FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2005

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: _____ to _____

Commission File No.: 0-19974

ICU MEDICAL, INC.

(Exact name of Registrant as provided in charter)

Delaware	33-0022692
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
951 Calle Amanecer, San Clemente, California	92673
(Address of Principal Executive Offices)	(Zip Code)

(949) 366-2183
(Registrant's Telephone No. Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes ☑ No ☐

Indicate the number of shares outstanding in each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at April 30, 2005
Common	13,827,383

ICU Medical, Inc.

Index

Table of Contents

ICU Medical, Inc.
Condensed Consolidated Balance Sheets
(all dollar amounts in thousands except share data)

ASSETS

	March 31, 2005	December 31, 2004
	(unaudited)	(1)
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,452	$ 5,616
Liquid investments	89,625	81,725
Cash, cash equivalents and liquid investments	96,077	87,341
Accounts receivable, net of allowance for doubtful accounts of $632 and $912 as of March 31, 2004 and December 31, 2004, respectively	11,793	8,922
Finance loans receivable - current portion	2,636	2,634
Inventories	7,373	8,429
Prepaid income taxes	5,175	6,576
Prepaid expenses and other current assets	1,852	1,986
Deferred income taxes - current portion	1,288	1,156
Total current assets	126,194	117,044
PROPERTY AND EQUIPMENT, at cost:	74,259	73,702
Less–Accumulated depreciation	(33,645)	(32,768)
	40,614	40,934
FINANCE LOANS RECEIVABLE - non-current portion	3,305	3,613
INTANGIBLE ASSETS - net	2,794	2,780
OTHER ASSETS	397	397
	$ 173,304	$ 164,768

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	$ 2,681	$ 2,693
Accrued liabilities	6,233	4,761
Total current liabilities	8,914	7,454
MINORITY INTEREST	894	966
STOCKHOLDERS' EQUITY:		
Convertible preferred stock, $1.00 par value		
Authorized – 500,000 shares, issued and outstanding – none	–	–
Common stock, $0.10 par value-		
Authorized – 80,000,000 shares, issued – 14,158,612 shares	1,416	1,416
Additional paid-in capital	61,289	61,751
Treasury stock, at cost – 439,691 and 583,643 shares at March 31, 2005 and December 31, 2004, respectively	(11,888)	(15,290)
Retained earnings	112,408	107,991
Accumulated other comprehensive income	271	480
Total stockholders' equity	163,496	156,348
	$ 173,304	$ 164,768

(1) December 31, 2004 balances were derived from the audited consolidated financial statements of ICU Medical, Inc.

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

ICU Medical, Inc.
Condensed Consolidated Statements of Income
(all dollar amounts in thousands except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2005	2004
REVENUES:		
Net sales	$ 25,663	$ 21,270
Other	1,422	963
TOTAL REVENUE	27,085	22,233
COST OF GOODS SOLD	11,860	9,813
Gross profit	15,225	12,420
OPERATING EXPENSES:		
Selling, general and administrative	8,023	5,655
Research and development	674	451
Total operating expenses	8,697	6,106
Income from operations	6,528	6,314
INVESTMENT INCOME	588	310
Income before income taxes and minority interest	7,116	6,624
PROVISION FOR INCOME TAXES	(2,771)	(2,484)
MINORITY INTEREST	72	–
NET INCOME	$ 4,417	$ 4,140
NET INCOME PER SHARE		
Basic	$ 0.32	$ 0.30
Diluted	$ 0.30	$ 0.28
WEIGHTED AVERAGE NUMBER OF SHARES		
Basic	13,613,636	13,699,991
Diluted	14,762,038	15,041,285

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

ICU Medical, Inc.
Condensed Consolidated Statements of Cash Flows
(all dollar amounts in thousands)
(unaudited)

	Three months ended March, 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,417	$ 4,140
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,531	1,696
Provision for doubtful accounts	(280)	57
Minority interest	(72)	–
Cash provided (used) by changes in operating assets and liabilities		
Accounts receivable	(2,591)	7,088
Inventories	1,056	(2,512)
Prepaid expenses and other assets	(9)	669
Accounts payable	(12)	2
Accrued liabilities	1,472	(422)
Prepaid and deferred income taxes	1,269	2,010
	6,781	12,728
Tax benefits from exercise of stock options	1,077	122
Net cash provided by operating activities	7,858	12,850
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,233)	(1,410)
Advances under finance loans	–	(1,000)
Proceeds from finance loan repayments	306	1,628
Purchases of investments	(7,900)	(10,600)
Net cash used in investing activities	(8,827)	(11,382)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	1,620	264
Proceeds from employee stock purchase plan	243	279
Net cash provided by financing activities	1,863	543
Effect of exchange rate changes on cash	(58)	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	836	2,011
CASH AND CASH EQUIVALENTS, beginning of period	5,616	1,787
CASH AND CASH EQUIVALENTS, end of period	$ 6,452	$ 3,798

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

ICU Medical, Inc.
Condensed Consolidated Statements of Comprehensive Income
(all dollar amounts in thousands)
(unaudited)

	Three months ended March 31,	
	2005	2004
Net income	$ 4,417	$ 4,140
Other comprehensive income, net of tax benefit:		
Foreign currency translation adjustment	(209)	(63)
Comprehensive income	$ 4,208	$ 4,077

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

ICU Medical, Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2005
(All dollar amounts in tables in thousands except share and per share data)
(unaudited)

Note 1: Basis of Presentation: The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments, which consist of only normal recurring adjustments, which are, in the opinion of Management, necessary to a fair statement of the consolidated results for the interim periods presented. Results for the interim period are not necessarily indicative of results for the full year. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2004 Annual Report to Stockholders.

ICU Medical, Inc. (the "Company"), a Delaware corporation operates principally in one business segment engaged in the development, manufacturing and marketing of disposable medical connection systems for use in intravenous ("I.V.") therapy applications designed to protect healthcare workers and patients from the spread of infectious diseases and catheter related blood stream infections. The Company's devices are sold principally to distributors and medical product manufacturers throughout the United States and a portion internationally. All subsidiaries are wholly or majority owned and are included in the consolidated financial statements. All intercompany balances and transactions have been eliminated.

Note 2: Inventories consisted of the following:

	3/31/05	12/31/04
Raw material	$ 4,062	$ 3,745
Work in process	1,211	507
Finished goods	2,100	4,177
Total	$ 7,373	$ 8,429

Note 3: Property and equipment, at cost, consisted of the following:

	3/31/05	12/31/04
Land, building and building improvements	$ 23,838	$ 22,021
Machinery and equipment	32,067	31,860
Computer equipment and software	5,542	5,020
Office furniture and equipment	1,801	1,678
Molds	9,488	9,345
Construction in process	1,523	3,778
Total	$ 74,259	$ 73,702

Note 4: Finance loans receivable are commercial loans by ICU Finance, Inc., a wholly-owned consolidated subsidiary. In October 2003, the Company discontinued new lending activities. Loans were made only to credit-worthy healthcare entities and are fully secured by real and personal property. The Company plans to hold the loans to maturity or payoff. They are carried at their outstanding principal amount, and will be reduced for an allowance for credit losses and charge offs if any such reductions are determined to be necessary in the future. Interest is accrued as earned based on the stated interest rate and amounts outstanding. Loan fees and costs have not been material. Scheduled maturities are: remainder of 2005 $2.3 million; 2006 $1.2 million; 2007 $1.1 million and 2008 $1.3 million. Weighted average maturity (principal and interest) at March 31, 2005 was 1.3 years and the weighted average interest rate was 5.8%. There were no unfunded commitments at March 31, 2005.

Note 5: Net income per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares outstanding plus dilutive securities. Dilutive securities are outstanding common stock options (excluding stock options with an exercise price in excess of the average market value for the period), less the number of shares that could have been purchased with the proceeds from the exercise of the options, using the treasury stock method, and were 1,148,402 and 1,341,294 for the three months ended March 31, 2005 and 2004, respectively. Options that are antidilutive because their average exercise price exceeded the average market price of its common stock for the period approximated 1,200,000 and 540,000 for the three months ended March 31, 2005 and 2004, respectively.

Note 6: Stock Options: The Company accounts for stock options granted to employees and directors under Accounting Principles Board ("APB") Opinion No. 25 “Accounting for Stock Issued to Employees” and related interpretations as permitted by Statement of Financial Accounting Standards No. 123 “Accounting for Stock-Based Compensation” (“SFAS No. 123”), and does not recognize compensation expense because the exercise price of the options equals the fair market value of the underlying shares at the date of grant or as to the 2002 Employee Stock Purchase Plan, the Plan is non-compensatory under the provisions of APB Opinion No. 25. Under SFAS No. 123, the Company is required to present certain pro forma earnings information determined as if employee stock options were accounted for under the fair value method of that Statement. The fair value for options granted in the first quarter of 2004 was estimated as of the date of grant using a Black-Scholes option pricing model. There were no stock options granted in the first quarter of 2005. The Black-Scholes option valuation model was developed for use in estimating fair value of fully transferable traded options with no vesting restrictions, and, similar to other option valuation models, requires use of highly subjective assumptions, including expected stock price volatility. The characteristics of its stock options differ substantially from those of traded stock options, and changes in the subjective assumptions can materially affect estimated fair values; therefore, in Management's opinion, existing option valuation models do not necessarily provide a reliable single measure of the fair value of its stock options.

The following information is provided pursuant to SFAS No. 123, as amended. The pro forma adjustment reflects stock-based compensation cost calculated under the fair value method, net of related tax effects, calculated pursuant to SFAS No. 123.

