule 4.6(a), to the knowledge of the Seller, as of the date hereof, no payments are owed, and no filings, submissions, or responses must be made, during the period of ninety (90) days following the Closing Date for any Seller Registered Intellectual Property Rights.

(c) (i) Other than the Intellectual Property Rights licensed from another Person as set forth on Schedule 4.6(c) under the Contracts identified therein (the "Third Party Intellectual Property"), the Seller Entities do not use or exploit any Intellectual Property Rights of any other Person in connection with any Product Line, (ii) the Seller Entities have had the full right to use, utilize, and exploit any Third Party Intellectual Property to the extent that any Third Party Intellectual Property is or has been used, utilized, or exploited in connection with the development, design, making, use, offer, sell, service, importation, or exportation of any Product and (iii) the Seller Intellectual Property and the Third Party Intellectual Property constitute all of the material Intellectual Property Rights necessary for any use of any Product and the operation of the Product Lines; *provided*, that the foregoing representations and warranties shall not be deemed to constitute a representation and warranty with respect to infringement, misappropriation, or violation of Intellectual Property of third parties (which is addressed below in this Section 4.6).

(d) To the knowledge of Seller, as of the date hereof, none of the Products, the use of any Product, or the operation of the Product Lines infringes, misappropriates, or otherwise violates any Intellectual Property Rights, and the Seller Entities have not received within four (4) years prior to the date hereof, notice of any allegation of any such infringement, misappropriation, or violation.

(e) To Seller's knowledge, as of the date hereof, no Person is, or during the four (4) years prior to the date hereof was, infringing, misappropriating, or otherwise violating any Seller Intellectual Property. None of the Seller Entities has in the four (4) years prior to the date hereof given notice to any third party, and no

Proceeding has been initiated, threatened in writing, or is pending as of the date hereof or in the four (4) years prior to the date hereof against any third party, asserting any infringement, misappropriation, or violation of any Seller Intellectual Property. Except as set forth in Schedule 4.6(e), as of the date hereof, the Seller Entities are not subject to any claim by any other Person seeking indemnification, defense or otherwise to be held harmless with respect to any Seller Intellectual Property.

(f) To Seller's knowledge, as of the date hereof, other than applications for, or ex parte prosecution with respect to, Patent Rights, Trademarks or other Intellectual Property Rights listed on Schedule 4.6(a), (i) there are no Proceedings before any Governmental Authority (including before the United States Patent and Trademark Office) anywhere in the world challenging any of the Seller Intellectual Property, and (ii) to Seller's knowledge, no Proceeding has been initiated, threatened in writing, or is pending against any of the Seller Entities, and no notice by any Person has been received in the past four (4) years prior by any of the Seller Entities, that challenges the validity or enforceability of, or any ownership or right of any of the Seller Entities regarding, any Seller Intellectual Property.

(g) Each employee or contractor of the Seller Entities involved in the invention, development, creation, reduction to practice, or discovery of any Seller Intellectual Property has signed and executed a valid and enforceable assignment irrevocably transferring or pursuant to operation of law has irrevocably transferred all rights, title, and interest of such employee or contractor in or to such Seller Intellectual Property to the Seller Entities. The Seller Entities have taken commercially reasonable measures to preserve and maintain the confidentiality of all Trade Secrets and other material confidential information of the Seller Entities included in the Purchased Assets that is confidential, secret, or subject to any disclosure limitation. The Seller Entities have taken commercially reasonable measures to preserve and maintain the confidentiality of all Trade Secrets and other confidential information of any other Person in the possession and control of the Seller Entities in connection with the Product Lines. No Trade Secrets and other material confidential information included in the Seller Intellectual Property was, to Seller's knowledge, disclosed, provided, or made available by the Seller Entities to any Person other than under reasonable written confidentiality and non-disclosure agreements (or similar obligations by operation of law) or, for employees of the Seller Entities, a written employment agreement or binding policy including reasonable confidentiality and non-disclosure requirements (or similar obligations by operation of law).

(h) The Seller Entities are in compliance in all material respects with all applicable Legal Requirements, and otherwise their posted privacy policies regarding the collection, receipt, use, privacy and protection of any information and data from customers or other Persons (including personally identifiable information and data) collected or otherwise obtained by the Seller Entities that are part of the Purchased Assets (the "Collected Information"). The Seller Entities have used commercially reasonable security measures and safeguards intended to detect and prevent any security breaches and to protect the Collected Information from illegal or unauthorized access, use or processing by its personnel or third parties, or access, use, or processing by its personnel or third parties in a manner in violation of, or inconsistent with applicable law and the applicable posted privacy policies of the Seller Entities. To the knowledge of Seller, as of the date hereof, no Person has gained unauthorized access to or made any unauthorized use or processing of any Collected Information in any material respect. Without limiting the foregoing, the Seller Entities have implemented and fully documented commercially reasonable information security, backup, disaster recovery, vendor management, support and maintenance and incident response controls, processes, safeguards and policies with respect to any company system on which any Collected Information was stored. As of the date hereof, no claims have been asserted or threatened in writing against the Seller Entities by any Person alleging any material violation of any individual's privacy, personal or confidentiality rights related to any Collected Information.

4.7 Authority; Binding Nature of Agreements

(a) Seller has all requisite corporate power and authority to execute and deliver this Agreement and to carry out the provisions of this Agreement. Each Seller Entity has all requisite corporate power and authority to execute and deliver the other Transaction Agreements to which such Seller Entity is a party and to carry out the provisions of the other Transaction Agreements to which such Seller Entity is a party.

(b) The execution, delivery and performance by Seller of this Agreement have been duly and validly authorized and approved by all requisite corporate action on the part of Seller. The execution, delivery and performance by each Seller Entity of the other Transaction Agreements to which such Seller Entity is a party have been, or will be, duly and validly authorized and approved by all requisite corporate action on the part of such Seller Entity. The execution, delivery and performance by Seller of this Agreement and the other Transaction Agreements do not require the approval of the shareholders of Seller.

(c) This Agreement has been duly and validly executed and delivered by Seller. Each of this Agreement and the other Transaction Agreements to which a Seller Entity is a party constitutes, or upon execution and delivery will (assuming due authorization, execution and delivery by Purchaser or its Affiliates, as applicable) constitute, the legal, valid and binding obligation of such Seller Entity, enforceable against such Seller Entity in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles related to or limiting creditors' rights generally and by general principles of equity.

4.8 No Conflicts; Required Consents. Neither the execution, delivery or performance of this Agreement nor any other Transaction Agreement by any Seller Entity nor the consummation of any of the Transactions will:

(a) conflict with, violate, result in any breach of or constitute a default under (with or without notice or lapse of time) (i) any of the provisions of the organizational documents of such Seller Entity, or (ii) any provision of any Material Contract, or require a Consent under any Material Contract, other than, in the case of clause (ii), such conflicts, violations, breaches, defaults or failures to obtain Consent that, alone or in the aggregate, would not have a material adverse impact on the Purchased Assets, the Product Lines or the ability of any of the Seller Entities to timely consummate the Transactions;

(b) other than with respect to the FTC Order and the Antitrust Laws, and except as, alone or in the aggregate, would not have a material adverse impact on the Purchased Assets, the Product Lines or the ability of any of the Seller Entities to timely consummate the Transactions, (i) give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under any Legal Requirement or any Order to which such Seller Entity is bound or any of the Purchased Assets is subject (ii) violate or conflict with any provision of, or result in the breach of, any Legal Requirement applicable to Seller or require any Consent of any Person (other than pursuant to any Contract) or (iii) constitute a default under or give any Person the right to declare a default of, exercise any remedy under, accelerate the performance of, cancel, terminate, modify or receive any payment under any Material Contract or otherwise result in the termination of a Material Contract;

(c) result in the imposition or creation of any material Encumbrance (other than Permitted Encumbrances) upon or with respect to, or result in the material imposition of additional obligations or material loss of rights under, any Purchased Asset; or

(d) other than with respect to the FTC Order and the EC, require such Seller Entity to make or deliver any material filing or material notice to a Governmental Authority, other than reporting under the U.S. Securities Exchange Act of 1934, as amended.

4.9 Material Contracts.

(a) Schedule 4.9 sets forth an accurate, correct and complete list of any Contracts entered into by any Seller Entity that apply exclusively to the operation of the Product Lines and to which any of the descriptions set forth below apply (the Contracts required to be so listed, the "Material Contracts"):

(i) any Contract for capital expenditures in excess of $150,000;

(ii) any Contract with an agent, customer or distributor that resulted in sales of greater than (A) $500,000 of the Rhodes Products in the twelve (12) month period ended December 31, 2016 or (B) $250,000 of the Corfu Products in the twelve (12) month period ended December 31, 2016;

(iii) any Contract with a vendor or supplier that resulted in payments by the Seller Entities of greater than (A) $150,000 with respect to the Rhodes Products in the twelve (12) month period ended December 31, 2016 or (B) $150,000 with respect to the Corfu Products in the twelve (12) month period ended December 31, 2016;

(iv) any lease or other Contract under which a Seller Entity, with respect to the Product Lines, is a lessee of, or holds or operates, any machinery, equipment, vehicle or other tangible personal property owned by a third party that requires rental payments in excess of $150,000 per annum;

(v) any mortgage, indenture, security agreement, pledge, note, loan agreement or guarantee in respect of indebtedness for borrowed money or any agreement that creates an Encumbrance (other than a Permitted Encumbrance) on any Product, Product Line or Purchased Asset;

(vi) any Contract containing covenants not to compete in any line of business or with any Person in any geographical area;

(vii) any Contract that is a license of (A) material Seller Intellectual Property or (B) Third Party Intellectual Property (other than commercially available software or hardware licensed under general commercially available standard terms therefor or non-exclusive (or immaterial exclusive in-bound) licenses granted in the ordinary course having an aggregate value of no more than $150,000 per license);

(viii) any Contract related to the acquisition of a business or the equity of, or joint venture with, any other Entity;

(ix) any Contract for the joint development of any product;

(x) any other Contract which provides for payment or performance by either party thereto having an aggregate value of $250,000 or more on an annual basis, other than any Contract with an agent or distributor that is not required to be disclosed pursuant to Section 4.9(a)(ii); and

(xi) any proposed arrangement of a type that, if entered into, would be a Contract described in any of (i) through (x) above.

(b) Seller has made available to Purchaser, or will make available to Purchaser prior to Closing, accurate, correct and complete copies of all Assigned Contracts (or written summaries of the material terms thereof, if not in writing).

(c) Each Assigned Contract is valid and in full force and effect, is enforceable by a Seller Entity and, to Seller's knowledge, represents the valid and binding obligation of the other party or parties thereto, in each case, enforceable in accordance with its terms, except where the failure to be valid and in full force and effect is not material to the operation of the Product Lines, taken as a whole, and subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights generally and to general principles of equity.

(d) No Seller Entity is in material default or material breach, and no party has notified any Seller Entity that it is in material default or material breach under any Assigned Contract. No event has occurred, and no circumstance or condition exists, that might (with or without notice or lapse of time) (i) result in a material violation or material breach of any Assigned Contract or (ii) give any Person the right to accelerate the maturity or performance of any Assigned Contract, or to cancel, terminate or modify any Assigned Contract.

4.10 Insurance. Certain insurance policies currently in force will cease to provide coverage for the Purchased Assets effective upon Closing. There are no insurance policies or fidelity bonds that are part of the Purchased Assets or which will continue to provide insurance for the Purchased Assets subsequent to the Closing Date.

4.11 Compliance with Laws. Except with respect to Legal Requirements related to Taxes, Intellectual Property Rights, Trade Control Laws or Anti-Corruption Laws, which shall be governed exclusively by Sections 4.5 (with respect to Taxes), 4.6 (with respect to Intellectual Property Rights), 4.16 (with respect to Trade Control Laws) and 4.17 (with respect to Anti-Corruption Laws), since June 30, 2014, each Seller Entity, with respect to the Product Lines has complied with each Legal Requirement and Order that is applicable to it in connection with any of its properties, assets, operations or business, except for those failures to comply that have not had, and reasonably would not be expected to have, a Material Adverse Effect. Since June 30, 2014, no Seller Entity, with respect to the Product Lines, has received any written notice from any third party that such Seller Entity is or may be in material violation of, or has failed to comply in any material respect with, any Legal Requirement or Order. There is no material investigation or action pending, or to Seller's knowledge threatened in writing, by any Governmental Authority against any Seller Entity with respect to the Purchased Assets, the Product Lines or the Assumed Liabilities.

4.12 Governmental Approvals; Product Liability.

(a) Within the last three (3) years prior to the date of this Agreement, (i) neither Seller nor any of the Seller Subsidiaries has initiated any material recall, corrective action, market withdrawal or replacement, stock recovery, safety alert or other field action relating to any Products (and to the knowledge of Seller none are threatened in writing or pending) and (ii) no report of any material safety issue or material defect or malfunction involving any Product has been filed or is required to have been filed with any Regulatory Authority under any United States or foreign Legal Requirement. There are no pending, and within the last thirty-six (36) months prior to the date of this Agreement, there have not been any, actions, claims or, to the knowledge of Seller, written threats thereof related to product liability involving any Products, and no such actions, claims or written threats have been settled, adjudicated or otherwise disposed of within the thirty-six (36) months prior to the date of this Agreement.

(b) As of the date hereof, there are no citations, decisions, adjudications or statements, in each case issued in writing, by any Regulatory Authority, and neither Seller nor any of the Seller Subsidiaries is subject to any Order, asserting that any Product is defective or unsafe in any material respect, resulting from design defects or otherwise, or fails in any material respect to meet any standards promulgated by any rule or regulation promulgated by any Regulatory Authority. Seller has no knowledge of any fact or condition related to any Product that would be reasonably expected to impose upon any Seller Entity a duty to conduct a Recall with regard to any Product or material Liabilities for returns or other product liability claims with respect to any Product, including from any material design defect. The Seller Entities, with respect to the Product Lines, (i) have obtained all applicable Governmental Approvals required by any Regulatory Authority to manufacture, market, store, distribute and sell the Products and otherwise to operate the Product Lines in material compliance with applicable Legal Requirements and (ii) have made all material filings with, and given all material notifications to, all Regulatory Authorities as required by all applicable Legal Requirements, and all such filings and notifications were complete and accurate in all material respects on the date filed (or were corrected in or supplemented by a subsequent filing). All Governmental Approvals with respect to the Products that are necessary to the operation of the Product Lines as of the date hereof are set forth in Schedule 4.12(b) and remain valid and in full force and effect.

(c) There is no Proceeding pending or, to the knowledge of Seller, threatened in writing that could result in the suspension, termination, revocation, cancellation, material limitation or material impairment of any Governmental Approval, filing or notification identified in Schedule 1.1(e), or of any currently conducted Product research, development, testing, manufacturing, marketing, distribution or sales activities.

(d) The Seller Entities have made available to Purchaser accurate and complete copies of all of the Governmental Approvals, filings and notifications identified in Schedule 1.1(e) (which includes all Governmental Approvals, filings and notifications held by the Seller Entities), including all renewals thereof and all amendments thereto.

(e) The Seller Entities, and, to the knowledge of Seller, any officer, employee or agent of the Seller Entities, have not been excluded or threatened with exclusion from participation in any federal health care program or convicted of any crime or engaged in any conduct for which a person reasonably could be subject to exclusion from participation in any federal healthcare program under Section 1128 of the Social Security Act.