	Quarter ended March 31,	
	2005	2004
Net income, as reported	$ 4,417	$ 4,140
Pro forma adjustment	(109)	(1,020)
Net income, pro forma	$ 4,308	$ 3,120
Net income per share		
Basic, as reported	$ 0.32	$ 0.30
Diluted, as reported	$ 0.30	$ 0.28
Basic, pro forma	$ 0.32	$ 0.23
Diluted, pro forma	$ 0.29	$ 0.21

On December 16, 2004, the FASB issued FASB Statement No. 123 (revised 2004), Share-Based Payment ("SFAS 123(R)"), a revision of FASB Statement No. 123, requires expense for all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement over the applicable service period based on their fair values. Pro forma disclosure is no longer an alternative. In April 2005, the SEC delayed the effective date of SFAS 123 (R) to fiscal years beginning after June 15, 2005. As a result, the company expects to adopt SFAS 123(R) on January 1, 2006. Statement 123(R) permits public companies to adopt its requirements using one of two methods. The Company plans on adopting the modified prospective method, under which compensation cost is recognized beginning with the effective date. The modified prospective method recognizes compensation cost based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date that remain unvested on the effective date.

Note 7: Income taxes: The effective tax rate differs from that computed at the federal statutory rate of 35% principally because of the effect of state income taxes and losses of a subsidiary not consolidated for income tax purposes, partially offset by the effect of tax-exempt investment income and state and federal tax credits.

Note 8: Major customers: The Company had revenues equal to ten percent or greater of total revenues from one customer, Hospira, Inc. (formerly a part of Abbott Laboratories), of 61% and 60% in the first quarters of 2005 and 2004, respectively.

Note 9: Commitments and Contingencies: The Company is from time to time involved in various routine non-material legal proceedings, either as a defendant or plaintiff, most of which are routine litigation in the normal course of business. The Company believes that the resolution of the legal proceedings in which it is involved will not likely have a material effect on its financial position or results of operations.

In the normal course of business, the Company has made certain indemnities, including indemnities to its officers and directors, to the maximum extent permitted under Delaware law and intellectual property indemnities to customers in connection with sales of its products. These indemnities do not provide a maximum amount. The Company has not recorded any liability for these in its financial statements and does not expect to incur any.

Note 10: Subsequent Events: On May 1, 2005, the Company acquired Hospira's Salt Lake City, Utah manufacturing facility, related capital equipment and certain inventories for approximately $32.1 million in cash,

and the Company's twenty-year Manufacturing, Commercialization and Development Agreement ("MCDA") with Hospira, Inc. ("Hospira") became effective. The Company produces for sale to Hospira on an exclusive basis substantially all the products manufactured at that facility. Hospira retains commercial responsibility for the products the Company is producing, including sales, marketing, distribution, customer contracts, customer service and billing. The majority of the products the Company produces under the MCDA are Hospira's critical care products, which include medical devices such as catheters, angiography kits and cardiac monitoring systems. The Company has also committed to fund certain research and development to improve critical care products and develop new products for sale to Hospira, and has also committed to provide certain sales specialist support.

We are a leader in the development, manufacture and sale of proprietary, disposable medical connection systems for use in intravenous ("I.V.") therapy applications. Our devices are designed to protect healthcare workers and their patients from exposure to infectious diseases such as Hepatitis B and C and Human Immunodeficiency Virus ("HIV") through accidental needlesticks. We are also a leader in the production of custom I.V. systems and low cost generic I.V. systems and we incorporate our proprietary products on many of those custom I.V. systems.

Risk Factors

In evaluating a transaction in our common stock, investors should consider carefully, among other things, the following risk factors, as well as the other information contained in this Annual Report and our other reports and registration statements filed with the Securities and Exchange Commission.

Because we are increasingly dependent on Hospira for a substantial portion of our sales, any change in our arrangements with Hospira or decline in our sales to it could result in a significant reduction in our sales and profits.

We have steadily increased our sales to Hospira in recent years, except for 2004 when sales to Hospira declined as Hospira reduced its inventories of our products. As a result, we depend on one customer, Hospira, for a high percentage of our sales, and the percentage of our sales attributable to Hospira will increase as we begin manufacturing additional products for Hospira as described below. Although we have increased our sales to independent domestic distributors during recent years, most of the increase resulted from our dealers' acquisition of market shares from a manufacturer with whom we terminated our CLAVE distribution agreement and the addition of the Punctur-Guard line in late 2002. The table below shows our net sales to various types of customers for the first quarter of 2005 and for 2004, 2003 and 2002 (dollars in millions):

	Quarter Ended		Years Ended December 31,					
	March 31, 2005		2004		2003		2002	
Hospira	$ 16.4	61%	$ 39.8	53%	$ 71.3	69%	$ 50.0	57%
Other manufacturers	2.1	7%	1.5	5%	1.5	2%	10.1	16%
Independent distributors	6.0	22%	22.4	30%	24.1	23%	17.0	19%
International	2.6	10%	9.0	12%	5.8	6%	7.1	8%

In 2004, Hospira substantially reduced its purchases of CLAVE products because it was reducing its inventories of our products. This caused a significant reduction in our sales and led to a net loss in our third and fourth quarters of 2004. We have taken steps to monitor and control the amount of inventory of Hospira CLAVE products manufactured in order to mitigate the need for future inventory reductions similar to that in 2004, but there is no assurance that these steps will be successful, or that Hospira will not attempt to reduce its inventory of CLAVE products even further in the future.

Hospira had disclosed that CLAVE products accounted for over 10% of its 2004 consolidated sales. In the past several years, our prices to Hospira have declined by only a small amount. Any significant decrease in our prices to Hospira, unless accompanied by an offsetting increase in purchasing volume, could have an adverse effect on our sales and profits.

Our sales to Hospira will increase substantially as a result of a twenty-year Manufacturing, Commercialization and Development Agreement ("MCDA") that became effective on May 1, 2005 when we acquired Hospira's Salt Lake City, Utah manufacturing facility, related capital equipment and certain inventories for approximately $32.1 million in cash. Under the MCDA, we produce for sale to Hospira on an exclusive basis substantially all the products manufactured at that facility. Hospira retains commercial responsibility for the products we produce, including sales, marketing, distribution, customer contracts, customer service and billing. The majority of the products we produce under the MCDA are Hospira's critical care products, which include medical devices such as catheters, angiography kits and cardiac monitoring systems. We have also committed to fund certain research and development to improve critical care products and develop new products for sale to Hospira, and have committed to provide certain sales specialist support. Our prices and our gross margins on the products we sell to Hospira under the MCDA are based on cost savings that we are able to achieve in producing those products over Hospira's current cost to manufacture those same products. We expect to move the production to our current facilities or other lower-cost locations over the next several years. We estimate that sales under this agreement will approximate $45 million in 2005, with only small profits, with increasing sales and profits in future years. Although we provide certain sales support to Hospira, our ability to maintain or increase level of sales of these products will depend on Hospira's commitment to and the success of its sales and marketing efforts. The MCDA increases our dependence on Hospira.

Under the terms of our agreements with Hospira, including the MCDA, we are dependent on the marketing and sales efforts of Hospira for a large percentage of our sales, and Hospira determines the prices at which the products that we sell to Hospira will be sold to its customers. Hospira has conditional exclusive rights to sell CLAVE and our other products as well as custom I.V. systems under the SetSource program in many of its major accounts. Hospira's rights to sell products we produce under the MCDA are exclusive. If Hospira is unable to maintain its position in the marketplace, or if Hospira should experience significant price deterioration, our sales and operations could be adversely affected.

In contrast to our dependence on Hospira, our principal competitors in the market for protective I.V. connection systems are much larger companies that dominate the market for I.V. products and have broad product lines and large internal distribution networks. In many cases, these competitors are able to establish exclusive relationships with large hospitals, hospital chains, major buying organizations and home healthcare providers to supply substantially all of their requirements for I.V. products. In addition, we believe that there is a trend among individual hospitals and home healthcare providers to consolidate into or join large major buying organizations with a view to standardizing and obtaining price advantages on disposable medical products. These factors may limit our ability to gain market share through our independent dealer network, resulting in continued concentration of sales among and dependence on Hospira.

Hospira, a major supplier of I.V. products, was formerly the Hospital Products Division of Abbott Laboratories. On April 30, 2004, Abbott spun off Hospira to its stockholders as an independent company. Since then, Hospira has been a separate entity, independent of Abbott. The principal Hospira agreement, for products other than the MCDA, is a strategic supply and distribution arrangement to market our products in connection with Hospira's I.V. products. The agreement extends through 2014. Our ability to maintain and increase our market penetration may depend on the success of our arrangement with Hospira and Hospira's arrangements with major buying organizations and its ability to renew such arrangements, as to which there is no assurance. If our strategic supply and distribution arrangement proves unsuccessful, our sales would be materially adversely affected. Our business could be materially adversely affected if Hospira terminates its arrangement with us, negotiates lower prices, sells more competing products, whether manufactured by themselves or others, or otherwise alters the nature of its relationship with us. Although we believe that Hospira views us as a source of innovative and profitable products, there is no assurance that our relationship with Hospira will continue in its current form.

If we are unable to manage effectively our internal growth or growth through acquisitions of companies, assets or products, our financial performance may be adversely affected.