4.13 Proceedings and Orders.

(a) There is no material Proceeding pending or, to the knowledge of Seller, threatened in writing against any Seller Entity or any of their Affiliates with respect to the Product Lines. To Seller's knowledge, no event has occurred, and no condition or circumstance exists, that might directly or indirectly give rise to or serve as a basis for the commencement of any such Proceeding.

(b) None of the Seller Entities' (with respect to the Product Lines) properties, assets, operations or businesses, or any of the Purchased Assets or Assumed Liabilities, is subject to any Order or any proposed Order, the effect of which is or would be material to the Product Lines, taken as a whole.

(c) As of the date hereof, there are no Proceedings pending or, to the knowledge of Seller, threatened in writing relating to the Product Lines, the Purchased Assets or the Assumed Liabilities, which have had, or could reasonably be expected to have, a Material Adverse Effect.

4.14 Title, Condition and Sufficiency of Assets.

(a) The Seller Entities are the sole and exclusive owners of, and have good and valid title to, all Purchased Assets (other than with respect to Intellectual Property Rights (which is addressed in Section 4.6)), free and clear of all Encumbrances, except for Permitted Encumbrances.

(b) Each piece of machinery and equipment included in the Purchased Assets has no material defects, is in good operating condition and repair (taking into account ordinary wear and tear), is adequate and suitable in all material respects for its use in connection with the operation of the Product Lines.

(c) The Purchased Assets used in the operation of the Rhodes Product Line and the Purchased Assets used in the operation of the Corfu Product Line, in each case, together with (i) the administrative, back-office and professional services from accounting, audit, compliance, customs, legal, treasury, finance, tax, human resources, payroll, benefits, information technology, maintenance, insurance, logistics, marketing, sales, supply chain, customer service/allocation or other administrative groups, in each case that are currently provided by the Seller Entities, any of their Affiliates or any third party to the Product Lines as well as to the Seller Entities or one or more of their Affiliates generally, (ii) the services from any employees of the Seller Entities or their Affiliates, (iii) any Contracts as to which a Consent is required in connection with the consummation of the Transactions but not obtained (provided that, for the avoidance of doubt, this clause (iii) shall not affect each party's rights and obligations pursuant to Section 1.4 and Section 6.5), (iv) the services to be provided by the Seller Entities and their Affiliates to Purchaser and its Affiliates pursuant to this Agreement, the Transition Services Agreement, the Contract Manufacturing Agreement and the other agreements contemplated hereby, and (v) any real property used in the operation of the Product Lines, constitute all of the assets that are necessary and sufficient to operate the respective Product Lines immediately following the Closing in all material respects as operated on the date hereof by the respective Seller Entities and their respective Affiliates. In the event of any inaccuracy in this Section 4.14(c) due to a good faith omission by Seller of an asset, such inaccuracy shall be deemed cured if Seller promptly causes such asset (or the benefits and burdens of such asset) to be transferred to Purchaser at no additional cost or expense to Purchaser.

4.15 Brokers. Other than with respect to fees or commissions that will be borne solely by the Seller Entities and do not constitute Assumed Liabilities, no Seller Entity has retained any broker or finder or incurred any Liabilities for any brokerage fees, commissions or finders fees with respect to this Agreement or the Transactions and no broker, finder, investment banker or other Person is entitled to any fees or commissions in connection with the Transactions.

4.16 Trade Control Laws. No Seller Entity, with respect to the Product Lines, nor any of their respective officers, directors or employees, nor to Seller's knowledge any Representative of any Seller Entity, with respect to the Product Lines, is currently, or has been since October 1, 2012: (a) a Sanctioned Person, (b) organized or resident in a Sanctioned Country, (c) engaged in any dealings or transactions, directly or indirectly, with any Sanctioned Person or in or with any Sanctioned Country, or (d) otherwise in violation of applicable Sanctions Laws, Export-Import Laws, or the anti-boycott laws administered by the United States Department of Commerce, the United States Customs and Border Protection and the United States Department of Treasury's Office of Foreign Assets Control (collectively, "Trade Control Laws") that, individually or in the aggregate, would have or be reasonably expected to have, a Material Adverse Effect. Since October 1, 2012, all exports, re-exports, imports and transfers by Seller Entities, with respect to the Product Lines, have been made in material compliance with Export-Import Laws. Since October 1, 2012, no Seller Entity, with respect to the Product Lines, has received from any Governmental Authority or, to Seller's knowledge, any other Person any notice, inquiry, or internal or external allegation; made any voluntary or involuntary disclosure to a Governmental Authority; or conducted any internal investigation or audit, in each case concerning any actual or potential violation of any Trade Control Laws.

4.17 Anti-Corruption Laws. No Seller Entity (with respect to the Product Lines) or any of their respective directors, officers or employees, nor to Seller's knowledge, any agent or other third party representative acting on behalf of any Seller Entity (with respect to the Product Lines), (a) has made any unlawful payment or given, offered, promised, or authorized or agreed to give, any money or anything of value, directly or indirectly, to any Governmental Authority or other Person in violation of any applicable Anti-Corruption Laws, (b) otherwise violated any applicable Anti-Corruption Laws, or (c) engaged in off-label, false or misleading promotion, advertising or marketing of medical devices. Since June 30, 2012, no Seller Entity (with respect to the Product Lines) has received from any Governmental Authority or, to Seller's knowledge, any other Person, any notice, inquiry, or internal or external allegation; made any voluntary or involuntary disclosure to a Governmental Authority; or conducted any internal investigation or audit, in each case concerning any actual or potential violation of any Trade Control Laws or Anti-Corruption Laws.

4.18 Customers and Suppliers. Schedule 4.18(a) sets forth a list of the top ten (10) customers of the Rhodes Product Line (with the names of the customers redacted) and the top ten (10) customers of the Corfu Product Line (with the names of the customers redacted), each by dollar value of sales to such customers for the fiscal year ended December 31, 2016. Schedule 4.18(b) sets forth a list of the top ten (10) suppliers of the Rhodes Product Line and the top ten (10) suppliers of the Corfu Product Line, each by dollar value of net purchases from such suppliers, for the fiscal year ended December 31, 2016. No Seller Entity has received any written notice or, to Seller's knowledge, oral notice (i) from any of the customers listed on Schedule 4.18(a) that any such customer intends to stop, materially decrease the rate of, or materially

change the payment or price terms with respect to, buying products from either of the Product Lines, or (ii) from any of the suppliers listed on Schedule 4.18(b) that any such supplier intends to stop, materially decrease the rate of, or materially change the payment or price terms with respect to, supplying products or services to either of the Product Lines.

4.19 Product Warranties. To Seller's knowledge, each Product sold by any of the Seller Entities prior to the date of this Agreement (collectively, the "Specified Products"), at the time of such sale, was in conformity with all warranties made by the Seller Entities or any of their Affiliates with respect to such Specified Product. To Seller's knowledge, none of the Seller Entities has provided any warranty in respect of any Specified Products other than as may be set forth in any of the Assigned Contracts.

4.20 No Other Representations. Purchaser acknowledges that no Seller Entity has made or is making any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except as contained in the Transaction Agreements, and that it is not relying and has not relied on any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except for the representations and warranties in the Transaction Agreements.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

5.1 Organization and Good Standing. Purchaser (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) is duly qualified to conduct business under the laws of each jurisdiction in which the nature of its business, the operation of its assets or the ownership or leasing of its properties requires such qualification, except where the failure to be so qualified has not had a Purchaser Material Adverse Effect; and (c) has full power and authority required to carry on its business as now being conducted.

5.2 Authority; Binding Nature of Agreements

(a) Purchaser has all requisite corporate and other power and authority to execute and deliver this Agreement and all other Transaction Agreements to which it is a party and to carry out the provisions of this Agreement and the other Transaction Agreements.

(b) The execution, delivery and performance by Purchaser of this Agreement and the other Transaction Agreements have been duly and validly authorized and approved by all requisite action on the part of Purchaser. The execution, delivery and performance by Purchaser of this Agreement and the other Transaction Agreements do not require the approval of the shareholders of Purchaser.

(c) This Agreement has been duly and validly executed and delivered by Purchaser. Each of this Agreement and the other Transaction Agreements to which Purchaser is a party constitutes, or upon execution and delivery will (assuming due authorization, execution and delivery by the Seller Entities, as applicable) constitute, the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles related to or limiting creditors' rights generally and by general principles of equity.

5.3 No Conflicts; Required Consents. Neither the execution, delivery or performance of this Agreement nor any other Transaction Agreement by Purchaser will:

(a) conflict with, violate, result in any breach of or constitute a default under (i) any of the provisions of the organizational documents of Purchaser; (ii) any resolution or corporate action of Purchaser; (iii) any of the terms or requirements of any Governmental Approval held by Purchaser or that otherwise relates to the Transactions; or (iv) any provision of any Contract binding upon Purchaser, other than such conflicts, violations, breaches or defaults that, alone or in the aggregate, would not have a Purchaser Material Adverse Effect;

(b) other than with respect to Antitrust Laws and except as, alone or in the aggregate, would not have a Purchaser Material Adverse Effect, (i) give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under any Legal Requirement or any Order to which Purchaser or any of its assets is bound (ii) violate or conflict with any provision of, or result in the breach of, any Legal Requirement applicable to Purchaser or (iii)

constitute a default under or give any Person the right to declare a default of, exercise any remedy under, accelerate the performance of, cancel, terminate, modify or receive any payment under any Contract binding upon Purchaser; or

(c) other than with respect to the FTC Order and the EC, require Purchaser to make or deliver any material filing or material notice to a Governmental Authority, other than reporting under the U.S. Securities Exchange Act of 1934, as amended.

5.4 Sufficient Funds. Purchaser has as of the date of this Agreement and, at the time of the Closing shall have, unrestricted cash on hand or committed existing lines of credit to provide, in the aggregate, sufficient funds to enable Purchaser to consummate the Transactions and to satisfy its obligations hereunder, including the payment of the Purchase Price and fees and expenses relating to the Transactions and the other Transaction Agreements on the terms and subject to the conditions hereunder and thereunder. Purchaser acknowledges and agrees that its obligations hereunder are not subject to any conditions regarding Purchaser's or any other purchaser's ability to obtain financing for the consummation of the Transactions.

5.5 Proceedings and Orders.

(a) There is no Proceeding pending or, to the knowledge of Purchaser, threatened in writing against Purchaser that has had a Purchaser Material Adverse Effect.

(b) Purchaser is not subject to any Order or any proposed Order that has had a Purchaser Material Adverse Effect.

5.6 Brokers. Purchaser has not retained any broker or finder or incurred any Liabilities for any brokerage fees, commissions or finder's fees with respect to this Agreement or the Transactions for which Seller or any of its Affiliates is liable.

5.7 Condition of the Product Lines. Purchaser and its representatives and agents have made all inspections and investigations of the Product Lines and the Purchased Assets deemed necessary by Purchaser. Purchaser is purchasing the Purchased Assets based on the results of its inspections and investigations and on the representations and warranties of the Seller Entities set forth in this Agreement or in the other Transaction Agreements. In light of these inspections and investigations and the representations and warranties made to Purchaser by Seller in the Transaction Agreements, Purchaser is relinquishing any right to any claim based on any representations and warranties other than those specifically included in this Agreement, the other Transaction Agreements and the certificates and other documents delivered pursuant hereto and thereto. Any claims Purchaser may have for breach of representation or warranty shall be based solely on the representations and warranties of Seller set forth in this Agreement and of the Seller Entities in the Transaction Agreements and the certificates and other documents delivered pursuant hereto and thereto. Purchaser acknowledges and agrees that, upon Closing, the Seller Entities shall sell and convey to Purchaser and Purchaser shall accept the Purchased Assets "as is, where is, with all faults," except to the extent expressly provided otherwise in this Agreement and the certificates and other documents delivered pursuant hereto and thereto. All warranties of merchantability and fitness for any particular purpose, and all other warranties arising under the Uniform Commercial Code (or similar foreign Legal Requirements), are hereby waived by Purchaser, except to the extent expressly provided otherwise in this Agreement, the other Transaction Agreements and the certificates and other documents delivered pursuant hereto and thereto. Purchaser further represents that none of the Seller Entities, any of their respective Affiliates or any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding any Seller Entity, the Product Lines, the Products, the Purchased Assets or the Assumed Liabilities not expressly set forth in this Agreement, the other Transaction Agreements or the certificates or other documents delivered pursuant hereto or thereto, and none of the Seller Entities, any of their respective Affiliates or any other Person will have or be subject to any Liability to Purchaser or any other Person resulting from the distribution to Purchaser or its representatives, or Purchaser's use of, any such information, including any confidential materials provided on behalf of any Seller Entity relating to the Product Lines or any other document or information provided to Purchaser or its representatives in connection with the sale of the Product Lines except as expressly set forth in this Agreement or any other Transaction Agreement.

ARTICLE 6

PRE-CLOSING COVENANTS

6.1 Conduct of the Product Lines Prior to Closing

(a) Except as contemplated in this Agreement or with the written consent of Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed), from the date of this Agreement until the Closing or the earlier termination of this Agreement pursuant to its terms, Seller shall, and shall cause its Affiliates to, in each case with respect to the Rhodes Product Line:

(i) operate the Rhodes Product Line in all material respects in the ordinary course of business in a manner that is consistent with past practices and applicable Legal Requirements; and

(ii) refrain from taking any action which if taken after December 31, 2016, but prior to the date hereof, would have been required to be disclosed on Schedule 4.4.

(b) Except as contemplated in this Agreement or with the written consent of Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed), from the date of this Agreement until the Closing or the earlier termination of this Agreement pursuant to its terms, Seller shall, in each case with respect to the Corfu Product Line and subject to applicable Legal Requirement and in accordance with the Bard Merger Agreement, use commercially reasonable efforts to cause Bard and its Affiliates to:

(i) operate the Corfu Product Line in all material respects in the ordinary course of business in a manner that is consistent with past practices and applicable Legal Requirements; and

(ii) refrain from taking any action which if taken after December 31, 2016, but prior to the date hereof, would have been required to be disclosed on Schedule 4.4.

6.2 Access to Information

(a) From the date of this Agreement until the Closing, Seller shall, and shall cause its Affiliates to, (i) permit Purchaser and its Representatives to have reasonable access, in a manner so as not to interfere with the normal business operations of the Rhodes Product Line, to all premises, properties, books, records (including Tax records) contracts and documents to the extent related to the Rhodes Product Line, (ii) reasonably cooperate with Purchaser and its Representatives at the reasonable discretion of, and under the supervision of, Seller or its Representatives, to obtain access to Persons having business relationships with respect to the Rhodes Product Line, including suppliers, licensees, customers and distributors, and (iii) furnish Purchaser with all financial, operating and other data and information related exclusively to the Rhodes Product Line (including copies thereof) as Purchaser may reasonably request; *provided*, *however*, that Seller shall not be required to permit any inspection or other access, or to disclose any information that, in the reasonable judgment of Seller, would: (A) result in the disclosure of any Trade Secrets material to the business of Seller or its Affiliates, (B) violate any obligation of Seller or its Affiliates with respect to confidentiality entered into prior to the date of this Agreement, (C) violate or result in the loss or material impairment of any information subject to the attorney-client privilege or the attorney work product doctrine or (D) violate any Legal Requirement. Purchaser agrees that it shall not undertake any environmental testing in connection with the access provided in this Section 6.2(a).

(b) From the date of this Agreement until the Closing, Seller shall, pursuant to the Bard Merger Agreement, use commercially reasonable efforts to cause Bard and its Affiliates to, (i) permit or arrange for Purchaser and its Representatives to have reasonable access, in a manner so as not to interfere with the normal business operations of the Corfu Product Line, to all premises, properties, books, records (including Tax records) contracts and documents to the extent related to the Corfu Product Line, (ii) reasonably cooperate with Purchaser and its Representatives at the reasonable discretion of, and under the supervision of, Bard or its Representatives, to obtain access to Persons having business relationships with respect to the Corfu Product Line, including suppliers, licensees, customers and distributors, and (iii) furnish Purchaser with all financial, operating and other data and information related exclusively to the Corfu Product Line (including copies thereof) as Purchaser may reasonably request; *provided*, *however*, that Seller shall not be required to request that Bard permit any inspection or other access, or to disclose any information that in the reasonable judgment of Bard would: (A) result in the disclosure of any Trade Secrets material to the business of Seller or its Affiliates, (B) violate any obligation of Bard or its Affiliates with respect to confidentiality entered into prior to the date of this Agreement, (C) violate or result in the loss or material impairment of any information subject to the attorney-client privilege or the attorney work product doctrine, or (D) violate any Legal Requirement. Purchaser agrees that it shall not undertake any environmental testing in connection with the access provided in this Section 6.2(b).

6.3 Commercially Reasonable Efforts. Subject to Sections 6.4 and 6.5, from the date of this Agreement until the Closing, Seller and Purchaser shall, and shall cause their respective Affiliates, and Seller shall, pursuant to the Bard Merger Agreement, use commercially reasonable efforts to cause Bard and its Affiliates to, use commercially reasonable efforts to cause to be fulfilled and satisfied all of the conditions to Closing set forth in Article 8.

6.4 Governmental Review

(a) Subject to the terms and conditions of this Agreement (but notwithstanding Section 6.3), each of the parties hereto shall cooperate with the other parties hereto and use (and shall cause their respective Affiliates, and, pursuant to the Bard Merger Agreement, Seller shall take any and all actions set forth therein to cause Bard and its Affiliates to use) their respective reasonable best efforts to promptly (i) take, or cause to be taken, all actions, and do, or cause to be done, all things, necessary, proper or advisable to cause the conditions to Closing set forth in Section 8.3 to be satisfied as promptly as practicable, including preparing and filing promptly and fully all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents under applicable Antitrust Laws and (ii) obtain all approvals, consents, registrations, permits, authorizations and other confirmations from any Governmental Authority necessary under the FTC Order and required under applicable Antitrust Laws to consummate the Transactions (an "Approval").

(b) Purchaser understands that Purchaser, and this Agreement, are subject to the prior approval of the FTC, the EC and any other Governmental Authority and that Seller is entering into this Agreement to obtain FTC approval for the FTC Order and to satisfy the requirements of the EC's and any other Governmental Authority's conditional approval in connection with the Merger pursuant to the Bard Merger Agreement. Purchaser, as promptly as practicable after the date hereof (to the extent Purchaser has not already completed the following activities), will (i) prepare and furnish all necessary information and documents reasonably requested by the FTC, the EC, and any other Governmental Authority, (ii) use reasonable best efforts to demonstrate to the FTC and any other Governmental Authority that Purchaser is an acceptable purchaser of the Purchased Assets and that Purchaser will be able to compete effectively using the Purchased Assets along with its own assets, and (iii) reasonably cooperate with Seller in obtaining all FTC approvals, EC approvals and any other Governmental Approvals. Nothing in this Agreement shall prevent Seller from complying with the FTC Order, the EC Commitments or the EC Decision and Seller shall not be considered in breach of this Agreement for taking actions to comply with the FTC Order, the EC Commitments or the EC Decision. Seller shall control strategy and communications with the FTC, the EC and any other Governmental Authorities, and accordingly, to the extent not prohibited by Legal Requirements, the FTC, the EC or any other Governmental Authorities, Purchaser shall not communicate with or make submissions to the FTC, the EC or any other Governmental Authorities without the simultaneous attendance or prior written consent of Seller. Purchaser shall promptly notify Seller of any communication Purchaser or its Affiliates receive from any Governmental Authority relating to the transactions that are the subject of this Agreement and permit Seller to review in advance any proposed communication by or on behalf of Purchaser or any of its Affiliates to any Governmental Authority, unless the staff of such Governmental Authority requires otherwise.

(c) Each of the parties hereto shall use its reasonable best efforts to (i) cooperate in all respects with each other in connection with any filing or submission with a Governmental Authority in connection with the Transactions under Antitrust Laws and in connection with any investigation or other inquiry by or before a Governmental Authority relating to Antitrust Laws and (ii) keep the other parties hereto informed in all material respects and on a reasonably timely basis of any material communication received by such party from, or given by such party to, the FTC, the EC or any other Governmental Authority. Subject to applicable Legal Requirements relating to the exchange of information and any applicable joint defense agreement, each of the parties hereto shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to the other parties hereto and their respective Affiliates, as the case may be, that appears in any filing made with, or written materials submitted to, any Governmental Authority in connection with the Transactions related to Antitrust Laws; *provided*, that Seller shall not be entitled to review or have access to Purchaser's business plan or Purchaser's other competitively sensitive information. Notwithstanding anything to the contrary in this Section 6.4(c), Purchaser or any of its Affiliates shall be able to consult with the FTC, the EC or any other Governmental Authorities pursuant to Legal Requirements or otherwise if the staff of such Governmental Authority requests direct communication with or submissions from Purchaser or any of its Affiliates without prior written consent of, notification to or attendance of Seller.

(d) In furtherance and not in limitation of the covenants of Purchaser contained in this Section 6.4, Purchaser shall use its reasonable best efforts to resolve such objections, if any, as may be asserted by a Governmental Authority with respect to Antitrust Laws in any jurisdiction in which approvals, consents, registrations, permits, authorizations and other confirmations are required under applicable Antitrust Laws to consummate the Transactions. Without limiting any other provision hereof, but subject to Section 6.4(e), Purchaser shall take any and all actions necessary to avoid or eliminate each and every impediment under any Antitrust Law that may be asserted by any Governmental Authority with respect to the Transactions so as to enable the consummation of the Transactions to occur as soon as reasonably possible (and in any event no later than the Drop-Dead Date).

(e) Notwithstanding anything to the contrary in this Section 6.4, Seller shall not be obligated to, and the use of reasonable best efforts by Seller shall in no event require Seller or any of its Affiliates to, (i) take, or cause to be taken, any actions or do, or cause to be done, or assist and cooperate in the doing of, anything that Seller in its reasonable discretion determines would contravene any covenant or agreement set forth in the Bard Merger Agreement or (ii) expand in any material way the nature or scope of the Product Lines or Purchased Assets or otherwise include within the Purchased Assets any Excluded Assets. Notwithstanding anything to the contrary in this Section 6.4, Purchaser shall not be obligated to, and the use of reasonable best efforts by Purchaser shall in no event require Purchaser or any of its Affiliates to (x) pay a higher Purchase Price than the Purchase Price set forth in this Agreement (as it may be adjusted pursuant to the terms of this Agreement), (y) enter into any settlement, agreement, or other arrangement with any Governmental Authority or other third party in connection with this Agreement or the Transactions, including any settlement, agreement, or other arrangement to divest, license, or hold or maintain separate assets or properties, if such action would (1) be reasonably expected to, individually or in the aggregate, have a material adverse effect on the business, assets and liabilities (contingent or otherwise), taken together, or financial condition of either Purchaser, taken as a whole, or the Product Lines and Purchased Assets, taken as a whole or (2) require Purchaser or its Affiliates to divest or sell Purchaser's assets or properties that (I) do not relate to either (A) home drainage catheters or (B) soft tissue biopsy and (II) are material to Purchaser after giving effect to the Transactions.

6.5 Consents. Without limiting the provisions of Section 6.4, on or prior to the Closing Date, Seller shall use its commercially reasonable efforts to obtain, and agrees to take all commercially reasonable actions that Purchaser reasonably requests in order to assist Purchaser in obtaining, all Consents and make and deliver all filings and notices listed on Schedule 6.5(a), and Purchaser shall use reasonable best efforts to obtain, and agrees to take all reasonable actions that Seller reasonably requests in order to assist Seller in obtaining all Consents and make and deliver all filings and notices listed on Schedule 6.5(b).

6.6 Notification. Until the Closing, Seller will give prompt notice to Purchaser once Seller is aware of any of the following: (a) the occurrence, or non-occurrence, of any event, the occurrence or non-occurrence of which would be reasonably expected to cause any representation or warranty of Seller contained in this Agreement to be untrue or inaccurate in any material respect, in each case at any time from and after the date of this Agreement until the Closing, (b) any failure to comply with or satisfy in any material respect any covenant or agreement to be complied with or satisfied by Seller under this Agreement and (c) the failure of any condition precedent to Purchaser's obligations under this Agreement. No notification pursuant to this Section 6.6 will be deemed to amend or supplement the Seller Disclosure Schedule, prevent or cure any misrepresentation, breach of warranty or breach of covenant, or limit or otherwise affect any rights or remedies available to Purchaser; *provided*, that no failure by Seller to comply in all material respects with the provisions of this Section 6.6 with respect to any untrue or inaccurate representation or warranty shall result in the failure of the condition set forth in clause (iv) of Section 8.1(a) to be satisfied.

6.7 Unredacted Disclosure Schedules. Seller agrees to provide to Purchaser, a reasonable time prior to Closing but no later than five (5) days prior to Closing, an updated copy of the Seller Disclosure Schedule with all names and other information that is redacted in the Seller Disclosure Schedule delivered as of the date hereof fully unredacted.

ARTICLE 7

POST-CLOSING COVENANTS

7.1 Cooperation.. After the Closing, upon the reasonable request of Purchaser, Seller shall, and shall cause each Seller Entity and its and their respective Affiliates to, use commercially reasonable efforts to (i) execute and deliver any and all further materials, documents and instruments of conveyance, transfer or assignment as may be reasonably requested by Purchaser to effect, record or verify the transfer to, and vesting in Purchaser of, such Seller Entity's right, title and interest in and to the Purchased Assets, free and clear of all Encumbrances (other than Permitted Encumbrances), in accordance with the terms of this Agreement, (ii) cooperate with Purchaser, at Purchaser's expense, to enforce the terms of any Assigned Contracts, including terms relating to confidentiality and Intellectual Property Rights, and to transfer all Governmental Approvals (to the

extent transferable) to Purchaser, and (iii) cooperate with reasonable requests from Purchaser to ensure an orderly transfer of customer relationships involving the Product Lines to Purchaser. After the Closing, Seller shall, and shall cause each Seller Entity and its and their respective Affiliates to, promptly deliver to Purchaser (w) any mail, packages, orders, inquiries and other communications addressed to such Seller Entity and relating to the Product Lines and (x) any property that such Seller Entity receives and that properly belongs to Purchaser or any of its Affiliates. After the Closing, Purchaser shall, and shall cause its Affiliates to, promptly deliver to Seller (y) any mail, packages, orders, inquiries and other communications addressed to a Seller Entity or any of its Affiliates and relating to a business of a Seller Entity or its Affiliates other than the Product Lines and (z) any property that Purchaser or such Affiliate receives and that properly belongs to a Seller Entity or any of its Affiliates. The provisions of this Section 7.1 are not intended to, and shall not be deemed to, constitute an authorization by a party to permit another party to accept service of process on its behalf, and no party is or shall be deemed to be the agent of another party for service of process purposes. After the Closing, Seller shall, and shall cause each Seller Entity and its and their respective Affiliates to, promptly deliver to Purchaser redacted copies of any design history files that relate partially, but not exclusively, to the Products.

7.2 Return of Assets; Transfer of Purchased Assets

(a) In the event that any Excluded Asset or Excluded Liability is discovered by Purchaser or any of its Affiliates or identified to Purchaser in writing by Seller at any time after the Closing Date, possession or ownership of which or responsibility for which previously has been transferred to, or assumed by, Purchaser or any of its Affiliates in connection with the Transactions (i) Purchaser shall return or transfer and convey or assign (without further consideration) to the appropriate Seller Entity, and Seller shall cause such Seller Entity to accept or assume, as applicable, such Excluded Asset or Excluded Liability; (ii) Seller shall cause the appropriate Seller Entity to assume (without further consideration) any Liabilities associated with such Excluded Assets or Excluded Liabilities; and (iii) Purchaser shall, and Seller shall cause the appropriate Seller Entity to, execute such documents or instruments of conveyance or assumption and take such further acts which are reasonably necessary or desirable to effect the transfer or assignment of such Excluded Asset or Excluded Liability back to, or assumption of such Excluded Liability by, such Seller Entity.

(b) In the event that any Purchased Asset or Assumed Liability is discovered by the Seller Entities or any of their Affiliates or identified to Seller in writing by Purchaser at any time after the Closing Date, possession or ownership of which has not been transferred to, or assumed by, either Purchaser or its Affiliates at such time, the Seller Entities shall promptly take such steps as may be required to transfer or assign, or cause to be transferred or assigned, such Purchased Assets or Assumed Liabilities to Purchaser, subject to Section 1.3 and otherwise in accordance with the terms of this Agreement, at no additional charge to Purchaser or its Affiliates, and Purchaser or its Affiliates shall accept such Purchased Assets or assume such Assumed Liabilities, as the case may be.

7.3 Records and Documents. For a period of three (3) years after the Closing, at the other party's request, each party shall provide the other party and its Representatives with access to and the right to make copies of those records and documents related to the Product Lines (possession of which is retained by a Seller Entity or transferred to Purchaser as applicable), as may be necessary in connection with any third party litigation, the preparation of financial statements, any accounting or Tax purposes, or the conduct of any audit or investigation by a Governmental Authority (excluding claims under this Agreement in which case the parties shall comply with Article 9 and Article 11, as applicable, instead of this Section 7.3); *provided*, *however*, that no party shall be required to violate any obligation of confidentiality to which such party or any of its Affiliates is subject or to waive any privilege which any of them may possess in discharging its obligations pursuant to this Section 7.3; *provided*, *further*, *however*, that in any such case, each party shall, and shall cause its Affiliates and Representatives to, reasonably cooperate with the requesting party to implement alternative arrangements to permit the access contemplated hereby. Thereafter, if it is proposed to destroy or dispose of any of such books and records, to offer first in writing at least ninety (90) days prior to such proposed destruction or disposition to surrender them to the other party at such other party's sole cost and expense. The foregoing will not require any party to permit any inspection, or to disclose any information, that in its reasonable judgment, upon the advice of outside counsel, constitutes a Trade Secret or is reasonably likely to result in the waiver of any attorney-client privilege. If at any time after the Closing, any Seller Entity becomes aware that it or any of its Affiliates has in its or their possession any Books and Records, Seller shall promptly forward such Books and Records to Purchaser. If, following the Closing, Purchaser contacts any Seller Entity to inquire as to whether any specific Books and Records are in the possession of Sellers or their Affiliates, such Seller Entity and Seller will use their good faith reasonable efforts to determine whether such Books and Records are in its possession or the possession of any of their Affiliates and, to the extent such Seller Entity or Seller locate any such Books and Records, Seller will promptly forward such Books and Records to Purchaser.