We intend to continue to expand our marketing and distribution capability internally, by expanding our sales and marketing staff and resources and may expand it externally, by acquisitions both in the United States and foreign markets. We may also consider expanding our product offerings through further acquisitions of companies or product lines. We intend to build additional production facilities or contract for manufacturing in markets outside the United States to reduce labor costs and eliminate transportation and other costs of shipping finished products from the United States and Mexico to customers outside North America. The expansion of our manufacturing, marketing, distribution and product offerings both internally and through acquisitions or by contract may place substantial burdens on our management resources and financial controls. Decentralization of assembly and manufacturing could place further burdens on management to manage those operations, and maintain efficiencies and quality control.

The performance of the MCDA under which we will produce critical care products for Hospira, the acquisition of related manufacturing assets, the addition of approximately 750 production personnel, the relocation of much of the manufacturing operations, the implementation of new manufacturing and assembly processes and techniques and the establishment of financial controls will impose a significant burden on our management, human resources, operating and financial and accounting functions. We will need to expand our capabilities in each of these areas and devote significant time and effort to integrating the production under the MCDA with our existing operations, all of which will divert management's attention from our current operations. In addition we may require additional expertise, capability and capacity that can best be obtained through other acquisitions.

The increasing burdens on our management resources and financial controls resulting from internal growth of acquisitions could adversely affect our operating results. In addition, acquisitions may involve a number of special risks in addition to the difficulty of integrating cultures and operations and the diversion of management's attention, including adverse short-term effects on our reported operating results, dependence on retention, hiring and training of key personnel, risks associated with unanticipated problems or legal liabilities and amortization of acquired intangible assets, some or all of which could materially and adversely affect our operations and financial performance.

If we are unable to reduce substantially the cost of manufacturing products that we will sell to Hospira under the MCDA, we may not be able to produce and sell such products profitably, and our profit margins may decline.

The prices at which we will sell products to Hospira and the gross margins that we will realize under the MCDA will depend on the cost savings that we are able to achieve in producing those products over Hospira's cost to manufacture the same products. Achieving substantial cost reductions will require moving manufacturing operations to lower-cost locations and the development and implementation of innovative manufacturing and assembly processes and techniques. There is no assurance that these efforts will be successful. If we are unable to achieve the cost savings that we expect, we may not be able to sell products manufactured under the MCDA profitably, and our profit margins may decline.

Because we are dependent on the CLAVE for the majority of our sales, any decline in CLAVE sales could result in a significant reduction in our sales and profits.

During 2004, CLAVE products accounted for approximately 47% of our net sales and 71% of our net sales including customer I.V. systems. For the first quarter of 2005, CLAVE products accounted for approximately 58% of our revenue and 75% of our revenue including customer I.V. systems. We depend heavily on sales of CLAVE products, especially sales of CLAVE products to Hospira. We cannot give any assurance that sales of CLAVE products either to Hospira or other customers will increase indefinitely or that we can sustain current profit margins

on CLAVE products indefinitely. Management believes that the success of the CLAVE has motivated, and will continue to motivate, others to develop one piece needleless connectors. In addition to products that emulate the characteristics of the CLAVE, it is possible that others could develop new product concepts and technologies that are functionally equivalent or superior to the CLAVE. If other manufacturers successfully develop and market effective products that are competitive with CLAVE products, CLAVE sales could decline as we lose market share, and/or we could encounter sustained price and profit margin erosion.

If our efforts to increase substantially our custom I.V. system business is not successful or we cannot increase sales of other products and develop new, commercially successful products, our sales may not continue to grow.

Our continued success may be dependent both on the success of our strategic initiative to increase substantially our custom I.V. set business and develop significant market share on a profitable basis and on new product development. Our sales of custom I.V. systems reached $26.2 million in 2004, but this was only a 15% increase over 2003 sales, whereas 2003 sales increased 50% over 2002. Our sales of custom I.V. systems were $6.8 million in the first quarter of 2005, or a 4% increase from the first quarter of 2004. The success of our custom I.V. system sales program will require a larger increase in sales in the future than was achieved in 2004 and the first quarter of 2005. The ability of the custom I.V. system and low-cost I.V. system products to acquire significant market share on a profitable basis depends on whether we are able to continue to develop systems capabilities, improve manufacturing efficiencies, lower inventory carrying costs, reduce labor costs and expand distribution. The accomplishment of each of these objectives will require significant innovation, and we might not succeed in these endeavors. Although we are seeking to continue to develop a variety of new products, there is no assurance that any new products will be commercially successful or that we will be able to recover the costs of developing, testing, producing and marketing such products. Certain healthcare product manufacturers, with financial and distribution resources substantially greater than ours, have developed and are marketing products intended to fulfill the functions of our products.

Continuing reductions in the prices of our I.V. connector products could have an adverse effect on profit margins and profits.

The Hospira agreement establishes the prices that Hospira will pay for our products, which are lower than our average selling prices in our other sales channels. In response to competitive pressure, we had steadily reduced selling prices of the CLAVE to protect and expand its market although overall pricing has been stable recently. Reductions in selling prices could adversely affect gross margins and profits if we cannot achieve corresponding reductions in unit manufacturing costs or increased volume.

International sales pose additional risks related to competition with larger international companies and established local companies, our possibly higher cost structure, our ability to open foreign manufacturing facilities that can operate profitably, higher credit risks and exchange rate risk.

We have undertaken a program to increase significantly our international sales, and have distribution arrangements in all the principal countries in Western Europe, the Pacific Rim and Latin America, and in South Africa. We plan to sell in most other areas of the world. Currently, we export from the United States and Mexico most of the product sold internationally. Our principal competitors are a number of much larger companies as well as smaller companies already established in the countries into which we sell our products. Our cost structure is often higher than that of our competitors because of the relatively high cost of transporting product to the local market as well as low cost local labor in some markets. For these reasons, among others, we expect to open manufacturing facilities in foreign locations. There is no certainty that we will be able to open local manufacturing facilities or that those facilities will operate on a profitable basis.

Our international sales are subject to higher credit risks than sales in the United States. Many of our distributors are small and may not be well capitalized. Payment terms are relatively long. Our prices to our international distributors for product shipped to the customers from the United States or Mexico are set in U.S. dollars, but their resale prices are set in their local currency. A decline in the value of the local currency in relation to the U.S. dollar may adversely affect their ability to profitably sell in their market the products they buy from us, and may adversely affect their ability to make payment to us for the product they purchase. Legal recourse for non-payment of indebtedness may be uncertain. These factors all contribute to a potential for credit losses.

In 2003, we acquired a small manufacturer of I.V. systems in northern Italy, and have since transferred our European distribution to this subsidiary. This subsidiary operates in Euros. As the subsidiary increases in size, a decline in the value of the Euro in relation to the U.S. dollar could have an adverse effect on our reported operating results. There is no assurance as to the growth of this subsidiary or its future operating results.

Continuing pressures to reduce healthcare costs may adversely affect our prices. If we cannot reduce manufacturing costs of existing and new products, our sales may not continue to grow and our profitability may decline.

Increasing awareness of healthcare costs, public interest in healthcare reform and continuing pressure from Medicare, Medicaid and other payers to reduce costs in the healthcare industry, as well as increasing competition from other protective products, could make it more difficult for us to sell our products at current prices. In the event that the market will not accept current prices for our products, our sales and profits could be adversely affected. We believe that our ability to increase our market share and operate profitably in the long term may depend in part on our ability to reduce manufacturing costs on a per unit basis through high volume production using highly automated molding and assembly systems. If we are unable to reduce unit manufacturing costs, we may be unable to increase our market share for CLAVE products or lose market share to alternative products, including competitors' products. Similarly, if we cannot reduce unit manufacturing costs of new products as production volumes increase, we may not be able to sell new products profitably or gain any meaningful market share. Any of these results would adversely affect our future results of operations.

Increases in costs of electricity or interruptions in electrical service could have an adverse effect on our operations.

We use a significant amount of electricity in our molding and automated assembly operations in San Clemente, California. Rates are approximately double what they were five years ago, and there is no certainty that they will not increase further in the future. In addition, public concerns are again being raised about possible interruptions in service because of a lack of availability of electricity. Any significant increase in electrical costs or a significant interruption in service could have an adverse effect on our operations.

Increases in the cost of oil-based products could have an adverse effect on our profitability.

Most of the material used in our products is resins, plastics and other material that depend upon oil as their raw material. Oil prices in 2005 are at or near record highs. Our suppliers have passed some of these increases on to us, and if oil prices are sustained or increase further, our suppliers may pass further price increases on to us. Our ability to recover those higher costs may depend upon our ability to raise prices to our customers. In the past, we have rarely ever raised prices and it is uncertain that we would be able to raise them to recover higher prices from our suppliers. Our inability to raise prices in those circumstances could have an adverse effect on our profitability.

Our products could become obsolete if other companies are successful in developing technologies and products that are superior to ours.

Many companies are developing products and technologies to address the need for safe and cost effective I.V. connection systems. It is possible that others may develop superior I.V. connection system technologies or alternative approaches that prove superior to our products. Our products could become obsolete as a result of such developments, which could materially and adversely affect our operating results.

If we are unable to compete successfully on the basis of product innovation, quality, convenience, price and rapid delivery with larger companies that have substantially greater resources and larger distribution networks, we may be unable to maintain market share, in which case our sales may not grow and our profitability may be adversely affected.