7.4 Bulk Sales Waiver. Purchaser hereby waives compliance by each Seller Entity with any applicable bulk sales Legal Requirements in connection with the Transactions; *provided*, *however*, that the foregoing acknowledgment and waiver shall not be deemed to limit, waive, or otherwise modify the representations and warranties of Seller set forth in Article 4.

7.5 Confidentiality

(a) Purchaser acknowledges and agrees for the benefit of the Seller Entities that, without limitation to any other rights or obligations under the Confidentiality Agreement, all Confidential Information disclosed in connection with Purchaser's due diligence investigation of the Product Lines, the Purchased Assets and the evaluation of the Transactions, including pursuant to Section 6.2, shall be treated as and remain confidential in accordance with the terms of the Confidentiality Agreement from the date of this Agreement until the Closing Date, collectively as "Evaluation Material" (as defined in the Confidentiality Agreement) at which point the Confidentiality Agreement shall terminate without any further action on the part of any party thereto.

(b) Except as required by law or administrative process and except for information which is now or hereafter becomes public other than as a result of a breach of this Section 7.5, without limitation to any other rights or obligations under the Confidentiality Agreement, for a period of three (3) years after the Closing Date, Seller shall not, and shall cause the Seller Entities not to, disclose to any other Person any Confidential Information to the extent used in or relating to the Product Lines, the Purchased Assets, Purchaser or Purchaser's business, whether in written, oral or other form; *provided* that nothing in this Section 7.5 shall in any way limit the disclosure of any such information to the Representatives of any Seller Entities in order to assist the Seller Entities with respect to (i) the conduct of the Seller Entities' businesses other than the Product Lines to the extent related to the co-ownership of any Confidential Information that relates to the Product Lines and the Purchased Assets, on the one hand, and any of the Seller Entities' or any of their Affiliates' other businesses, on the other hand, and (ii) the Transactions and the Transaction Agreements.

(c) After the Closing, (i) Seller will request the return or destruction pursuant to the Transaction Confidentiality Agreements of all confidential information delivered to the counterparties to the Transaction Confidentiality Agreements and their respective Representatives and (ii) Seller agrees to, and to cause each Seller Subsidiary and each of its and their applicable Affiliates to, use its commercially reasonable efforts to enforce its rights under any such Transaction Confidentiality Agreement for the benefit of Purchaser, as Purchaser reasonably requests and at the sole cost and expense of Purchaser.

7.6 Assumption of Regulatory Obligations Relating to Governmental Approvals
. In furtherance of and not in limitation of the assumption of the Assumed Liabilities, from the Closing Date, and except as provided otherwise in any Transaction Agreement, Purchaser shall be solely responsible for obtaining and maintaining all Governmental Approvals regarding the Product Lines, as well as all ongoing regulatory compliance relating thereto (including the reporting of adverse events).

7.7 Accounts Receivable. The parties hereto acknowledge and agree that all Accounts Receivable shall remain the property of the Seller Entities and their Affiliates and Seller shall, and shall cause the other Seller Entities and its and their Affiliates to, collect such Accounts Receivable following the Closing consistent with the normal practice of the Seller Entities and their Affiliates. If, after the Closing, Seller (or any of its Affiliates), on the one hand, or Purchaser (or any of its Affiliates), on the other hand, receives any funds properly belonging to the other party in accordance with the terms of this Agreement, the receiving party will promptly so advise such other party, will promptly, and in any event no later than twenty (20) Business Days after receipt, deliver such funds, together with any interest earned thereon, to an account or accounts designated in writing by such other party.

7.8 Product Recalls. Subject to the terms of the Transaction Agreements, from and after the Closing Date, Purchaser shall have the sole right to conduct all voluntary and involuntary recalls, corrections, market withdrawals, stock recoveries and other field actions ("Recalls") of Products (whether Products were sold prior to or after Closing), including Recalls required by any Governmental Authority and voluntary Recalls of Products. To the extent that one or more units of Product sold by the Seller Entities or their Affiliates prior to the Closing Date are subject to a Recall, any Damages or other Liabilities arising with respect to or related to any Recall with respect to such units of Product sold by Seller Entities or their Affiliates prior to the Closing Date shall be Excluded Liabilities. Without limitation of, and subject to, Purchaser's rights under the Contract Manufacturing Agreement, any Damages or other Liabilities arising with respect to or related to any Recall of any units of Product sold on or after the Closing Date (including Products purchased under the Contract Manufacturing Agreement) shall be Assumed Liabilities. Upon the reasonable request of Purchaser, Seller shall use reasonable best efforts to

cooperate and assist, and shall cause the other Seller Entities and its and their respective Affiliates to use reasonable best efforts to cooperate and assist, Purchaser in implementing and effecting a Recall with respect to Products.

7.9 Transitional Trademark Rights. It is expressly agreed that Purchaser, as of Closing, does not have under this Agreement any right, title or interest (whether express or implied) in, to or under the Seller Transitional Trademarks. Notwithstanding the foregoing, Purchaser will have a limited right to utilize the Seller Transitional Trademarks following the Closing solely in the manner and solely for the administration of the Product Lines as conducted immediately prior to the Closing Date, until the later of (i) on a country-by-country basis, until the number of days after the Closing Date that is set forth on Schedule 7.9 next to the respective country or (ii) solely with respect to use on Purchased Inventory or Products (as defined in the Contract Manufacturing Agreement) manufactured under the Contract Manufacturing Agreement, the date that such Purchased Inventory or Product (as defined in the Contract Manufacturing Agreement) is sold (the "Transitional Trademark End Date"). Following the Transitional Trademark End Date, Purchaser shall destroy, or remove, strike over, cover over or otherwise eliminate all Seller Transitional Trademarks from all materials displaying the Seller Transitional Trademarks in its possession in the respective country, and shall cease using the Seller Transitional Trademarks and any Trademark confusingly similar thereto. Purchaser shall indemnify and hold harmless Seller Entities and their Affiliates from and against any and all Damages arising from Purchaser's use of the Seller Transitional Trademarks.

7.10 Production of Witnesses and Individuals; Privilege Matters

(a) From and after the Closing, Seller, on the one hand, and Purchaser, on the other hand, shall use commercially reasonable efforts to make available to each other, upon reasonable written request, their (and their Affiliates') respective Representatives for fact finding, consultation and interviews and as witnesses to the extent that any such Person may be reasonably required in connection with any Proceedings in which the requesting party may from time to time be involved relating to the conduct of the Product Lines prior to or after the Closing. Access to such Persons shall be granted during normal business hours at a location and in a manner reasonably calculated to minimize disruption to such Persons or the Product Lines. Seller and Purchaser agree to reimburse each other for documented and reasonable out-of-pocket expenses, including documented and reasonable attorneys' fees, but excluding officers' or other employees' salaries, incurred by the other in connection with providing Representatives to the other party pursuant to this Section 7.10(a).

(b) From and after the Closing, except to the extent required by Legal Requirement or Governmental Authority, no party shall intentionally disclose to any third party, and no party shall permit any of its respective Affiliates to intentionally disclose to any third party, any documents or other information that, if disclosed, would cause a waiver of any privilege that can be asserted under any Legal Requirement by the other party (i) if such waiver could be reasonably expected to have an adverse effect on the other party or any of its Affiliates, (ii) with respect to (A) the Product Lines, the Purchased Assets, the Assumed Liabilities, the Excluded Assets or the Excluded Liabilities or (B) the process relating to the sale of the Product Lines.

7.11 Customer Inquiries. After the Closing, Seller shall promptly notify Purchaser of each inquiry that Seller or any of its Affiliates receives relating to the Products or the Product Lines from an existing customer of a Product or Product Line or any other Person that states its desire to explore a commercial relationship related to Products.

ARTICLE 8

CONDITIONS TO CLOSING

8.1 Conditions to Purchaser's Obligation to Close. The obligations of Purchaser to consummate the Transactions shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by Purchaser in writing:

(a) Representations, Warranties and Covenants. (i) The representations and warranties of Seller in Section 4.4(b) shall be true and correct in all respects as of the Closing; (ii) the representations and warranties of Seller in Sections 4.1, 4.14(a), 4.14(c) and 4.15 (collectively, the "Seller's Fundamental Representations") shall be true and correct in all material respects as of the Closing; (iii) the representations and warranties of Seller in this Agreement (other than as set forth in clauses (i) and (ii)) shall be true and correct in all respects as of the Closing (or, to the extent such representations and warranties speak as of a specific date or time, they shall be true in all respects as of such date or time), without giving effect to any materiality or "Material Adverse Effect" qualifications contained therein, except for such inaccuracies under such representations and warranties that, individually or in the aggregate with all such other breaches or inaccuracies, have not resulted in, and would not result in, a Material Adverse Effect; and (iv) as of the Closing, Seller shall have performed or complied with, in all material respects, all covenants and obligations in this Agreement required to be performed or complied with by Seller on or prior to the Closing.

(b) Documents. Seller shall have delivered, or caused to have been delivered, to Purchaser all of the documents, certificates and agreements set forth in Section 3.2.

8.2 Conditions to Seller's Obligation to Close. The obligations of the Seller Entities to consummate the Transactions shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by Seller in writing:

(a) Representations, Warranties and Covenants. (i) The representations and warranties of Purchaser in this Agreement shall be true and correct in all respects as of the Closing Date (or, to the extent such representations and warranties speak as of a specific date or time, they shall be true in all respects as of such date or time), without giving effect to any materiality or "Purchaser Material Adverse Effect" qualifications contained therein, except for such inaccuracies under such representations and warranties that, individually or in the aggregate with all such other breaches or inaccuracies, have not resulted in, and would not result in, a Purchaser Material Adverse Effect and (ii) Purchaser shall have performed or complied with, in all material respects, all covenants and obligations in this Agreement required to be performed or complied with by Purchaser on or prior to the Closing.

(b) Deliveries. Purchaser shall have delivered to Seller all of the documents and agreements set forth in Section 3.3.

(c) Henry Jackson Consent. Seller shall have received a Consent from The Henry M. Jackson Foundation for the Advancement of Military Medicine, Inc. permitting the entry by Seller and Purchaser into the Sublicense Agreement.

8.3 Conditions to Obligations of Each Party to Close. The respective obligations of each party to this Agreement to consummate the Transactions shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, which may be waived by mutual consent of Seller and Purchaser, in writing; *provided*, that Seller may not waive the conditions in Section 8.3(b)(i)(A) or Section 8.3(b)(i)(B):

(a) No Legal Impediments to Closing. There shall not be in effect any Order issued by any Governmental Authority preventing the consummation of the Transactions. There shall not be any Legal Requirement restraining, enjoining or prohibiting Seller from selling the Product Lines or the Purchased Assets or that has the effect of making this Agreement or the consummation of the Transactions illegal.

(b) Regulatory Approvals. (i) All approvals, consents, registrations, permits, authorizations and other confirmations from any Governmental Authority necessary under applicable Antitrust Laws to consummate the Transactions, as set forth in Section 6.4, shall have been obtained, waived or made, as applicable, and the respective waiting periods (including any extension thereof) shall have expired or been terminated, including (A) the FTC shall have accepted for public comment an Agreement Containing Consent Order that includes a proposed Decision and Order that, if issued as a final order, would require Seller to divest the Product Lines to Purchaser as an FTC-approved acquirer and (B) the EC and, if applicable, the Governmental Authorities set forth in the Bard Merger Agreement, shall have approved the Purchaser as an acceptable acquirer of the Product Lines pursuant to (1) the EC Commitments and adopted by the EC in the EC Decision, and, if applicable, (2) the corresponding measures of the Governmental Authorities set forth in the Bard Merger Agreement and (ii) approval of this Agreement, the Transactions and Purchaser as the purchaser of the Purchased Assets and Assumed Liabilities shall have been received from Governmental Authorities set forth in the Bard Merger Agreement for all clearances required to consummate the transactions contemplated by the Bard Merger Agreement conditioned upon the divestiture of the Purchased Assets.

(c) Bard Closing. The Lambda Closing shall have been consummated in accordance with the Bard Merger Agreement.

ARTICLE 9

TAX MATTERS

9.1 Purchase Price Allocation.

(a) No later than ninety (90) days after the date hereof, Seller shall provide Purchaser with an allocation of the Purchase Price (*plus* the Assumed Liabilities and any other Liabilities deemed assumed by Purchaser for United States federal income Tax purposes) among the Purchased Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder (the "Purchase Price Allocation"). If Purchaser provides no comments with respect to the Purchase Price Allocation by written notice to Seller within thirty (30) days after receipt by Purchaser of the Purchase Price Allocation, then the Purchase Price Allocation shall be deemed final, binding and conclusive for all purposes of this Agreement and with respect to any Tax filings made in connection with the actions and transactions contemplated by this Agreement. If Purchaser provides any comments with respect to the Purchase Price Allocation by written notice to Seller within thirty (30) days after receipt by Purchaser of the Purchase Price Allocation, and sets forth in such written notice the disputed item or items and the basis for its objection in reasonable detail, then Seller and Purchaser shall negotiate in good faith to resolve any such dispute for a period of fifteen (15) days thereafter. If, within fifteen (15) days of Seller's receipt of a valid written notice of objection to the Purchase Price Allocation, Purchaser and Seller have not reached an agreement regarding the disputed item or items specified in such written notice, Purchaser and Seller shall submit (at the expiration of such fifteen (15) day period) all disputed items for resolution to an Accounting Mediator. The Accounting Mediator shall deliver to Purchaser and Seller a written determination of any disputed item within twenty (20) days of submission of the dispute to the Accounting Mediator, which determination shall be final, binding and conclusive on the parties hereto. The fees and expenses of the Accounting Mediator will be shared equally by Seller and Purchaser.

(b) Each of Seller and Purchaser shall be responsible for fifty percent (50%) of all Transfer Taxes incurred in connection with this Agreement and the other Transactions. The applicable Transfer Taxes shall be paid when due by the party that is required by applicable Law to pay such Transfer Taxes. All Tax Returns and other documentation with respect to all Transfer Taxes shall be prepared and timely filed by the party primarily responsible for such filing under applicable Law, and such party shall provide a copy of such Tax Return to the other party promptly after it has been timely filed. Seller and Purchaser shall cooperate in filing all necessary documents (including all Tax Returns and any claim for exemption or exclusion from the application or imposition of any Transfer Taxes) with respect to all such Transfer Taxes in a timely manner.

(c) For the avoidance of doubt, all sums payable by Purchaser under or pursuant to this Agreement are exclusive of VAT (if any). Accordingly, where any Taxable supply for VAT purposes is made under or in connection with this Agreement by a Seller Entity, Purchaser shall, in addition to any payment required for that supply, pay to the Seller Entity such VAT as is chargeable in respect of the supply at the same time as payment is due or in any other case when demanded by the Seller Entity. Where Purchaser belongs to a different member state of the European Union from the relevant Seller Entity for the purposes of the supply in respect of which the payment is made, Purchaser shall provide to the relevant Seller Entity prior to the due date for payment or the raising of any invoice (whichever is the earlier) details of the payer's own VAT registration number. The relevant Seller Entity shall provide Purchaser with a valid VAT invoice in respect of any payment of VAT. If any payment in respect of VAT to a Seller Entity is made under this Agreement in circumstances where VAT was not properly chargeable, then, where the Seller Entity has accounted for such VAT to the relevant Governmental Authority, the Seller Entities' obligation to repay any amount to Purchaser shall be limited to such amount as the Seller Entities' are entitled to recover (by way of credit, repayment or otherwise) from the relevant Governmental Authority in respect of the VAT wrongly paid.

(d) Purchaser shall promptly notify Seller in writing upon receipt by Purchaser or any of its Affiliates of notice of any pending or threatened Tax audits, examinations or assessments which may materially affect the amount of any Tax which is, in whole or in part, an Excluded Liability. Notwithstanding anything to the contrary in Section 11.4, the Seller Entities shall have the sole right to control the contest and resolution of any Tax audit, examination, assessment or other administrative or court proceeding (each and any of the foregoing, a "Tax Contest") relating to (i) any income Tax matter relating to the Seller Entities or any of their Affiliates or (ii) any Tax which is, in whole or in part, an Excluded Liability, and in each case to employ counsel of its choice at its expense, provided that, if the resolution of such Tax Contest could be reasonably expected to increase the Tax liability of, or reduce any Tax benefit available to, Purchaser or any of its Affiliates for

any Post-Closing Tax Period, Sellers shall not settle, discharge, compromise, or otherwise dispose of such Tax Contest without obtaining the prior written consent of Purchaser, which consent shall not be unreasonably withheld, conditioned or delayed. Neither Purchaser nor any of its Affiliates may settle any Tax Claim relating, in whole or in part, to any Tax which is an Excluded Liability without the prior written consent of Seller, which consent may be withheld in the sole discretion of Seller.

(e) After the Closing, each of Purchaser and the Seller Entities shall furnish, and cause their respective Affiliates to furnish, to each other, upon request, as promptly as practicable, such information and assistance relating to the Purchased Assets as is reasonably necessary for the preparation or filing of all Tax Returns, the making of any election related to Taxes, the preparation for any audit by or dispute with any Tax Authority and the prosecution or defense of any claim, suit or proceeding relating to any Tax Return. Each of Purchaser and the Seller Entities shall provide, or cause their respective Affiliates to provide, timely notice to each other in writing of any pending or threatened Tax audit, examination, assessment or other administrative or court proceeding with respect to the Purchased Assets for any Taxable period for which the other party may have Liability under this Agreement. Each of Purchaser and Seller shall, or shall cause their respective Affiliates to, furnish to each other copies of all correspondence received from any Tax Authority in connection with any Tax audit or information request with respect to any Taxable period for which the other party or its Affiliates may have Liability under this Agreement.

(f) Purchaser and Seller agree, upon the reasonable request of the other party, to use commercially reasonable efforts to obtain any certificate or other document from each other, any Governmental Authority or any other Person (including applicable "sale or resale" certificates) as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed in connection with the Transactions.

ARTICLE 10

TERMINATION

10.1 Circumstances for Termination.

At any time prior to the Closing, this Agreement may be terminated by written notice explaining the reason for such termination:

(a) by the mutual written consent of Purchaser and Seller;

(b) by either Purchaser or Seller, if (i) the non-terminating party is in material breach of this Agreement and such breach shall not have been cured within thirty (30) days of receipt by such party of written notice from the terminating party of such breach and (ii) the terminating party is not, on the date of termination, in material breach of this Agreement;

(c) by Seller, if Seller reasonably determines in good faith and based on correspondence, discussions, or communications by either party with the FTC, the EC, or any other Governmental Authority and after consultation with Purchaser that (i) FTC staff, the EC, or any other relevant Governmental Authority will not recommend approval of Purchaser as the purchaser of the Purchased Assets hereunder thereby limiting the ability of the parties to obtain any approvals, consents, registrations, permits, authorizations and other confirmations identified in Section 8.3(b), (ii) this Agreement or any Transaction Agreement must be amended beyond those parameters to which Seller and Purchaser have agreed in order to receive approval from the FTC, the EC, or any other Governmental Authority under Section 8.3(b) or (iii) this Agreement, any Transaction Agreement or the transactions contemplated hereby and thereby are not acceptable to the FTC, the EC, or any other Governmental Authority as required under Section 8.3(b), and despite the parties' compliance with their respective obligations as set forth herein, negotiations with the FTC, the EC or any other Governmental Authority as required under Section 8.3(b) have terminated without a mutually acceptable resolution;

(d) by either Seller or Purchaser, if (i) the Closing has not occurred on or prior to April 23, 2018 (the "Drop-Dead Date") for any reason and (ii) the party seeking to terminate this Agreement hereunder has not caused (including through a misrepresentation, any action or inaction) such failure to close; or

(e) by either Seller or Purchaser if any Governmental Authority has issued a final, non-appealable Order (other than a temporary restraining order), or taken any other action permanently restraining, enjoining or otherwise prohibiting the Transactions.

10.2 Effect of Termination.

(a) If this Agreement is terminated in accordance with Section 10.1, all obligations of the parties hereunder shall terminate, except for the obligations set forth in this Article 10 (Termination) and Sections 7.5 (Confidentiality), 12.1 (Expenses), 12.6 (Governing Law) and 12.7 (Jurisdiction; Waiver of Jury Trial); *provided*, *however*, that nothing herein shall relieve any party from liability resulting from any willful and material breach of this Agreement. For purposes of this Section 10.2, a "willful and material breach of this Agreement" shall mean a deliberate action or omission (including a failure to cure circumstances) where the breaching party knows such action or omission is or would be reasonably expected to result in, or intends such action or omission to be or reasonably expects such action or omission to, result in a breach of this Agreement.

(b) Seller shall reimburse the reasonable and documented out-of-pocket costs and expenses incurred by Purchaser in connection with the transactions contemplated hereby if this Agreement is terminated pursuant to Section 10.1(a) because the Bard Merger Agreement has been terminated; *provided*, *however*, Seller shall not reimburse Purchaser for any costs in excess of $2,000,000.

ARTICLE 11

INDEMNIFICATION

11.1 Indemnification by Seller. Subject to the limitations set forth in this Article 11, from and after the Closing, Seller shall indemnify, defend and hold harmless Purchaser and its officers, directors, agents, employees and Affiliates (collectively, the "Purchaser Indemnified Persons") from and against any and all Damages, including documented and reasonable attorneys' fees (collectively, "Purchaser Damages"), arising out of, relating to or resulting from (a) any breach of or inaccuracy in a representation or warranty of any Seller Entity contained in this Agreement; (b) any breach of a covenant of a Seller Entity contained in this Agreement; or (c) any Excluded Liability.

11.2 Indemnification by Purchaser. Subject to the limitations set forth in this Article 11, from and after the Closing, Purchaser shall indemnify, defend and hold harmless the Seller Entities and their respective officers, directors, agents, employees and Affiliates (collectively, the "Seller Indemnified Persons") from and against any and all Damages, including documented and reasonable attorneys' fees (collectively, "Seller Damages"), arising out of, relating to or resulting from (a) any breach of or inaccuracy in a representation or warranty of Purchaser contained in this Agreement; (b) any breach of a covenant of Purchaser contained in this Agreement; (c) any Assumed Liability; or (d) any liability for Taxes resulting from transactions or actions taken by Purchaser or any of its Affiliates.

11.3 Time for Claims. No claim may be made or suit instituted seeking indemnification pursuant to Sections 11.1(a) or 11.2(a) unless a written notice describing such claim in reasonable detail in light of the circumstances then known to the Indemnitee is provided to the Indemnitor prior to the eighteen (18) month anniversary of the Closing Date; *provided*, *however*, that (i) claims may be made with respect to the representations and warranties relating to Taxes set forth in Section 4.5 (Taxes) until thirty (30) days after expiration of the applicable statutes of limitations relating to such Taxes, (ii) claims may be made with respect to the Seller's Fundamental Representations, the Seller's representations and warranties set forth in Section 4.6(a) and the Purchaser's representations and warranties in Sections 5.1, 5.2 and 5.6 (collectively, the "Purchaser's Fundamental Representations") at any time after Closing.

11.4 Procedures for Indemnification.

(a) Promptly after receipt by a party entitled to indemnification under Sections 11.1 or 11.2 or any other provision of this Agreement (the "Indemnitee") of written notice of the assertion or the commencement of any Proceeding with respect to any matter referred to in Sections 11.1 or 11.2 or in any other applicable provision of this Agreement, the Indemnitee shall give written notice describing such claim or Proceeding in reasonable detail in light of the circumstances then known to the Indemnitee to the party obligated to indemnify the Indemnitee (the "Indemnitor"), and thereafter shall keep the Indemnitor reasonably informed with respect thereto; *provided*, *however*, that failure of the Indemnitee to keep the Indemnitor reasonably informed as provided herein shall not relieve the Indemnitor of its obligations hereunder except to the extent that the Indemnitor is prejudiced thereby. If any Proceeding shall be commenced against any Indemnitee by a third party, the Indemnitor shall be entitled to participate in such Proceeding and assume the defense thereof with counsel reasonably satisfactory to the Indemnitee, at the Indemnitor's sole expense; *provided*, *however*, that the Indemnitor shall not have the right to assume or control the defense of any Proceeding if at any time (i) the Indemnitee shall have one or more legal or equitable defenses available to it which are different from or in addition to those available to the Indemnitor, and, in the reasonable opinion of the Indemnitee, counsel for the Indemnitor could not adequately represent the interests of the Indemnitee because such interests could be in conflict with those of the Indemnitor; (ii) such litigation is reasonably likely to have a material adverse effect on any other matter beyond the scope or limits of the indemnification obligation of the Indemnitor; (iii) the claim involves any criminal proceeding against an Indemnitee, (iv) the claim seeks an injunction, equitable relief or other non-monetary relief against any Indemnitee, (v) where the Indemnitor's indemnification obligation with respect to such Proceeding is limited by the Seller's Indemnification Cap or the Purchaser's Indemnification Cap, as applicable, the amount of Damages alleged in such Proceeding is in excess of the amount then remaining under the Seller's Indemnification Cap or the Purchaser's Indemnification Cap, as applicable, at the time the Indemnitee gives the Indemnitor notice of such Proceeding, after taking into account the sum of (A) all Damages previously recovered by the Indemnitee hereunder and counted against the Seller's Indemnification Cap or the Purchaser's Indemnification Cap, as applicable, plus (B) all Damages specified in any then-unresolved claims made by the Indemnitee pursuant to this Article 11 which, if paid pursuant to this Article 11, would be counted against the Seller's Indemnification Cap or the Purchaser's Indemnification Cap, as applicable, or (vi) the Indemnitor shall not have assumed the defense of the Proceeding in a timely fashion (but in any event within thirty (30) days of notice of such Proceeding) or, based on the reasonable advice of outside counsel to the Indemnitee, the Indemnitor is failing to use diligent, reasonable and good faith efforts to defend such Proceeding.

(b) If the Indemnitor shall assume the defense of any Proceeding, the Indemnitee shall be entitled to participate in any Proceeding at its expense, and the Indemnitor shall not settle such Proceeding unless (i) the settlement shall include as an unconditional term thereof the giving by the claimant or the plaintiff of a full and unconditional release of the Indemnitee from all liability with respect to the matters that are subject to such Proceeding, the settlement does not contain any sanction or restriction upon the conduct of any business by the Indemnitee or its Affiliates and the settlement does not include any admission of wrongdoing or misconduct by any Indemnitee or its Affiliate, or (ii) the settlement otherwise shall have been approved by the Indemnitee, such approval not to be unreasonably withheld or delayed. The Indemnitor shall afford the Indemnitee the opportunity to participate in, through counsel chosen by the Indemnitee, but not control, any defense or settlement of any Proceeding controlled by the Indemnitor pursuant to Section 11.4(a).

(c) If the Indemnitor fails to notify the Indemnitee within thirty (30) days after receipt of notice of such Proceeding pursuant to Section 11.4(a) that the Indemnitor elects to assume the defense of the Proceeding, or to the extent that the Indemnitor elects not to assume the defense or is not entitled to assume or control the defense in accordance with this Section 11.4, then the Indemnitee shall have the right to assume and control the defense of the Proceeding and shall be reimbursed for its documented and reasonable costs and expenses (including any documented and reasonable attorneys' fees) incurred in connection therewith. In such event, the Indemnitee shall have full control of such defense; *provided*, *however*, that the Indemnitee may not settle such Proceeding, if indemnification is to be sought hereunder, without the Indemnitor's approval, such approval not to be unreasonably withheld, conditioned or delayed.

11.5 Limitations on Indemnification.

(a) Notwithstanding anything herein to the contrary, Seller shall not be obligated to indemnify any Purchaser Indemnified Person under Section 11.1(a): (i) unless the aggregate of all Purchaser Damages exceeds $1,000,000 (the "Seller's Indemnification Deductible"), in which case the Purchaser Indemnified Persons shall be entitled to recover all Purchaser Damages only to the extent such Purchaser Damages exceed Seller's Indemnification Deductible or (ii) to the extent that the aggregate of all Purchaser Damages exceeds $10,000,000 (the "Seller's Indemnification Cap"); *provided*, *however*, that the Seller's Indemnification Cap and Seller's Indemnification Deductible shall not apply to nor count towards any Seller indemnification obligation (A) arising out of, relating to or resulting from Fraud by any Seller Entity or arising out of, relating to or resulting under Section 11.1(b) or (c), or (B) arising out of, relating to or resulting from a breach of or inaccuracy in any of Seller's Fundamental Representations or the Seller's representations and warranties set forth in Section 4.5 and Section 4.6(a). Notwithstanding anything herein to the contrary, Seller shall not be obligated to indemnify any Purchaser Indemnified Person under this Article 11 with respect to Purchaser Damages to the extent that the aggregate of all Purchaser

Damages exceeds the Purchase Price.

(b) Notwithstanding anything herein to the contrary, Purchaser shall not be obligated to indemnify any Seller Indemnified Person under Section 11.2(a): (i) unless the aggregate of all Seller Damages exceeds $1,000,000 (the "Purchaser's Indemnification Deductible"), in which case Seller Indemnified Persons shall be entitled to recover all Seller Damages only to the extent such Seller Damages exceed the Purchaser's Indemnification Deductible or (ii) to the extent that the aggregate of all Seller Damages exceeds $10,000,000 (the "Purchaser's Indemnification Cap"): *provided*, *however*, that the Purchaser's Indemnification Cap and the Purchaser's Indemnification Deductible shall not apply to nor count towards any Purchaser indemnification obligation (A) arising out of, relating to or resulting from Fraud by Purchaser or arising out of, relating to or resulting under Section 11.2(b) or (c), or (B) arising out of, relating to or resulting from a breach of or inaccuracy in any of Purchaser's Fundamental Representations. Notwithstanding anything herein to the contrary, Purchaser shall not be obligated to indemnify any Seller Indemnified Person under this Article 11 with respect to Seller Damages to the extent that the aggregate of all Seller Damages exceeds the Purchase Price.

(c) The amount of any Purchaser Damages or Seller Damages shall be net of any Tax benefit reasonably expected to be realized by the Indemnitee (or its Affiliates) arising from the incurrence or payment of any such Purchaser Damages or Seller Damages or any correlative adjustments resulting from such Purchaser Damages or Seller Damages.

(d) Without prejudice to any obligations arising under a Legal Requirement, each party shall, and shall cause its respective Affiliates to, take all reasonable steps to mitigate any Damage upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs only to the minimum extent necessary to remedy the breach that gives rise to such Damage.

(e) Notwithstanding any provision herein to the contrary, neither party shall be entitled to recover the amount of any Damages to the extent the amount of such Damages was included in the calculation of the Purchase Price or the Purchase Price Adjustment contemplated by Article 2.