The market for I.V. products is intensely competitive. We believe that our ability to compete depends upon continued product innovation, the quality, convenience and reliability of our products, access to distribution channels, patent protection and price. The ability of our custom I.V. and low-cost system products to compete will depend on our ability to distinguish our products from the competition based on product pricing, quality and rapid delivery. We encounter significant competition in our markets both from large established medical device manufacturers and from smaller companies. Many of these firms have introduced competitive products with protective features not provided by the conventional products and methods they are intended to replace. Most of our current and prospective competitors have economic and other resources substantially greater than ours and are well established as suppliers to the healthcare industry. Several large, established competitors offer broad product lines and have been successful in obtaining full-line contracts with a significant number of hospitals to supply all of their I.V. product requirements. There is no assurance that our competitors will not substantially increase resources devoted to the development, manufacture and marketing of products competitive with our products. The successful implementation of such a strategy by one or more of our competitors could materially and adversely affect us.

If we were to experience problems with our highly complex manufacturing and automated assembly processes, as we have at times in the past, or if we cannot obtain additional custom tooling and equipment on a timely enough basis to meet demand for our products, we might be unable to increase our sales or might lose customers, in which case our sales could decline.

We manufacture substantially all of our product components, except for standard components which are available as commodity items, and assemble them into finished products. Automated assembly of components into finished products involves complex procedures requiring highly sophisticated assembly equipment which is custom designed, engineered and manufactured for us. As a result of the critical performance criteria for our products, we have at times experienced problems with the design criteria for or the molding or assembly of our products. While we believe that we have resolved all design, manufacturing and assembly problems with respect to current products, there is no assurance that operations will not be adversely affected by unanticipated problems with current products or if such problems are experienced with future products.

We have expanded our manufacturing capacity substantially in recent years, and we expect continuing expansion will be necessary. Molds and automated assembly machines generally have a long lead-time with vendors, often six months or longer. Inability to secure such tooling in a timely manner, or unexpected increases in production demands, could cause us to be unable to meet customer orders. Such inability could cause customers to seek alternatives to our products.

We may not be able to significantly expand our sales of custom and low-cost, generic I.V. systems if we are unable to lower manufacturing costs, price our products below our competitors' prices and shorten delivery times significantly.

We believe that the success of our I.V. systems operations will depend on our ability to lower per unit manufacturing costs and price our products below our competitors' prices and on our ability to shorten significantly the time from customer order to delivery of finished product, or both. To reduce costs, we have moved labor intensive assembly operations to our facility in Mexico. To shorten delivery times, we have developed proprietary systems for order processing, materials handling, tracking, labeling and invoicing and innovative procedures to expedite assembly and distribution operations. Many of these systems and procedures require continuing enhancement and development. There is a possibility that our systems and procedures may not continue to be adequate and meet their objectives.

If demand for our CLAVE products were to decline significantly, we might not be able to recover the cost of our expensive automated molding and assembly equipment and tooling, which could have an adverse effect on our results of operations.

Our production tooling is relatively expensive, with each "module," which consists of an automated assembly machine and the molds and molding machines which mold the components, costing several million dollars or more. Most of the modules are for the CLAVE and the integrated Y CLAVE. If the demand for either of these products changes significantly, as might happen with the loss of a customer or a change in product mix, it might be necessary for us to account for the impairment in value of the production tooling because its cost may not be recovered through production of saleable product.

Because we depend to a significant extent on our founder for new product concepts, the loss of his services could have a material adverse effect on our business.

We depend for new product concepts primarily on Dr. George A. Lopez, our founder, Chairman of the Board, President and Chief Executive Officer. Dr. Lopez has conceived of substantially all of our current and proposed new products and the systems and procedures to be used in the custom I.V. products and their manufacturing. We believe that the loss of his services could have a material adverse effect on our business.

Because we have substantial cash balances and liquid investments in interest sensitive securities, continued low interest rates would have an adverse effect on our investment income and on our net income.

We have accumulated a substantial balance of cash and liquid investments principally through profitable operations and the exercise of stock options. These balances amounted to $96.1 million at March 31, 2005, almost all of which was invested in interest sensitive securities. Such securities consist principally of corporate preferred stocks and federal tax-exempt state and municipal government debt securities. Dividend and interest rates are reset at auction mostly at seven to forty-nine day intervals, with a small portion resetting at longer intervals up to one year.

Short-term interest rates have been the lowest in generations for the past four years and, notwithstanding recent increases, are still low by historic standards. In 2000, our investment income was $2.1 million on average on cash and liquid investments of approximately $43.4 million. In 2004, the comparable numbers were approximately $1.6 million and $87.2 million, respectively; investment income was approximately $2.6 million lower than it would have been at the rates in 2000. Continued low interest rates would continue to have an adverse effect on our investment income.

Our business could be materially and adversely affected if we fail to defend and enforce our patents, if our products are found to infringe patents owned by others or if the cost of patent litigation becomes excessive.

We have patents on certain products, software and business methods, and pending patent applications on other intellectual property and inventions. There is no assurance, however, that patents pending will issue or that

the patent protection from patents which have issued or may issue in the future will be broad enough to prevent competitors from introducing similar devices, that such patents, if challenged, will be upheld by the courts or that we will be able to prove infringement and damages in litigation.

We are substantially dependent upon the patents on our proprietary products such as the CLAVE to prevent others from manufacturing and selling products similar to ours. We recently settled litigation against B. Braun Medical Inc. We have ongoing litigation against Alaris Medical Systems, Inc., a part of Cardinal Health, Inc., for violating our patents and we are seeking injunctive relief and monetary damages. We believe those violations had and continue to have an adverse effect on our sales. Failure to prevail in this litigation or litigation we may bring against others violating our patents in the future would adversely affect our sales.

We have faced patent infringement claims related to the CLAVE and the CLC-2000. We believe the claims had no merit, and all have been settled or dismissed. We may also face claims in the future. Any adverse determination on these claims related to the CLAVE or other products, if any, could have a material adverse effect on our business.

We from time to time become aware of newly issued patents on medical devices which we review to evaluate any infringement risk. We are aware of a number of patents for I.V. connection systems that have been issued to others. While we believe these patents will not affect our ability to market our products, there is no assurance that these or other issued or pending patents might not interfere with our right or ability to manufacture and sell our products.

There has been substantial litigation regarding patent and other intellectual property rights in the medical device industry. Patent infringement litigation, which may be necessary to enforce patents issued to us or to defend ourselves against claimed infringement of the rights of others, can be expensive and may involve a substantial commitment of our resources which may divert resources from other uses. Adverse determinations in litigation or settlements could subject us to significant liabilities to third parties, could require us to seek licenses from third parties, could prevent us from manufacturing and selling our products or could fail to prevent competitors from manufacturing products similar to ours. Any of these results could materially and adversely affect our business.

Our ability to market our products in the United States and other countries may be adversely affected if our products or our manufacturing processes fail to qualify under applicable standards of the FDA and regulatory agencies in other countries.

Government regulation is a significant factor in the development, marketing and manufacturing of our products. Our products are subject to clearance by the United States Food and Drug Administration ("FDA") under a number of statutes including the Food, Drug and Cosmetics Act (“FDC Act”). Each of our current products has qualified, and we anticipate that any new products we are likely to market will qualify, for clearance under the FDA's expedited pre-market notification procedure pursuant to Section 510(k) of the FDC Act. There is no assurance, however, that new products developed by us or any manufacturers that we might acquire will qualify for expedited clearance rather than a more time consuming pre-market approval procedure or that, in any case, they will receive clearance from the FDA. FDA regulatory processes are time consuming and expensive. Uncertainties as to the time required to obtain FDA clearances or approvals could adversely affect the timing and expense of new product introductions. In addition, we must manufacture our products in compliance with the FDA's Quality System Regulations.

The FDA has broad discretion in enforcing the FDC Act, and noncompliance with the Act could result in a variety of regulatory actions ranging from warning letters, product detentions, device alerts or field corrections to mandatory recalls, seizures, injunctive actions and civil or criminal penalties. If the FDA determines that we have seriously violated applicable regulations, it could seek to enjoin us from marketing our products or we could be otherwise adversely affected by delays or required changes in new products. In addition, changes in FDA, or other

federal or state, health, environmental or safety regulations or in their application could adversely affect our business.

To market our products in the European Community ("EC"), we must conform to additional requirements of the EC and demonstrate conformance to established quality standards and applicable directives. As a manufacturer that designs, manufactures and markets its own devices, we must comply with the quality management standards of EN ISO 9001(1994)/EN 46001 (1996). Those quality standards are similar to the FDA's Quality System Regulations but incorporate the quality requirements for product design and development. Manufacturers of medical devices must also be in conformance with EC Directives such as Council Directive 93/42/EEC ("Medical Device Directive") and their applicable annexes. Those regulations assure that medical devices are both safe and effective and meet all applicable established standards prior to being marketed in the EC. Once a manufacturer and its devices are in conformance with the Medical Device Directive, the "CE" Mark maybe affixed to its devices. The CE Mark gives devices an unobstructed entry to all the member countries of the EC. We cannot assure that we will continue to meet the requirements for distribution of our products in Europe.

Distribution of our products in other countries may be subject to regulation in those countries, and there is no assurance that we will obtain necessary approvals in countries in which we wants to introduce our products.

Product liability claims could be costly to defend and could expose us to loss.

The use of our products exposes us to an inherent risk of product liability. Patients, healthcare workers or healthcare providers who claim that our products have resulted in injury could initiate product liability litigation seeking large damage awards against us. Costs of the defense of such litigation, even if successful, could be substantial. We maintain insurance against product liability and defense costs in the amount of $10,000,000 per occurrence. There is no assurance that we will successfully defend claims, if any, arising with respect to products or that the insurance we carry will be sufficient. A successful claim against us in excess of insurance coverage could materially and adversely affect us. Furthermore, there is no assurance that product liability insurance will continue to be available to us on acceptable terms.