(f) Notwithstanding anything in this Agreement to the contrary, any breach of warranty or inaccuracy of any representation or nonfulfillment, nonperformance or other breach of any covenant or agreement, and the amount of any Damages associated therewith, shall be determined without regard for any materiality, Material Adverse Effect or similar qualification.

(g) Notwithstanding any provision herein to the contrary, neither party shall be entitled to claims of breach or indemnification pursuant to this Agreement (including any breach or inaccuracy of the representations and warranties contained in this Agreement) more than once with respect to the same breach.

(h) LIMITATION OF LIABILITY, DISCLAIMER OF CONSEQUENTIAL DAMAGES. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, AND EXCEPT AS AWARDED TO A THIRD PARTY, NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR ANY LOST PROFITS OR OTHER SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY, ARISING FROM THE PERFORMANCE OF, OR RELATING TO, THIS AGREEMENT REGARDLESS OF WHETHER SUCH PARTY HAS BEEN NOTIFIED OF THE POSSIBILITY OF, OR THE FORESEEABILITY OF, SUCH DAMAGES.

11.6 Third Party Contributors and Payment of Indemnifiable Damages.

(a) The amount of any and all Damages for which indemnification is provided pursuant to this Article 11 shall be net of any amounts actually received by the Indemnitee with respect to such Damages (i) under insurance policies after giving effect to any deductible, retention or equivalent loss rated premium adjustment and any costs or expenses incurred in recovering such insurance proceeds and (ii) otherwise from any third party (including any Tax Authority) after giving effect to any deductible, retention or equivalent loss rated premium adjustment and any costs or expenses incurred in recovering such insurance proceeds. The Indemnitee shall use its commercially reasonable efforts to (x) maintain insurance policies on terms and in amounts reasonable for a business operating in the Indemnitee's industry and (y) recover under any applicable insurance policies for any Damages prior to seeking indemnification under this Agreement; *provided*, *however*, that nothing herein shall require any Indemnitee to commence or threaten to commence any Proceeding in connection with such commercially reasonable efforts.

(b) The amount of indemnification payments to which an Indemnitee shall be entitled under

this Article 11 shall be made within five (5) Business Days after the date: (a) the amount of such payments are determined by written agreement between the Indemnitee and the Indemnitor; or (b) both such amount and the Indemnitor's obligation to pay such amount have been determined by a final Order of any court of competent jurisdiction. The Order of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. Any indemnification of the Purchaser Indemnified Persons pursuant to this Article 11 shall be effected by wire transfer of immediately available funds from Seller to an account designated by Purchaser, and any indemnification of the Seller Indemnified Persons pursuant to this Article 11 shall be effected by wire transfer of immediately available funds from Purchaser to an account designated by Seller.

11.7 Remedies Exclusive. With the exception of the rights of the parties under Section 12.15 and any claims of Fraud which are proven and upon which a judgment entered in the involved proceeding shall be expressly based, the Seller Entities and Purchaser expressly agree that from and after the Closing the provisions of this Article 11 shall be the sole and exclusive remedy for all claims of breach or indemnification pursuant to this Agreement; *provided, however*, that the foregoing shall not limit any rights or remedies and for all claims pursuant to the other Transaction Agreements.

11.8 Tax Treatment of Indemnification
. For all Tax purposes, Purchaser and Seller agree to treat any indemnity payment under this Agreement as an adjustment to the purchase price unless otherwise required by law.

ARTICLE 12

MISCELLANEOUS PROVISIONS

12.1 Expenses. Whether or not the Transactions are consummated, unless otherwise indicated expressly herein, each party shall pay its own costs and expenses in connection with this Agreement and the Transactions, including the fees and expenses of its advisers, accountants and legal counsel.

12.2 Interpretation. Except as otherwise explicitly specified to the contrary, (a) references to a Section, Article, Exhibit or Schedule means a Section or Article of, or Schedule or Exhibit to, this Agreement, unless another agreement is specified, (b) the word "including" (in its various forms) means "including without limitation," (c) references to a particular statute or regulation include all rules and regulations thereunder and any predecessor or successor statute, rules or regulation, in each case as amended or otherwise modified from time to time, (d) words in the singular or plural form include the plural and singular form, respectively, (e) references to a particular Person include such Person's successors and assigns to the extent not prohibited by this Agreement, (f) "extent" in the phrase "to the extent" means the degree to which a subject or other thing extends, and such phrase does not mean simply "if," (g) the headings contained in this Agreement, in any Exhibit or Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement, (h) references to "$" shall mean United States dollars, (i) the word "or" is not exclusive and (j) references to a section of the Seller Disclosure Schedule shall be a reference to such section of both the Project Rhodes Disclosure Schedule and the Project Corfu Disclosure Schedule.

12.3 Entire Agreement. This Agreement, including the other documents, agreements, Exhibits and Schedules specifically referred to herein, constitutes the entire agreement between and among the parties hereto with regard to the subject matter hereof, and supersedes all prior agreements and understandings by or among the parties hereto or any of their respective Affiliates with regard to such subject matter, whether written or oral. Except for the Confidentiality Agreement, there are now no agreements, representations or warranties between or among the parties other than those set forth in this Agreement or the documents and agreements contemplated in this Agreement.

12.4 Amendment, Waivers and Consents. This Agreement shall not be changed or modified, in whole or in part, except by supplemental agreement or amendment signed by the parties. Either party may waive compliance by the other party with any of the covenants or conditions of this Agreement, but no waiver shall be binding unless executed in writing by the party making the waiver. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. Any consent under this Agreement shall be in writing and shall be effective only to the extent specifically set forth in such writing.

12.5 Successors and Assigns. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and permitted assigns, *provided, however*, that no party hereto may assign any right or obligation hereunder without the prior written consent of the other party hereto. Notwithstanding anything in this Section 12.5 to the contrary, no assignment shall relieve the assigning party of its obligations hereunder.

12.6 Governing Law. The rights and obligations of the parties shall be governed by, and this Agreement shall be interpreted, construed and enforced in accordance with, the laws of the State of Delaware, excluding its conflict of laws rules to the extent such rules would apply the law of another jurisdiction.

12.7 Jurisdiction; Waiver of Jury Trial.

(a) Any judicial proceeding brought against any of the parties to this Agreement or any dispute arising out of this Agreement or related hereto shall be brought in the courts of the State of Delaware, or in the United States District Court for the District of Delaware, and, by execution and delivery of this Agreement, each of the parties to this Agreement accepts the exclusive jurisdiction of such courts and irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement. The foregoing consents to jurisdiction shall not constitute general consents to service of process in the State of Delaware for any purpose except as provided above and shall not be deemed to confer rights on any Person other than the parties to this Agreement. Each of the parties to this Agreement agrees that service of any process, summons, notice or document by United States mail to such party's address for notice hereunder shall be effective service of process for any action, suit or proceeding in Delaware with respect to any matters for which it has submitted to jurisdiction pursuant to this Section 12.7(a).

(b) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ITS RIGHT TO A JURY TRIAL IN CONNECTION WITH ANY ACTION, PROCEEDING OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

12.8 Rules of Construction. The parties acknowledge that each party has read and negotiated the language used in this Agreement. The parties agree that, because all parties participated in negotiating and drafting this Agreement, no rule of construction shall apply to this Agreement which construes ambiguous language in favor of or against any party by reason of that party's role in drafting this Agreement.

12.9 Severability. If any provision of this Agreement, as applied to either party or to any circumstance, is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision, and the parties hereto agree to negotiate in good faith to replace such illegal, unenforceable or void provision with a valid, legal and enforceable provision that achieves, to the greatest lawful extent under this Agreement, the economic, business and other purposes of such invalid, illegal or unenforceable provision.

12.10 Exhibits and Schedules. All Exhibits and Schedules attached hereto shall be deemed to be a part of this Agreement and are fully incorporated in this Agreement by this reference. Disclosure in any Schedule shall qualify (a) the corresponding Section of this Agreement to which such Schedule refers and (b) any other Sections of this Agreement to the extent that it is reasonably apparent on the face of such disclosure that such disclosure also qualifies or applies to such other Sections.

12.11 Notices. Any notice required or permitted to be given hereunder shall be sufficient if in writing and (a) delivered in person or by express delivery or internationally recognized overnight courier service, (b) sent by facsimile or email of a PDF document (with written confirmation of receipt) or (c) deposited in the mail registered or certified first class, postage prepaid and return receipt requested. Each notice shall be deemed given when so delivered personally, or sent by facsimile or email transmission, or, if sent by express delivery or internationally recognized courier service one (1) Business Day after being sent, or if mailed, five (5) Business Days after the date of deposit in the mail. A notice of change of address or facsimile number shall be effective only when done in accordance with this Section 12.11.

To Purchaser at:	Merit Medical Systems, Inc.	
	1600 West Merit Parkway	
	South Jordan, UT 84095	
	Attention:	Brian Lloyd, Chief Legal Officer
	Facsimile:	(801) 208-4238
	Email:	Brian.Lloyd@merit.com

With copies to:	Baker & McKenzie LLP	
	300 E. Randolph Street, Suite 5000	
	Chicago, Illinois 60601	
	Attention:	Lewis D. Popoff
	Facsimile:	(312) 861-2899
	Email:	lewis.popoff@bakermckenzie.com

To any of the		
Seller Entities at:	Becton, Dickinson and Company	
	1 Becton Drive	
	MC070	
	Franklin Lakes, NJ 07417	
	Attention:	General Counsel
	Facsimile:	(201) 848-9228

With a copy to:	Becton, Dickinson and Company	
	Attention:	Joseph F. LaSala
	Email:	Joseph_LaSala@BD.COM

With copies to:	Skadden, Arps, Slate, Meagher & Flom LLP	
	Four Times Square	
	New York, NY 10036	
	Attention:	Paul T. Schnell
		C. Michael Chitwood
		Maxim O. Mayer-Cesiano
	Facsimile:	(212) 735-2000
	Email:	paul.schnell@skadden.com
		michael.chitwood@skadden.com
		maxim.mayercesiano@skadden.com

12.12 Rights of Parties. Except for Purchaser Indemnified Persons and Seller Indemnified Persons, nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and permitted assigns, nor is anything in this Agreement intended to relieve or discharge the Liabilities of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

12.13 Public Announcements.. Except as may be required by applicable Legal Requirements or stock exchange rules, no party to this Agreement or any Affiliate or Representative of such party shall make any public announcements or otherwise communicate with any news media in respect of this Agreement or the Transactions without the

prior consent of the other parties, such consent not to be unreasonably withheld, and prior to any announcement or communication the parties shall cooperate as to the timing and contents of any such announcement or communication.

12.14 Counterparts. This Agreement may be signed in any number of counterparts, including facsimile copies thereof or electronic scan copies thereof delivered by electronic mail, each of which shall be deemed an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

12.15 Specific Performance. The parties hereby expressly recognize and acknowledge that immediate, extensive and irreparable damage would result, no adequate remedy at law would exist and damages would be difficult to determine in the event that any provision of this Agreement is not performed in accordance with its specific terms or otherwise breached. It is hereby agreed that the parties shall be entitled to specific performance of the terms hereof and immediate injunctive relief and other equitable relief, without the necessity of proving the inadequacy of money damages as a remedy, and the parties further hereby agree to waive any requirement for the securing or posting of a bond in connection with the obtaining of such injunctive or other equitable relief. Such remedies, and any and all other remedies provided for in this Agreement, shall, however, be cumulative in nature and not exclusive and shall be in addition to any other remedies whatsoever which any party may otherwise have. Each of the parties hereby acknowledges that the existence of any other remedy contemplated by this Agreement does not diminish the availability of specific performance of the obligations hereunder or any other injunctive relief. Each of the parties further acknowledges and agrees that injunctive relief and/or specific performance will not cause an undue hardship to such party.

12.16 Waiver of Conflicts. Recognizing that Skadden has been engaged by the Seller and its Affiliates to represent it in connection with the Transactions, the Purchaser hereby (i) waives, on its own behalf and agrees to cause its Affiliates to waive, any conflicts that may arise after the Closing between the Purchaser or any of its Affiliates, on the one hand, and the Seller or any of its Affiliates, on the other hand, and (ii) agrees that Skadden may represent the Seller or any of its Affiliates in such dispute even though the interest of the Seller may be directly adverse to the Purchaser or any of its Affiliates, and even though Skadden may have represented the Purchaser or any of its Affiliates in a matter substantially related to such dispute, or may be handling ongoing matters for the Purchaser or any of its Affiliates. In addition, the Purchaser, on its own behalf and on behalf of its Affiliates, further agrees that, notwithstanding anything in this Agreement to the contrary, as to all communications among any of Skadden or the Seller Entities or any of their respective directors, managers, members, partners, officers or employees or Affiliates that relate in any way to this Agreement or the Transactions, the attorney-client privilege and the expectation of client confidence belongs to the Seller and shall be controlled solely by the Seller and shall not pass to or be claimed by the Purchaser or any of its Affiliates. Accordingly, the Purchaser shall not have access to any such communications, or to the files of Skadden relating to its engagement, whether or not the Closing shall have occurred. Notwithstanding those efforts, the Purchaser, on its behalf and on behalf of its Affiliates, further understands and agrees that the consummation of the Transactions may result in the inadvertent disclosure of such information that may be confidential or subject to a claim of privilege. The Purchaser, on its behalf and on behalf of its Affiliates, further understands and agrees that any disclosure of such information that may be confidential or subject to a claim of privilege will not prejudice or otherwise constitute a waiver of any claim of privilege. The Purchaser, on its behalf and on behalf of its Affiliates, agrees to use commercially reasonable efforts to return promptly any such inadvertently disclosed information to the appropriate Person upon becoming aware of its existence. The Purchaser agrees to take, and to cause its Affiliates to take, all steps necessary to implement the intent of this Section 12.16.

12.17 Rescission. In the event (a) any Governmental Authority in the jurisdictions set forth in Section 6.4 that must grant an Approval required by Section 6.4 shall have denied such Approval and such denial shall have become final and non-appealable; or (b) following the Closing Date, the FTC shall have notified Seller that Purchaser is not an acceptable acquirer of the Product Lines and that the Transactions are required to be rescinded, then, in each case, Seller shall have the right immediately to rescind this Agreement and the Transaction Agreements. If Seller determines to rescind this Agreement and the Transaction Agreements, Seller and Purchaser shall promptly take all actions as may be necessary or desirable to rescind the consummation of the Transactions and to restore to each party its rights, powers and obligations as in existence immediately prior to the Closing, including (x) Seller refunding to Purchaser all funds received by Seller from Purchaser as payment of the Purchase Price, (y) execution by Purchaser and its Affiliates of such assignments, transfers and other documents and instruments as may be necessary or desirable to convey, assign and transfer back to the applicable Seller Entity all of the Purchaser's and each of its Affiliates' right, title and interest in and to any Purchased Assets and to terminate and cancel the Transaction Agreements, and (z) execution by the applicable Seller Entity of such assumptions and other documents and instruments as may be necessary or desirable to relieve Purchaser of liability for any Assumed Liabilities existing on the Closing Date and to terminate and cancel the Transaction Agreements.

12.18 Electronic Data Room Materials. No information or document will be considered to have been "made available" to Purchaser unless it was uploaded no later than 9:00 a.m. (Eastern time) on the Business Day prior to the

date of this Agreement to the electronic dataroom hosted by Merrill Corporation for “Project Corfu-Rhodes” (available through the Closing at https://login.merrillcorp.com/), a copy of which Seller shall deliver to Purchaser on one or more DVDs (or other digital storage device as Purchaser and Seller agree) at or promptly after Closing, and was fully accessible to Purchaser and its Representatives through the earlier of the Closing or the termination of this Agreement.

[Signatures Follow On a Separate Page]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed on its behalf by their respective officers thereunto duly authorized all as of the date first written above.

"Purchaser"

MERIT MEDICAL SYSTEMS, INC.

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

"Seller"

BECTON, DICKINSON AND COMPANY

By: /s/ Christopher R. Reidy
Name: Christopher R. Reidy
Title: Executive Vice President, Chief Financial Officer and Chief Administrative Officer

CERTAIN DEFINITIONS

"Accounting Mediator" shall have the meaning specified in Section 2.2(b)(ii).

"Accounting Protocol" shall mean the principles, methodologies and calculations set forth on Schedule A-1 to the Seller Disclosure Schedule.

"Accounts Receivable" shall have the meaning specified in Section 1.2(a)(ii).

"Affiliate" of any Person shall mean any Person directly or indirectly controlling, controlled by, or under common control with, such Person; *provided*, *however*, that, for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by Contract, or otherwise.

"Agreement" shall have the meaning specified in the Preamble.

"Agreement Containing Consent Order" shall mean that certain Agreement Containing Consent Order of the FTC in connection with the Merger pursuant to the Bard Merger Agreement.

"Anti-Corruption Laws" means all applicable federal, state and foreign Legal Requirements relating to the prevention or prohibition of corruption, bribery, kickbacks, conflicts of interest and off-label, false or misleading promotion, advertising or marketing of medical devices, including the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act of 2010, the United States Anti-Kickback Statute, the United States Stark Law, the United States Physician Payments Sunshine Act, and implementing regulations of these acts, statutes and similar laws.

"Antitrust Laws" shall mean the Sherman Act, as amended, the Clayton Act, as amended, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the Federal Trade Commission Act, as amended, and all other federal, state and foreign statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

"Approval" shall have the meaning specified in Section 6.4(a).

"Assigned Contracts" shall have the meaning specified in Section 1.1(c).

"Assignment Consent" shall have the meaning specified in Section 1.4(a).

"Assumed Liabilities" shall mean (i) all Liabilities of the Seller Entities to the extent arising out of, resulting from or related to the operation or conduct of the Product Lines after the Closing; (ii) all Liabilities of the Seller Entities or their Affiliates, as applicable, under the Assigned Contracts arising after the Closing; (iii) all Liabilities related to Product warranty claims with respect to Products sold after the Closing (regardless of whether the applicable warranty is express or implied); (iv) all Liabilities with respect to claims, whether founded upon negligence, breach, strict liability or other legal theory, seeking compensation or recovery for Recall expenses, personal injury or property damage and resulting from defects or alleged defects or an alleged failure to warn for Products comprising any part of the Product Lines that are sold after the Closing; (v) all Liabilities of Purchaser under this Agreement or any other Transaction Agreement; (vi) all Liabilities for any returns with respect to Products sold after the Closing; (vii) all Liabilities for Taxes related to the Purchased Assets or the Assumed Liabilities that are attributable to a Post-Closing Tax Period; (viii) all Liabilities for Transfer Taxes to be paid by Purchaser pursuant to Section 9.1(b); (ix) all Damages and other Liabilities arising with respect to or related to any Recall of any units of Product sold on or after the Closing (including Products purchased under the Contract Manufacturing Agreement), without limitation of and subject to Purchaser's rights under the Contract Manufacturing Agreement; and (x) all other Liabilities arising from or relating to the Purchased Assets or the Product Lines after the Closing; *provided* that Assumed Liabilities shall not include any Liabilities of the Seller Entities for Taxes for a Pre-Closing Tax Period.

"Bard" shall have the meaning specified in the Recitals.

"Bard Merger Agreement" shall have the meaning specified in the Recitals.

"Books and Records" shall have the meaning specified in Section 1.1(f).

"Business Day" shall mean any day other than (i) a Saturday or a Sunday or (ii) a day on which banking and savings and loan institutions are closed in New York, New York.

"Closing" shall have the meaning specified in Section 3.1.

"Closing Date" shall have the meaning specified in Section 3.1.

"Closing Date Inventory Target" means $2,050,000;

"Closing Date Statement" shall have the meaning specified in Section 2.2(b)(i).

"Closing Inventory" shall have the meaning specified in Section 2.2(b)(i).

"Code" shall mean the United States Internal Revenue Code of 1986, as amended.

"Collected Information" shall have the meaning specified in Section 4.6(h).

"Confidential Information" shall mean all Trade Secrets and other confidential and/or proprietary information of a Person, including information derived from reports, investigations, research, work in progress, codes, marketing and sales programs, financial projections, cost summaries, pricing formulae, contract analyses, financial information, projections, confidential filings with any state or federal agency, and all other confidential concepts, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of such Person by its employees, officers, directors, agents, representatives, or consultants.

"Confidentiality Agreement" shall mean that certain confidentiality agreement between Purchaser and Seller, dated July 11, 2017.

"Consent" shall mean any approval, consent, ratification, permission, waiver or authorization (including any Governmental Approval).

"Contract" shall mean any agreement, contract, obligation, promise, understanding, arrangement, commitment, lease, license or undertaking of any nature.

"Contract Manufacturing Agreement" shall have the meaning specified in Section 3.2(e).

"Copyrights" shall mean all copyrights, mask work rights, copyrightable works, mask works, and all copyright and all mask work registrations and applications, whether published or unpublished, and all statutory, common law, national, and international rights related thereto.

"Corfu Financial Information" shall have the meaning specified in Section 4.2(a).

"Corfu Product Line" shall mean the manufacture, use, offer, sale, and distribution of the Corfu Products for use as tunneled home drainage catheters and accessories to reduce symptoms associated with malignant pleural effusion or malignant ascites as conducted by the Seller Entities as of the Closing.

"Corfu Products" shall mean those products listed on Schedule A-2 to the Seller Disclosure Schedule.

"Damages" shall mean and include any loss, damage, injury, settlement, judgment, award, fine, penalty, Tax, cost, fee or expense of any nature (including documented and reasonable fees and expenses of counsel, consultants, experts and other documented and reasonable professional fees).

"Decision and Order" shall mean that certain Decision and Order of the FTC in connection with the Merger pursuant to the Bard Merger Agreement.

"Distribution Agreement" shall have the meaning specified in Section 3.2(f).

"Drop-Dead Date" shall have the meaning specified in Section 10.1(d).

"EC" shall have the meaning specified in the Recitals.

"Employee Plan" means any "employee benefit plan" (as defined in section 3(3) of ERISA, regardless of whether subject to ERISA), and each other material agreement, plan, program, fund, policy, contract or arrangement (whether written or unwritten) providing compensation, benefits, pension, retirement, profit sharing, stock bonus, stock option, stock purchase, phantom or stock equivalent, bonus, incentive, deferred compensation, vacation, life insurance, death benefit, sick pay, disability, severance, termination indemnity, seniority pay, holiday pay, fringe benefit or similar employee benefits covering any employee or former employee of the Seller Entities or any ERISA Affiliate of any of the Seller Entities, or the beneficiaries and dependents of any employee or former employee of the Seller Entities any ERISA Affiliate of any of the Seller Entities, regardless of whether it is mandated by any applicable Legal Requirement, voluntary, private, funded, unfunded, financed by the purchase of insurance, contributory or noncontributory.

"Encumbrance" shall mean any lien, pledge, hypothecation, charge, mortgage, security interest, deed of trust, option, right of first refusal or other encumbrance of any kind.

"Entity" shall mean any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust or company (including any limited liability company or joint stock company) or other similar entity.

"Environmental Law" means any Law relating to the environment, natural resources, pollutants, contaminants, wastes, chemicals or public health and safety, including any Law pertaining to (a) treatment, storage, disposal, generation and transportation of toxic or hazardous substances or solid or hazardous waste, (b) air, water and noise pollution, (c) groundwater or soil contamination, (d) the release or threatened release into the environment of toxic or hazardous substances or solid or hazardous waste, including emissions, discharges, injections, spills, escapes or dumping of pollutants, contaminants or chemicals, (e) manufacture, processing, use, distribution, treatment, storage, disposal, transportation or handling of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or oil or petroleum products or solid or hazardous waste, (f) underground and other storage tanks or vessels, abandoned, disposed or discarded barrels, containers and other closed receptacles, (g) public health and safety or (h) the protection of wild life, marine sanctuaries and wetlands, including all endangered and threatened species.

"Estimated Inventory" shall have the meaning specified in Section 2.1(b).

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any other Person that, together with any Seller Entity, would be treated as a single employer under section 414 of the Code.

"Estimated Inventory" shall have the meaning specified in Section 2.1(b).

"Estimated Purchase Price" shall have the meaning specified in Section 2.1(a).

"Excluded Assets" shall have the meaning specified in Section 1.2(a).

"Excluded Liabilities" shall have the meaning specified in Section 1.3.

"Export-Import Laws" means all applicable United States and foreign Laws governing the export, re-export, transfer, and import of goods, software, technology and services, including the Export Administration Regulations (15 C.F.R. § 730 et. Seq.) and the EU Dual Use Regulation (Council Regulation (EC) No 428/2009, as amended).

"FDA" means the United States Food and Drug Administration or any successor agency.

"Final Calculation Statement" shall have the meaning specified in Section 2.2(b)(ii).

"Financial Information" shall have the meaning specified in Section 4.2(a).

"Fraud" means a material breach of, or material inaccuracy in, a representation and warranty set forth in Article 4 or Article 5 that arises from a fact, event or condition that the party making such representation and warranty has both (a) an actual personal conscious awareness of such fact, event or condition and (b) an actual personal conscious awareness that such fact, event or condition actually constitutes such a material breach or inaccuracy. For the avoidance of doubt, actual

personal conscious awareness of a fact, event or condition does not include any imputed or constructive knowledge, nor does it include any knowledge of any outside advisors or agents, unless and until such fact, event or condition is brought to the attention of such party making such representation and warranty.

"FTC" shall have the meaning specified in the Recitals.

"FTC Order" shall have the meaning specified in the Recitals.

"GAAP" shall mean United States generally accepted accounting principles consistently applied.

"General Assignment and Bill of Sale" shall have the meaning specified in Section 3.2(a).

"Governmental Approval" shall mean any: (a) permit, license, certificate, concession, approval, consent, ratification, permission, clearance, confirmation, exemption, waiver, franchise, certification, designation, rating, registration, variance, qualification, accreditation or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Legal Requirement; or (b) right under any Contract with any Governmental Authority.

"Governmental Authority" shall mean any: (a) nation, principality, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or quasi-governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board, instrumentality, officer, official, representative, organization, unit, body or Entity and any court or other tribunal); (d) multinational organization or body; or (e) United States or non-United States, individual, Entity or body exercising, or entitled to exercise, any executive, legislative, judicial, administrative, arbitral, regulatory, police, military or taxing authority or power.

"Henry Jackson License Agreement" shall mean the Exclusive License Agreement, dated as of October 2, 2006, between The Henry M. Jackson Foundation for the Advancement of Military Medicine, Inc. and Bard Access Systems, Inc.

"Indemnitee" shall have the meaning specified in Section 11.4(a).

"Indemnitor" shall have the meaning specified in Section 11.4(a).

"Intellectual Property Rights" shall mean any or all rights in and to intellectual property anywhere in the world, including (i) Patent Rights, Trade Secrets, Copyrights, and Trademarks, (ii) any rights similar, corresponding or equivalent to any of the foregoing anywhere in the world, (iii) any rights in computer software, data, and databases, and (iv) all other proprietary rights, and (v) the right to sue for past, present and future infringement, misappropriation or other violation of any of the foregoing.

"Inventory" shall mean, together and individually, the Purchased Inventory, Estimated Inventory and Closing Inventory.

"Lambda" shall have the meaning specified in the Recitals.

"Lambda Closing" shall mean the closing of the Merger pursuant to the Bard Merger Agreement.

"Legal Requirement" shall mean any law, statute, legislation, constitution, principle of common law, resolution, ordinance, code, edict, decree, proclamation, treaty, convention, rule, regulation, permit, ruling, directive, pronouncement, requirement (licensing or otherwise), specification, determination, decision, opinion, Order, binding regulatory guidance or interpretation issued, enacted, adopted, passed, approved, promulgated, made, implemented or otherwise put into effect by or under the authority of any Governmental Authority including any (a) technical or scientific standard to which adherence is required by any Governmental Authority and (b) any mandatory rules or policies of non-governmental accreditation or oversight bodies applicable to medical devices and related accessories, including the Products.

"Liabilities" shall mean any and all liabilities and obligations, whether accrued, fixed or contingent, mature or inchoate, known or unknown, reflected on a balance sheet or otherwise, including those arising under any Proceeding or Legal Requirement, and those arising under any Contract.

"Material Adverse Effect" shall mean, with respect to the Product Lines, taken as a whole, any event, change or effect that, when taken individually or together with all other adverse events, changes and effects, (a) is or would be reasonably expected to be materially adverse to the Purchased Assets, Assumed Liabilities, Product Lines or the financial or other condition, assets, business or operations of the Product Lines, taken as a whole, or (b) would or would be reasonably expected to prevent or materially delay consummation of the Transactions; *provided*, *however*, that any events, changes or effects will not be deemed to constitute a Material Adverse Effect to the extent resulting from (i) general changes or conditions in general economic, political or market conditions or in the industries (or therapeutic areas) in which the Product Lines operate, except to the extent that such changes or conditions in the industries (or therapeutic areas) in which the Product Lines operate have a disproportionate effect on the Product Lines, taken as a whole compared with other companies or businesses operating in such industries (or therapeutic areas); (ii) any failure by any Seller Entity or the Product Lines to meet internal projections or forecasts for any period (provided that the underlying causes of such failure may be taken into account in determining whether there has been a Material Adverse Effect); (iii) acts of war or terrorism (or the escalation of the foregoing) or natural disasters or other force majeure events; (iv) changes in any Legal Requirements applicable to the Product Lines or applicable accounting regulations or principles or the generally accepted interpretation thereof, except to the extent that such changes in the industries (or therapeutic areas) in which the Product Lines operate have a disproportionate effect on the Product Lines compared with other companies or businesses operating in such industries (or therapeutic areas); (v) the acts or omissions of, or circumstances affecting, Purchaser and/or its Affiliates; (vi) compliance by the Seller Entities or any of their Affiliates with a written request by Purchaser after the date hereof that the Seller Entities or any of their Affiliates take an action (or refrain from taking an action) to the extent such action or inaction is in compliance with such request; and (vii) any action taken by the Seller Entities or any of their Affiliates as required by this Agreement (other than any action to comply with Section 6.1) or with Purchaser's written consent.

"Material Contracts" shall have the meaning specified in Section 4.9(a).

"Merger" shall have the meaning specified in the Recitals.

"Non-Assignable Asset" shall have the meaning specified in Section 1.4(a).

"Objections" shall have the meaning specified in Section 2.2(b)(i).