Our Stockholder Rights Plan, provisions in our charter documents and Delaware law could prevent or delay a change in control, which could reduce the market price of our common stock.

On July 15, 1997, our Board of Directors adopted a Stockholder Rights Plan (the "Plan") and, pursuant to the Plan, declared a dividend distribution of one Right for each outstanding share of our common stock to stockholders of record at the close of business on July 28, 1997. The Plan was amended in 2002. Under its current provisions, each Right entitles the registered holder to purchase from us one one-hundredth of a share of Series A Junior participating Preferred Stock, no par value, at a Purchase Price of $115 per one one-hundredth of a share, subject to adjustment. The Plan is designed to afford the Board a great deal of flexibility in dealing with any attempted takeover of and will cause persons interested in acquiring us to deal directly with the Board, giving it an opportunity to negotiate a transaction that maximizes stockholder values. The Plan may, however, have the effect of discouraging persons from attempting to acquire us.

Investors should refer to the description of the Plan in our Current Report to the Securities and Exchange Commission on Form 8-K dated July 15, 1997 filed July 23, 1997, as updated by our Current Report dated January 30, 1999 filed February 9, 1999, and the terms of the Rights set forth in an Amended and Restated Rights Agreement, dated as of May 10, 2002 between ICU Medical, Inc. and Mellon Investor Services, L.L.C., as Rights Agent, which are filed as an exhibit to the May 14, 2002 Form 8-A/A.

Our Certificate of Incorporation and Bylaws include provisions that may discourage or prevent certain types of transactions involving an actual or potential change of control, including transactions in which the

stockholders might otherwise receive a premium for their shares over then current market prices. In addition, the Board of Directors has the authority to issue shares of Preferred Stock and fix the rights and preferences thereof, which could have the effect of delaying or preventing a change of control otherwise desired by the stockholders. In addition, certain provisions of Delaware law may discourage, delay or prevent someone from acquiring or merging with us.

The price of our common stock has been and may continue to be highly volatile due to many factors.

The market for small-market capitalization companies can be highly volatile, and we have experienced significant volatility in the price of our common stock in the past. In 2004 and through March 31, 2005, our trading range was from a high of $41.31 per share to a low of $19.98 per share. We believe that factors such as quarter-to-quarter fluctuations in financial results, differences between stock analysts' expectations and actual quarterly and annual results, new product introductions by us or our competitors, changing regulatory environments, litigation, changes in healthcare reimbursement policies, sales or the perception in the market of possible sales of common stock by insiders and substantial product orders could contribute to the volatility of the price of our common stock. General economic trends unrelated to our performance such as recessionary cycles and changing interest rates may also adversely affect the market price of our common stock.

Most of our common stock is held by, or included in accounts managed by, institutional investors or managers. Several of those institutions own or manage a significant percentage of our outstanding shares, with the ten largest interests accounting for 71% of our outstanding shares. If one or more of the institutions should decide to reduce or eliminate the position in our common stock, it could cause a decrease in the price of the common stock and such decrease could be significant.

For the past several years there has been a significant "short" position in our common stock, consisting of borrowed shares sold, or shares sold for future delivery which may not have been borrowed. We do not know whether any of these short positions are covered by "long" positions owned by the short seller. The short position, as reported by the Nasdaq stock market on April 15, 2005 was 2,210,503 shares, or approximately 16% of our outstanding shares. Any attempt by the short sellers to liquidate their position over a short period of time could cause very significant volatility in the price of our common stock.

We have outstanding stock options which may dilute the ownership of existing shareholders

At April 30, 2005, we had 4.3 million stock options outstanding of which 4.0 million had an exercise price below the market price of our stock. Exercise of those options would dilute the ownership interest of existing shareholders.

Continued compliance with recent securities legislation could be uncertain and could substantially increase our administrative expenses.

The Sarbanes-Oxley Act of 2002 imposed significant new requirements on public companies. We have complied with most of these without undue effort or expense. However, compliance with Section 404 of the Sarbanes-Oxley Act of 2002 requiring management to document and report on the effectiveness of internal controls and our independent registered public accounting firm to audit and report on the design and effectiveness of our internal controls has been extremely expensive. Although we expect to reduce the expense in 2005, it is uncertain that we will be able to do so, particularly if we expand our businesses to new locations or acquire significant assets or operations from external sources. Further, there is no certainty that we will continue to receive unqualified reports on our internal controls from our independent registered public accounting firm and what actions might be taken by securities regulators if we are unable to obtain an unqualified report.

Critical Accounting Policies

Our significant accounting policies are summarized in Note 1 to the Consolidated Financial Statements included in our 2004 Annual Report to Shareholders. In preparing our financial statements, we make estimates and assumptions that affect the expected amounts of assets and liabilities and disclosure of contingent assets and liabilities. We apply our accounting policies on a consistent basis. As circumstances change, they are considered in our estimates and judgments, and future changes in circumstances could result in changes in amounts at which assets and liabilities are recorded.

Investment securities are all marketable and considered "available for sale". See Item 3. Quantitative and Qualitative Disclosures about Market Risk. Under our current investment policies, the securities in which we invest have no significant difference between cost and fair value. If our investment policies were to change, and there were differences between cost and fair value, that difference, net of tax effect, would be reflected as a separate component of stockholders' equity.

We record sales and related costs when ownership of the product transfers to the customer. Under the terms of most purchase orders, ownership transfers on shipment, but in some cases it transfers on delivery. If there are significant doubts at the time of shipment as to the collectibility of the receivable, we defer recognition of the sale in revenue until the receivable is collected. Most of our customers are medical product manufacturers or distributors, although some are end-users. Our only post-sale obligations are warranty and certain rebates. We warrant products against defects and have a policy permitting the return of defective products. Warranty returns have been insignificant. Customers, with certain exceptions, do not retain any right of return and there is no price protection with respect to unsold products; returns from customers with return rights have not been significant. We accrue rebates as a reduction in revenue based on contractual commitments and historical experience. Adjustments of estimates of warranty claims, rebates or returns, which have not been and are not expected to be material, affect current operating results when they are determined.

Accounts receivable are stated at net realizable value. An allowance is provided for estimated collection losses based on specific past due accounts for which we consider collection to be doubtful. Loss exposure is principally with international distributors for whom normal payment terms are long in comparison to those of our other customers and, to a lesser extent, domestic distributors. Many of these distributors are relatively small and we are vulnerable to adverse developments in their businesses that can hinder our collection of amounts due. If actual collection losses exceed expectations, we could be required to accrue additional bad debt expense, which could have an adverse effect on our operating results in the period in which the accrual occurs.

Inventories are stated at the lower of cost or market. We need to carry many components to accommodate our rapid product delivery, and if we misestimate demand or if customer requirements change, we may have components in inventory that we may not be able to use. Most finished products are made only after we receive orders except for certain standard (non-custom) products which we will carry in inventory in expectation of future orders. For finished products in inventory, we need to estimate what may not be saleable. We regularly review inventory for slow moving items and write off all items we do not expect to use in manufacturing, or finished products we do not expect to sell. If actual usage of components or sales of finished goods inventory is less than our estimates, we would be required to write off additional inventory, which could have an adverse effect on our operating results in the period in which the write-off occurs.

Property and equipment is carried at cost and depreciated on the straight-line method over the estimated useful lives. The estimates of useful lives are significant judgments in accounting for property and equipment, particularly for molds and automated assembly machines that are custom made for us. We may retire them on an accelerated basis

if we replace them with larger or more technologically advanced tooling. The remaining useful lives of all property and equipment are reviewed regularly and lives are adjusted or assets written off based on current estimates of future use. As part of that review, property and equipment is reviewed for other indicators of impairment, but to date we have not encountered circumstances indicating the carrying amount of an asset, or group of assets, may not be recoverable. An unexpected shortening of useful lives of property and equipment that significantly increases depreciation provisions, or other circumstances causing us to record an impairment loss on such assets, could have an adverse effect on our operating results in the period in which the related charges are recorded.

New Accounting Pronouncements

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payments ("SFAS 123(R)"), which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. SFAS 123(R) requires expense for all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. In April 2005, the SEC delayed the effective date of SFAS 123 (R) to fiscal years beginning after June 15, 2005. As a result, we expect to adopt SFAS 123(R) on January 1, 2006. SFAS 123(R) permits public companies to adopt its requirements using one of two methods. We plan on adopting the modified prospective method, under which compensation cost is recognized beginning with the effective date. The modified prospective method recognizes compensation cost based on the requirements of SFAS 123(R) for all share-based payments granted after the effective date and based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date that remain unvested on the effective date. We expect to substantially curtail grants of stock options in the future and do not expect to record any significant expenses under SFAS 123 (R) for options currently outstanding. However, the amount of expense recorded under SFAS 123 (R) will depend upon the number of options granted in the future and their valuation.

In November 2004, the FASB issued FASB Statement No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4 (SFAS 151), to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) should be recognized as current period charges, and that fixed production overheads should be allocated to inventory based on normal capacity of production facilities. We adopted SFAS 151 on January 1, 2005. It did not have a material effect on our results of operations.

We have implemented all new accounting pronouncements that are in effect and that may impact our consolidated financial statements and do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our consolidated financial statements.

Business Overview

Until the late 1990s, our primary emphasis in product development, sales and marketing was disposable medical connectors for use in I.V. therapy, and our principal product was the CLAVE. In the late 1990s, we commenced a transition from a product-centered company to an innovative, fast, efficient, low-cost manufacturer of custom I.V. systems, using processes that we believe can be readily applied to a variety of disposable medical devices. This strategy enables us to capture revenue on the entire I.V. system, and not just a component of the system.