"Order" shall mean any: (a) temporary, preliminary or permanent order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, stipulation, subpoena, writ or award that is or has been issued, made, entered, rendered or otherwise put into effect by or under the authority of any court, administrative agency or other Governmental Authority or any arbitrator or arbitration panel; or (b) Contract with any Governmental Authority that is or has been entered into in connection with any Proceeding.

"Patent and Know-How License Agreement" shall have the meaning specified in Section 3.2(g).

"Patent Assignment" shall have the meaning specified in Section 3.2(c).

"Patent Rights" shall mean all United States, international, and foreign patents, utility models, and industrial designs, and applications therefor, and all reissues, divisions, re-examinations, revisions, renewals, extensions, provisionals, continuations, continuations-in-part thereof, and counterparts, invention disclosures, and all rights of priority related to any of the foregoing.

"Permitted Encumbrance" shall mean (1) statutory Encumbrances for Taxes or other governmental charges not yet due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings; (2) mechanics', materialmen's, architects', warehousemen's, landlords' and other like statutory Encumbrances arising or incurred in the ordinary course of business, either securing payments not yet due or that are being contested in good faith by appropriate proceedings and for which appropriate reserves have been set aside; (3) such Encumbrances arising in the ordinary course of business and not incurred in connection with the borrowing of money as do not materially affect the use or value of the properties or assets subject thereto or affected thereby or otherwise materially impair business operations at such properties and that do not materially impair the value, merchantability or continued use of the Purchased Assets; (4) non-exclusive (or immaterial exclusive in-bound) licenses in Intellectual Property Rights granted in the ordinary course of business having an aggregate value of no more than $150,000 per license; (5) zoning, building codes and other land use laws that do not materially impair the value, merchantability or continued use of the Purchased Assets and (6) Encumbrances resulting from the action or inaction of Purchaser or any of its Affiliates. For the avoidance of doubt, any Encumbrance arising under the Code or ERISA in connection with any Employee Plan is not a Permitted Encumbrance.

"Person" shall mean any individual, Entity or Governmental Authority.

"Post-Closing Tax Period" shall mean any Tax period beginning after the close of business on the Closing Date or, in the case of any Tax period that includes, but does not begin, after the close of business on the Closing Date, the portion of such period beginning after the close of business on the Closing Date.

"Pre-Closing Tax Period" shall mean any Tax period ending on or before the close of business on the Closing Date or, in the case of any Tax period that includes, but does not end on, the Closing Date, the portion of such period ending on the Closing Date.

"Proceeding" shall mean any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation that is, has been or may in the future be commenced, brought, conducted or heard at law or in equity or before any Governmental Authority.

"Product Lines" shall have the meaning specified in the Recitals.

"Products" shall mean, collectively, the Rhodes Products and the Corfu Products.

"Purchase Price" shall have the meaning specified in Section 2.1(a).

"Purchase Price Adjustment" shall have the meaning specified in Section 2.2(a).

"Purchase Price Allocation" shall have the meaning specified in Section 9.1(a).

"Purchased Assets" shall have the meaning specified in Section 1.1.

"Purchased Inventory" shall have the meaning specified in Section 1.1(a).

"Purchaser" shall have the meaning specified in the Preamble.

"Purchaser Assignment and Assumption Agreements" shall have the meaning specified in Section 3.2(b).

"Purchaser Damages" shall have the meaning specified in Section 11.1.

"Purchaser Indemnified Persons" shall have the meaning specified in Section 11.1.

"Purchaser Material Adverse Effect" shall mean any event, change or effect that, when taken individually or together with all other such events, changes or effects, would be reasonably expected to, individually or in the aggregate, (a) have a material adverse effect on the ability of Purchaser to consummate the Transactions contemplated hereby or (b) cause a material delay in the ability of Purchaser to consummate the Transactions.

"Purchaser's Fundamental Representations" shall have the meaning specified in Section 11.3.

"Purchaser's Indemnification Cap" shall have the meaning specified in Section 11.5(b).

"Purchaser's Indemnification Deductible" shall have the meaning specified in Section 11.5(b).

"Recalls" shall have the meaning specified in Section 7.8.

"Registered Intellectual Property Rights" shall mean all United States, international and foreign: (i) Patent Rights; (ii) registered Trademarks and pending applications to register Trademarks; (iii) Copyright registrations, pending applications to register Copyrights, and Copyright renewals; (iv) domain name registrations; and (v) any other Intellectual Property Rights that are the subject of a pending application, certificate, filing, registration or other document issued by, filed with, or recorded by, any state, government or other public legal authority at any time.

"Regulatory Authority" shall mean any federal, national, state, foreign or multinational Governmental Authority (including the FDA) that has jurisdiction or oversight over (a) the research, development, approval, clearance, marketing, manufacture, labeling, sale, import, export and distribution of medical devices and technology, (b) federal

healthcare programs under which such medical devices are purchased or reimbursed, or (c) the protection of personal healthcare information.

"Representatives" shall mean, as to any Person, its officers, directors, employees, counsel, accountants, financial advisers, consultants and agents.

"Rhodes Product Line" shall mean the manufacture, use, offer, sale, and distribution of the Rhodes Products for use in connection with soft tissue core needle biopsy as conducted by the Seller Entities as of the Closing.

"Rhodes Products" shall mean those products listed on Schedule A-3 to the Seller Disclosure Schedule.

"Sanctioned Country" means any country or region that is the target of comprehensive United States economic sanctions, including currently Cuba, Iran, Sudan, Syria, North Korea, and the Crimea region of Ukraine.

"Sanctioned Person" means: (a) any Person listed on any Sanctions Laws-related list of designated Persons maintained by OFAC, the United States Department of State, the United Nations Security Council or the European Union; (b) any Person operating, organized or resident in a Sanctioned Country; or (c) any entity that is owned or controlled by any such Person or Persons.

"Sanctions Laws" means all United States and foreign Laws relating to economic sanctions, including those administered or enforced by the United States (including by OFAC or the United States Department of State), the United Nations Security Council, and the European Union.

"Seller" shall have the meaning specified in the Preamble.

"Seller Damages" shall have the meaning specified in Section 11.2.

"Seller Disclosure Schedule" shall have the meaning specified in Article 4.

"Seller Entities" shall have the meaning specified in the Recitals.

"Seller Indemnified Persons" shall have the meaning specified in Section 11.2.

"Seller Intellectual Property" shall mean (a) the Seller Registered Intellectual Property Rights and (b) all unregistered Intellectual Property Rights which are both owned by the Seller Entities and used by the Seller Entities exclusively or predominantly in the Products, the Product Lines, or use of the Products, including all such unregistered Intellectual Property Rights in any labels, product inserts and training manuals used by the Seller Entities exclusively or predominantly in the Product Lines.

"Seller Registered Intellectual Property Rights" shall mean: (i) the Registered Intellectual Property Rights listed on Schedule 4.6(a), and (ii) each of the following to the extent owned by any of the Seller Entities and included in the Seller Intellectual Property: (A) any Patent Right anywhere in the world derived from or claiming priority to any Patent Right on Schedule 4.6(a) but not listed on Schedule 4.6(a), and (B) any application, any registration, and any domain name registration anywhere in the world not listed on Schedule 4.6(a) for or including any Trademark identified on Schedule 4.6(a).

"Seller Subsidiaries" shall have the meaning specified in the Recitals.

"Seller Transitional Trademarks" shall mean the trademarks, service marks, trade dress, logos, slogans, and/or trade names listed on Schedule 7.9.

"Seller's Fundamental Representations" shall have the meaning specified in Section 8.1(a).

"Seller's Indemnification Cap" shall have the meaning specified in Section 11.5(a).

"Seller's Indemnification Deductible" shall have the meaning specified in Section 11.5(a).

"Seller's knowledge", "knowledge of Seller" and similar phrases shall mean the actual knowledge of James Leitl, Ryan Lipe, Chris McKeown, Liselotte Perez-Castener, and John Krueger with respect to the Rhodes Product Line, and Nick Boggs, Robert Collins, Kimberly Hammond, Jennifer Lutjen, Mark Walaska, and Ericka Prechtel with respect to the

Corfu Product Line.

"Shared Contracts" shall mean all Contracts listed on Schedule 1.5, which relate in part, but not exclusively or predominantly, to the Product Lines.

"Skadden" shall have the meaning specified in Section 3.1.

"Specified Products" shall have the meaning specified in Section 4.19.

"Sublicense Agreement" shall have the meaning specified in Section 3.3(i).

"Subsidiary" shall mean, with respect to any Person, any Entity in which such Person has a fifty percent (50%) or greater interest.

"Tax" (and, with correlative meaning, "Taxes" and "Taxable") shall mean all forms of taxation imposed by any Tax Authority, including all national, state or local taxation (including income, value added, goods and services, occupation, real and personal property, social security, gross receipts, sales, use, ad valorem, franchise, profits, license, withholding, payroll, employment, excise, severance, occupation, premium or windfall profit taxes, stamp duty, customs and other import or export duties, estimated and other taxes), together with any interest, penalties, and additions to tax.

"Tax Authority" shall mean a Governmental Authority responsible for the imposition, assessment or collection of any Tax (domestic or foreign).

"Tax Claim" shall mean any action, suit, proceeding, investigation, audit or claim with respect to Taxes made or initiated by any Tax Authority.

"Tax Contest" shall have the meaning specified in Section 9.1(d).

"Tax Return" shall mean any report, return, statement, declaration, notice, certificate or other document filed or required to be filed with any Tax Authority in connection with the determination, assessment, collection or payment of any Tax.

"Third Party Intellectual Property" shall have the meaning specified in Section 4.6(c).

"Trade Control Laws" shall have the meaning specified in Section 4.16.

"Trade Secrets" shall mean all trade secrets under applicable law and other rights in confidential or proprietary know-how, information, processing, manufacturing or marketing information, and all claims and rights related thereto.

"Trademark Assignment" shall have the meaning specified in Section 3.2(c).

"Trademarks" shall mean any and all trademarks, service marks, trade dress, logos, slogans, trade names, and all applications and registrations therefor, and all common law rights therein and thereto, and all goodwill associated with any of the foregoing throughout the world.

"Transaction Agreements" shall mean this Agreement and the General Assignment and Bill of Sale, the Purchaser Assignment and Assumption Agreements, the Patent Assignment, the Trademark Assignment, the Transition Services Agreement, the Contract Manufacturing Agreement, the Parent and Know-How License Agreement, the Distribution Agreement and the Sublicense Agreement and any other agreements or instruments executed pursuant hereto.

"Transaction Confidentiality Agreement" means any right or interest of any Seller Entity or any Affiliate of any Seller Entity under any confidentiality agreement entered into by a Seller Entity or any Affiliate of any Seller Entity, solely to the extent relating to information of a proprietary or confidential nature concerning the Product Lines.

"Transaction(s)" shall mean, collectively, the transactions contemplated by this Agreement.

"Transfer Taxes" shall mean all federal, state, local or foreign sales, use, transfer, real property transfer, mortgage recording, stamp duty, value-added or similar Taxes that may be imposed in connection with the transfer of

Purchased Assets.

"Transition Services Agreement" shall have the meaning specified in Section 3.2(d).

"Transitional Trademark End Date" shall have the meaning specified in Section 7.9.

"Treasury Regulations" shall mean the regulations promulgated under the Code by the United States Department of the Treasury and the United States Internal Revenue Service.

"VAT" shall mean (i) value added tax as provided for in VATA and legislation supplemental thereto, TVA or any other system of value added tax as provided for in Council Directive 2006/112/EC applied in any member state of the European Union and (ii) any other similar turnover, sales or purchase, tax or duty levied by any other jurisdiction whether central, regional or local.

"VATA" shall mean the Value Added Tax Act 1994 of the United Kingdom.

Exhibit 21

SUBSIDIARIES OF MERIT MEDICAL SYSTEMS, INC.
as of December 31, 2017

Subsidiary Name	Jurisdiction of Incorporation/Organization
Merit Medical Australia Pty Ltd.	Australia
IntelliMedical Technologies Pty Ltd.	Australia
ITL Healthcare Pty Ltd.	Australia
Merit Medical Austria GmbH	Austria
Merit Medical Belgium B.V.B.A.	Belgium
Merit Medical Comercialização, Distribuição, Importação e Exportação de Produtos Hospitalares LTDA.	Brazil
Merit Medical Canada Ltd.	Canada
Argon Medical Consulting Shanghai Co Ltd.	China
Merit Medical Beijing Co. Ltd.	China
BioSphere Medical Japan, Inc.	Delaware
BioSphere Medical, Inc.	Delaware
BSMD Ventures, Inc.	Delaware
DFINE, Inc.	Delaware
Vascular Access Technologies, Inc.	Delaware
Merit Medical Denmark A/S	Denmark
Merit Medical Finland Ltd.	Finland
BioSphere Medical SA	France
Merit Medical France SAS	France
Dfine Europe GmbH	Germany
Merit Medical GmbH	Germany
Merit Medical Asia Company Limited	Hong Kong
Merit Medical Systems India Private Limited	India
Merit Medical (NRI) Ireland Limited	Ireland
Merit Medical Ireland, Ltd.	Ireland
Merit Medical System’s NRI Limited	Ireland
Merit Medical Italy S.R.L.	Italy
Merit Medical Japan KK	Japan
Argon Medical Devices Japan KK	Japan
Merit Medical Malaysia Sdn. Bhd	Malaysia
Merit Maquiladora México, S. DE R.L. DE C.V.	Mexico
Merit Mexico Sales, S. de R.L. de C.V.	Mexico
Merit Medical Coatings B.V.	Netherlands
Merit Medical Nederland B.V.	Netherlands
Argon Medical Devices Netherlands BV	Netherlands
Merit Medical New Zealand Limited	New Zealand
Merit Medical Norway AS	Norway
Thomas Medical Products, Inc.	Pennsylvania

Merit Medical Portugal, S.A.	Portugal
LLC Merit Technologies	Russia
Merit Medical Singapore Holdings Pte. Ltd	Singapore
Merit Medical Singapore Pte. Ltd.	Singapore
Merit Medical Korea Co., Ltd.	South Korea
Merit Medical Spain S.L.Unipersonal	Spain
Merit Medical Systems AB	Sweden
Merit Medical Switzerland AG	Switzerland
Merit Medical Turkey Tıbbi Ürünler Ticaret Anonim Şirketi	Turkey
Merit Medical ME FZ-LLC	United Arab Emirates
Merit Medical UK Limited	United Kingdom
Merit Holdings, Inc.	Utah
Merit Sensor Systems, Inc.	Utah

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-206297, 333-206296, 333-163104, 333-135614, 333-129267, 333-58112 and 333-58162 on Form S-8 of our reports dated March 1, 2018, relating to the consolidated financial statements and financial statement schedule of Merit Medical Systems, Inc. and subsidiaries, and the effectiveness of Merit Medical Systems, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Merit Medical Systems, Inc. for the year ended December 31, 2017.

/s/ DELOITTE & TOUCHE LLP

Salt Lake City, Utah
March 1, 2018

EXHIBIT 31.1

CERTIFICATION

I, Fred P. Lampropoulos, certify that:

1. I have reviewed this Annual Report on Form 10-K (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: March 1, 2018

/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 Annual Report on Form 10-K (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: March 1, 2018

/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 Annual Report on Form 10-K of Merit Medical Systems, Inc. (the "Company") for the year ended December 31, 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: March 1, 2018

/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 Annual Report on Form 10-K of Merit Medical Systems, Inc. (the "Company") for the year ended December 31, 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: March 1, 2018

/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.