We are also increasing our efforts to acquire new products. We acquired the Punctur-Guard line of blood collection needles in 2002, invested in a company developing a new medical device in 2004, acquired Hospira's Salt Lake City, Utah manufacturing facility and entered into an agreement to produce their critical care products in May 2005, and are continuing to seek

other opportunities. However, there can be no assurance that we will be successful in finding acquisition opportunities, or in acquiring companies or products.

Custom I.V. systems and new products will be of increasing importance to us in future years. We expect CLAVE products will grow in the remainder of 2005 in the U.S., but at a slower percentage growth rate than prior to 2004 because of our large market penetration. We also potentially face substantial increases in competition if we are unsuccessful in enforcing our intellectual property rights. Growth for all of our products outside the U.S. could be substantial, although to date it has been relatively modest. Therefore, we will be directing increasing product development, acquisition, sales and marketing efforts to custom I.V. systems and new products in the U.S. and increasing our emphasis on the markets outside the U.S.

Our largest customer has been Hospira. Our relationship with Hospira has been and will continue to be of singular importance to our growth. In 2003, approximately 67% of our revenue was from sales to Hospira. While our sales to Hospira declined to approximately 53% of revenue in 2004, this percentage increased in the first quarter of 2005 to 61%. We expect this percentage to increase again in the future both as a result of increased sales of CLAVE products and I.V. sets to Hospira and as a result of the new agreements with Hospira as described below. Hospira has a significant share of the I.V. set market in the U.S., and provides us access to that market. We expect that Hospira will be important to our growth for CLAVE, custom I.V. systems, and our other products in the U.S. and also outside the U.S.

On May 1, 2005, the Company acquired Hospira Inc's Salt Lake City, Utah manufacturing facility, related capital equipment and certain inventories for $32.1 million in cash. The Company entered into a twenty-year Manufacturing, Commercialization and Development Agreement ("MCDA") with Hospira Inc. (Hospira). Under the MCDA, we produce for sale to Hospira, on an exclusive basis, substantially all the products manufactured at the Salt Lake City facility. The majority of those products are Hospira's critical care products, which include medical devices such as catheters, angiography kits and cardiac monitoring systems. We estimate that sales under this agreement will approximate $45 million in 2005, with only small profits in 2005 and increasing sales and profits in future years. Hospira retains commercial responsibility for the products we are producing, including sales, marketing, distribution, customer contracts, customer service and billing. We have also committed to fund certain research and development to improve critical care products and develop new products for sale to Hospira, and have also committed to provide certain sales specialist support. We give no assurance as to the amounts of sales or profits under the MCDA.

We believe that achievement of our growth objectives, both within the U.S., and outside the U.S., will require increased efforts by us in sales and marketing and product development through the remainder of 2005.

There is no assurance that we will be successful in implementing our growth strategy. The custom I.V. systems market is still small and we could encounter customer resistance to custom products. Further, we could encounter increased competition as other companies see opportunity. Product development or acquisition efforts may not succeed, and even if we do develop or acquire products, there is no assurance that we will achieve profitable sales of such products. An adverse change in our relationship with Hospira, or a deterioration of Hospira's position in the market, could have an adverse effect on us. Increased expenditures for sales and marketing and product acquisition and development may not yield desired results when expected, or at all. While we have taken steps to control these risks, there are certain of those risks which may be outside of our control, and there is no assurance that steps we have taken will succeed.

Overview of Operations

The following table sets forth revenues by product as a percentage of total revenues for the periods indicated:

Product Line	Q1-05	Q1-04	2004	2003	2002	2001
CLAVE	58%	50%	47%	59%	67%	74%
Custom and Generic I.V. Systems	25%	29%	35%	22%	17%	13%
Punctur-Guard®	4%	7%	5%	7%	1%	–
CLC2000®	4%	4%	4%	4%	4%	3%
Other Products	4%	6 %	5%	4%	7%	10%
License, royalty and revenue share	5%	4%	4%	4%	4%	–
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Most custom I.V. systems include one or more CLAVEs. Total CLAVE sales including custom I.V. systems with at least one CLAVE were 75% of revenue for the first quarter of 2005 and 2004.

We sell our products to independent distributors and through agreements with Hospira (the "Hospira Agreements") and certain other medical product manufacturers. Most independent distributors handle the full line of our products. Hospira purchases CLAVE products, principally bulk, non-sterile connectors, and the CLC2000. In 2004, we signed an additional agreement with Hospira to distribute our Punctur-Guard line of blood collection needles in the U.S. and the rest of the world. In addition, we sell custom I.V. systems to Hospira under a program referred to as SetSource. Our agreements with Hospira, with terms to 2014, provide Hospira with conditional exclusive and nonexclusive rights to distribute all existing ICU Medical products worldwide. We also sell certain other products to a number of other medical product manufacturers.

We believe that as healthcare providers continue to either consolidate or join major buying organizations, our success in marketing and distributing CLAVE products will depend, in part, on our ability, either independently or through strategic relationships such as our Hospira relationship, to secure long-term CLAVE contracts with large healthcare providers and major buying organizations. As a result of this marketing and distribution strategy we derive most of our revenues from a relatively small number of distributors and manufacturers. The loss of a strategic relationship with a customer or a decline in demand for a manufacturing customer's products could have a material adverse effect on our operating results.

In June 2004, Cardinal Health, Inc. ("Cardinal") acquired Alaris Medical Systems, Inc. (Alaris). Alaris manufactures a connector that competes with the CLAVE. Cardinal is the largest distributor of healthcare products in the United States, and the companies have announced their intent to increase market share growth beyond what Alaris might be able to achieve on its own. We believe the ownership of Alaris by Cardinal could adversely affect our market share and the prices for our CLAVE products.

We believe the success of the CLAVE has motivated, and will continue to motivate others to develop one-piece, swabbable, needleless connectors that may incorporate many of the same functional and physical characteristics as the CLAVE. We are aware of a number of such products. We have patents covering the technology embodied in the CLAVE and intend to enforce those patents as appropriate. If we are not successful in enforcing our patents, competition from such products could adversely affect our market share and prices for our CLAVE products. In response to competitive pressure, we have been reducing prices to protect and expand our market, although overall pricing has been stable recently. The price reductions to date have been more than offset

by increased volume, after excluding the effect of Hospira's temporary reduction of purchases in 2004. We expect that the average price of our CLAVE products may continue to decline. There is no assurance that our current or future products will be able to successfully compete with products developed by others.

The federal Needlestick Safety and Prevention Act, enacted in November 2000, modified standards promulgated by the Occupational Safety and Health Administration to require employers to use safety I.V. systems where appropriate to reduce risk of injury to employees from needlesticks. We believe this law has had and will continue to have a positive effect on sales of our needleless systems and blood collection needles, although we are unable to quantify the current or anticipated effect of the law on our sales.

We are taking steps to reduce our dependence on our current proprietary products. We are seeking to substantially expand our custom I.V. systems business through increased sales to medical product manufacturers and independent distributors. Under one of our Hospira Agreements, we manufacture all new custom I.V. sets for sale by Hospira and jointly promote the products under the name SetSource. We also contract with group purchasing organizations and independent dealer networks for inclusion of our products among those available to members of those entities. Custom I.V. systems accounted for approximately $6.8 million of net sales in the first quarter of 2005, including net sales under the Hospira SetSource program of approximately $3.2 million. We expect continued increases in sales of custom I. V. systems. Our Punctur-Guard products, acquired in 2002, are blood collection needles, designed to eliminate exposure to sharp, contaminated needles. Punctur-Guard product revenues in the first quarter of 2005 were $1.1 million. In 2004, we invested in a company developing a new medical device; sales depend on the success of efforts to develop and market the device, and there can be no certainty that those efforts will succeed. There is no assurance that any of these initiatives will continue to succeed.

We have an ongoing program to increase systems capabilities, improve manufacturing efficiency, reduce labor costs, reduce time needed to produce an order, and minimize investment in inventory. These include use of automated assembly equipment for new and existing products, use of larger molds and molding machines, centralization of all proprietary molding in San Clemente, expansion of our production facility in Mexico, and the establishment of other production facilities outside the U.S.

We distribute products through three distribution channels. Revenues for each distribution channel were as follows:

Channel	**Q1-05**	**Q1-04**	**2004**	**2003**	**2002**	**2001**
Medical product manufacturers	68%	65%	57%	71%	73%	72%
Independent domestic distributors	22%	26%	31%	23%	19%	20%
International	10%	9%	12%	6%	8%	8%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Quarter-to-quarter comparisons: We present summarized income statement data in Item 1. Financial Statements. The following table shows, for the year 2004 and the first quarter 2005 and 2004, the percentages of each income statement caption in relation to revenues, and the percentage change in each caption in each quarter. (We currently calculate our gross profit percentage based on net sales, which includes only product sales and excludes non-product revenue. See below for information on non-product revenue. We present the alternative calculation based on net product revenue to give the reader a better view of product gross margins.

	Percentage of Revenues			
	Year	Quarter ended March 31,		
	2004	2005	2004	Change
Revenue				
Net sales	96%	95%	96%	21%
Other	4%	5%	4%	48%
Total revenues	100%	100%	100%	22%
Gross profit				
Percentage of net sales	45%	54%	54%	21%
Percentage of all revenues	47%	56%	56%	23%
Selling, general and administrative expenses	35%	30%	25%	42%
Research and development expenses	4%	2%	2%	49%
Total operating expenses	39%	32%	27%	42%
Income from operations	8%	24%	29%	3%
Investment income	2%	2%	1%	90%
Income before income taxes and minority interest	10%	26%	30%	7%
Income taxes	3%	10%	11%	12%
Net income	7%	16%	19%	7%

Quarterly results: The healthcare business in the United States is subject to seasonal fluctuations, and activity tends to diminish somewhat in the summer months of June, July and August, when illness is less frequent than in winter months and patients tend to postpone elective procedures. This typically causes seasonal fluctuations in our business. In addition, we can experience fluctuations in net sales as a result of variations in the ordering patterns of our largest customers, which may be driven more by production scheduling and their inventory levels, and less by seasonality. Our expenses often do not fluctuate in the same manner as revenues, which may cause fluctuations in operating income that are disproportionate to fluctuations in our revenue.

Quarter Ended March 31, 2005 Compared to the Quarter Ended March 31, 2004

Revenues increased $4.9 million, or approximately 22%, to $27.1 million in the first quarter of 2005, compared to $22.2 million in the first quarter of 2004.

Distribution channels: Net sales to Hospira in the first quarter of 2005 were $16.4 million, as compared with net sales of $13.2 million in the first quarter of 2004. (Hospira sales discussed in this paragraph do not include foreign sales.) Net sales of CLAVE Products to Hospira, excluding custom CLAVE I.V. systems, increased by $3.4 million to $12.4 million in the first quarter of 2005 from $9.0 million in the first quarter of 2004. Beginning in the first quarter of 2004, Hospira began decreasing its level of purchases to make a substantial reduction in its inventory of CLAVE products. Hospira's reduced buying continued through the remainder of 2004. Hospira informed us that it had reduced its inventory to the desired level by the end of December 2004. In

2005, we expect our sales of CLAVE products to Hospira to more closely match its sales to its customers than they have in the past. Sales to Hospira under the SetSource program approximated $3.2 million in the first quarter of 2005 compared to $2.7 million in the first quarter of 2004, or an increase of 17%. The SetSource increase is attributed to increases in the custom set market. There is no assurance as to the amount of any future sales increases to Hospira.

Net sales to independent domestic distributors were $6.0 million in the first quarter of 2005 compared to $5.8 million in 2004. The increase in sales to independent distributors is attributed principally to a $0.6 million increase in CLAVE product sales, offset by a $0.4 million decrease in Punctur-Guard product sales. The increase in CLAVE product sales is primarily due to increased unit volume. The decrease in sales of Punctur-Guard products is primarily due to a reduction in average sales price to achieve a wider distribution. We also experienced a loss of some customers and unit volume on the Punctur-Guard products while making changes for a more marketable product. There is no assurance as to the amount of any future sales increases to the independent domestic distributors.

Net sales to international markets (excluding Canada) were $2.6 million in the first quarter of 2005, compared to $2.1 million in the first quarter of 2004, or an increase of 26%. The increase was primarily attributable to increased sales in Europe. The increase, by product line, was primarily comprised of a $0.4 million increase in sales of CLAVE products to a total of $1.7 million. All of our other principal product lines had increased sales. We expect increases in foreign sales in the future in response to increased sales and marketing efforts including adding additional business development managers. Also, we believe we will begin to see a positive impact towards the latter half of 2005 from our 2004 amendments to the Hospira contracts, which gave Hospira international distribution. Any such impact may depend on how quickly Hospira expands its international distribution. There is no assurance that those expectations will be realized.

Product and other revenue: Net sales of CLAVE Products (excluding custom CLAVE I.V. systems) increased to $15.7 million in the first quarter of 2005 from $11.1 million in the first quarter of 2004. This increase was primarily due to increased unit shipments of CLAVE products to Hospira, which accounted for 75% of the increase in CLAVE sales in the first quarter of 2005 compared to the first quarter of 2004. The remaining increase in CLAVE product sales was from increased unit shipments to our domestic and international distributors. Sales of CLAVE products and custom I.V. systems including one or more CLAVE connectors combined were $20.4 million in the first quarter of 2005 as compared with $15.4 million in the first quarter of 2004. This increase was principally due to increased purchases of CLAVE products in all our distribution channels. We expect growth in CLAVE unit and dollar sales volume in the remainder of 2005 compared to 2004 in all of our distribution channels. However, there is no assurance that these expectations will be realized.

Net sales of custom and generic I.V. systems, which included custom I.V sets, both with a CLAVE and without a CLAVE, were $6.8 million in the first quarter of 2005 compared to $6.6 million in the first quarter of 2004, or a 4% increase. The SetSource program with Hospira accounted for the increase.

Sales of Punctur-Guard products (excluding royalties) were $1.1 million in the first quarter of 2005 compared to $1.5 million in the first quarter of 2004. The decline was due to a decrease in unit sales and to pricing concessions to achieve wider distribution. However, sales increased 35% over the fourth quarter of 2004, on increased volume with domestic distributors, indicating that sales may have stabilized after declines throughout 2004. We are currently concentrating our sales and marketing efforts for the Winged Set product on outpatient provider contracts and the lab market. However, we have been unable to achieve success with the Blood Collection Needle (BCN), and we are not currently focusing any significant sales and marketing efforts on the BCN. There is no assurance as to future sales of Punctur-Guard products.

Net sales of the CLC2000 were $1.0 million in the first quarter of 2005 compared to $0.9 million in the

first quarter of 2004. The increase is primarily attributable to increases international sales. We expect sales of the CLC2000 to increase moderately in the remainder of 2005 compared with 2004, but there is no assurance as to the amount or timing of future CLC2000 sales.

Other revenue consists of license, royalty and revenue share income. Ongoing amounts approximate $0.6 million to $0.7 million per quarter and we received additional amounts in the first quarters of 2005 and 2004 for minimum payments due. We may receive other license fees or royalties in the future for the use of our technology. We give no assurance as to amounts or timing of any future payments, or whether such payments will be received.

Gross margin for the first quarter of 2005 and 2004, calculated on net sales and excluding other revenue, was 54% and was in line with expectations. Our overall standard gross margins are approximately 57% (although they can vary depending on product mix). Gross margins were below our standard level in the first quarter because of our Punctur-Guard products, which currently have lower gross margins than most of our other products, the new facility in Italy which is still operating below capacity and somewhat lower than normal production levels of CLAVE products as we reduce inventories. We expect gross margins on product sales will be in the 53-55% range in the remaining 2005 quarters. This excludes the effect of the Salt Lake City MCDA agreement with Hospira which we expect will significantly reduce our gross margins. Our gross margins can vary depending on both product mix and plant utilization. We give no assurance as to the amount or timing of any future improvements to our gross margins.

Selling, general and administrative expenses **("SG&A")** in the first quarter of 2005 was $8.0 million compared to $5.7 million in the first quarter of 2004, or an increase of $2.4 million. The increase in costs was primarily due to a $1.5 million increase in expenses associated with patent lawsuits against two companies we allege infringe our patents and $0.6 million of increased use of outside professional fees, including legal, accounting and information technology. We expect SG&A costs in the remainder of 2005 to be comparable to the 2004 costs or somewhat lower because reduction in expenses associated with patent lawsuits following settlement of one of those suits, decreases in the expense of Sarbanes-Oxley compliance and lower amortization costs are expected to offset anticipated increases in sales and marketing costs. This expectation excludes the effect of the Salt Lake City MCDA agreement with Hospira which we expect will cause an increase in our SG&A expenses.

Research and development expenses **("R&D")** were $0.7 million in the first quarter of 2005, or an increase of $0.2 million from the first quarter of 2004. The increase is primarily due to R&D costs incurred by our majority-owned invested company developing a new medical device designed for use in screening for heart disease. The device in is the very early stage of design, uses new technology, and completion of a marketable device is expected to take at least several years. We have agreed to invest an additional $1.5 million in that company if certain milestones are achieved by November 30, 2005. We estimate R&D costs will increase in the remainder of 2005 when compared to 2004, excluding the 2004 in-process research and development charge, to support on-going new product development and R&D under the MCDA agreement with Hospira. We have committed to fund certain R&D under the Salt Lake City MCDA agreement with Hospira. There is no assurance as to the timing of or cost of completing a marketable device or whether it will be completed.

Investment income increased in the first quarter of 2005 as compared with the first quarter of 2004 by $0.3 million. The increase was primarily due to an increase in overall yield, and to a lesser extent an increase in invested funds (including finance loans).

Income taxes were accrued at an effective tax rate of 38.9% in the first quarter of 2005, as compared with 37.5% in the first quarter of 2004. The tax rate increase is principally because of the effect of the estimated losses of the majority-owned company developing the new medical device because those losses are not included in our consolidated tax return.

Liquidity and Capital Resources

During the quarter ended March 31, 2005, our working capital increased $7.7 million to $117.3 million from $109.6 million at December 31, 2004. The increase was principally due to cash generated by operations and cash received from employee equity plans, which was partially offset by investment in property and equipment. Our cash and cash equivalents and investment securities position increased during the quarter ended March 31, 2005 by $8.7 million to $96.1 million. This increase was primarily due to the aggregate of cash provided by operating activities (including tax benefits from exercise of stock options) of $7.9 million and cash provided by the company's employee equity plans of $1.9 million exceeded the purchases of property and equipment of $1.2 million.

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

Accounts receivable increased from $8.9 million at December 31, 2004 to $11.8 million at March 31, 2005, or 32%. The increase was principally because revenue in the first quarter of 2005 was 78% more than revenue in the fourth quarter of 2004, offset by cash collections because shipments were spread relatively evenly over each month of the first quarter

We generally try to maintain a minimal amount of inventory of finished goods and work in process, but will maintain larger amounts of components (classified as raw material) acquired from third parties to avoid production delays if deliveries by our suppliers are late. We increased inventories in the first half of 2004 in anticipation of higher sales in the latter part of 2004, but those sales did not materialize and we had much of those inventories on hand at December 31, 2004. In the first quarter of 2005, we reduced finished goods inventory by $2.1 million and expect further reductions in the second quarter.

At the end of 2004 our prepaid income taxes had increased to $6.6 million because in the first half of 2004 we had overestimated our taxable earnings for the year 2004, resulting in overpayment of estimated taxes. A portion of this was applied to estimated 2005 liabilities and $4.0 million was refunded to us in April 2005.

The tax benefits from the exercise of stock options, which we believe are more properly related to the sale of our stock which is a financing activity, fluctuates based principally on when employees choose to exercise their vested stock options. Tax benefits from the exercise of stock options in the first quarter of 2005 were $1.1 million on the exercise of options to acquire 133,461 shares as compared to $0.1 million in the first quarter of 2004 on the exercise of options to acquire 18,211 shares. On January 1, 2006, when we adopt provisions of SFAS 123(R), on accounting for share based payments, these tax benefits will be reflected in financing activities.

We expect our sales will continue to grow in the remainder of 2005 compared to 2004 both from our historical business and the fulfillment of our obligations under the Salt Lake City MCDA agreement with Hospira. As sales increase, working capital is expected to increase to fund the increase in operations. Excluding the one-time reduction to working capital to purchase Hospira's Salt Lake City, Utah facility on May 1, 2005, we expect the use of working capital to fund our operations to continue to increase.

Investing Activities: During the first quarter of 2005, we used cash of $8.8 million in investing activities. This was comprised primarily of the net purchases of liquid investments of $7.9 million and purchases of property and equipment of $1.2 million.

We currently estimate that capital expenditures for the remainder 2005, excluding the purchase of the Salt Lake City facility from Hospira, will be approximately $5.0 million, bringing the year's total to approximately $6.2

million. Amounts of spending are estimates and actual spending may substantially differ from those amounts. We expect to incur capital expenditures in connection with the purchase of the Salt Lake City facility, relocation of production and acquisition of new equipment, but the amounts and timing of such expenditures have not been determined.

Upon completing an evaluation of the design and capacity of our manufacturing facilities, we estimate that our current facilities will be adequate for our business as it currently exists through 2005, but that production after 2005 may require additional clean room facilities for molding and automated assembly. We expect to decide in the future how to meet the need for any additional facilities and the location of additional clean room facilities for molding and automated assembly. This evaluation did not consider facility needs under the MCDA with Hospira. That additional evaluation is in progress and its outcome could have a significant effect on our previous conclusion.

ICU Finance, Inc. is a wholly owned consolidated subsidiary that we established in 2002 as a licensed commercial lender to provide financing to companies involved in distribution of healthcare products and provision of healthcare services. In October 2003, we discontinued new lending activities. Loans were made only to credit-worthy healthcare entities and are fully secured by real and personal property. At March 31, 2005, $5.9 million in loans were outstanding. Scheduled maturities are: remainder of 2005 $2.3 million; 2006 $1.2 million; 2007 $1.1 million and 2008 $1.3 million. Weighted average maturity (principal and interest) at March 31, 2005 was 1.3 years and the weighted average interest rate was 5.8%. There were no unfunded commitments at March 31, 2005.

Financing Activities: Cash provided by stock options and the employee stock purchase plan, excluding tax benefits, was $1.9 million in the first quarter of 2005 as compared to $0.5 million in the first quarter of 2004. Options were exercised on 133,461 shares in the first quarter of 2005 compared with 18,211 in the first quarter of 2004.

We did not acquire shares of our common stock in the first quarter of 2005, however, we may purchase our shares in the future. Future purchases of our common stock, if any, will depend on market conditions and other factors.

We have a large cash and liquid investment position generated from profitable operations and stock sales, principally from the exercise of employee stock options. We maintain this position to fund our growth, meet increasing working capital requirements, fund capital expenditures, and to take advantage of acquisition opportunities that may arise. Our primary investment goal is capital preservation, as further described in Item 3. Quantitative and Qualitative Disclosures about Market Risk. Our liquid investments have very little credit risk or market risk. We currently believe that our existing cash and liquid investments along with funds expected to be generated from future operations will provide us with sufficient funds to finance our current operations for the next twelve months.

Off Balance Sheet Arrangements

We have agreed to indemnify officers and directors of the Company to the maximum extent permitted under Delaware law and to indemnify customers as to certain intellectual property matters related to sales of our products. There is no maximum limit on the indemnification that may be required under these agreements. We have never incurred, nor do we expect to incur, any liability for indemnification. Except for indemnification agreements, we do not have any "off balance sheet arrangements".

Contractual Obligations

We have the following contractual obligations of approximately the following amounts. These amounts exclude purchase orders for goods and services for current delivery; we do not have any long-term purchase commitments for such items. These amounts also exclude any future obligations under the MCDA.

	Total	Payments due: less than 1 year from March 31,2006
Property and equipment	$ 2,000,000	$ 2,000,000

Forward Looking Statements

Various portions of this Report, including this Management's Discussion and Analysis, describe trends in our business and finances that we perceive and state some of our expectations and beliefs about our future. These statements about the future are "forward looking statements," and we identify them by using words such as "believe," "expect," "estimate," "plan," "will," "continue," "could," may," and by similar expressions and statements about aims, goals and plans. The forward looking statements are based on the best information currently available to us and assumptions that we believe are reasonable, but we do not intend the statements to be representations as to future results. They include, among other things, statements about:

- future operating results and various elements of operating results, including future expenditures on sales and marketing and product development, future sales and unit volumes of products, future license, royalty and revenue share income, production costs, gross margins, SG&A, and R&D expense, income, losses, cash flow, new product introductions, changes in working capital items such as receivables and inventory, selling prices and income taxes;

- factors affecting operating results, such as shipments to specific customers, expansion in international markets, selling prices, future increases or decreases in sales of certain products and in certain markets and distribution channels, impact of safety legislation, increases in systems capabilities, introduction and sales of new products, manufacturing efficiencies, unit manufacturing costs, acquisition and use of production equipment and expansion of facilities and assembly capacity, expansion of markets and the need for additional facilities, business seasonality and fluctuations in quarterly results, customer ordering patterns and warranty claims, rebates and returns;

- new or extended contracts with manufacturers and buying organizations, and dependence on a small number of customers, effect of contract amendments with Hospira, effect of the acquisition of Hospira's Salt Lake City manufacturing facility and the manufacture of products for Hospira under the MCDA, and the outcome of our strategic initiatives;

- regulatory approval and outcome of litigation; competitive and market factors, including continuing development of competing products by other manufacturers, the impact of Cardinal's acquisition of Alaris, consolidation of the healthcare provider market and downward pressure on selling prices; and working capital requirements, foreign currency denominated financial instruments, capital expenditures, acquisitions of other businesses or product lines, indemnification liabilities, contractual liabilities and common stock repurchases.

The kinds of statements described above and similar forward looking statements about our future performance are subject to a number of risks and uncertainties which one should consider in evaluating the statements. First, one should consider the factors and risks described in the statements themselves. Those factors are uncertain, and if one or more of them turn out differently than we currently expect, our operating results may differ materially from our current expectations.

Second, one should read the forward looking statements in conjunction with the Risk Factors in this Quarterly Report to the Securities and Exchange Commission. Also, our actual future operating results are subject to other important factors that we cannot predict or control, including among others the following:

- general economic and business conditions;
- the effect of price and safety considerations on the healthcare industry;
- competitive factors, such as product innovation, new technologies, marketing and distribution strength and price erosion;
- unanticipated market shifts and trends;
- the impact of legislation affecting government reimbursement of healthcare costs;
- changes by our major customers and independent distributors in their strategies that might affect their efforts to market our products;
- unanticipated production problems; and
- the availability of patent protection and the cost of enforcing and of defending patent claims.

We disclaim any obligation to update the statements or to announce publicly the result of any revision to any of the statements contained herein to reflect future events or developments.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have a portfolio of corporate preferred stocks and federal-tax-exempt state and municipal government debt securities. The securities are all "investment grade" and we believe that we have virtually no exposure to credit risk. Dividend and interest rates reset at auction for most of the securities from between seven and forty-nine day intervals, with some longer but none beyond twelve months, so we have very little market risk, that is, risk that the fair value of the security will change because of changes in market interest rates; they are readily saleable at par at auction dates, and can normally be sold at par between auction dates. As of March 31, 2005, we had no declines in the market value of these securities.

Our future earnings are subject to potential increase or decrease because of changes in short-term interest rates. Generally, each one-percentage point change in the discount rate will cause our overall yield to change by two-thirds to three-quarters of a percentage point, depending upon the relative mix of federal-tax-exempt securities and corporate preferred stocks in the portfolio and market conditions specific to the securities in which we invest.

At March 31, 2005 we had outstanding commercial loans of approximately $5.9 million. Loans were made only to credit worthy parties and are fully secured by real and personal property. We plan to hold the loans until maturity or payoff. Maturities are five years or less and the weighted average maturity (principal and interest payments) is 1.3 years. Because of the relatively small amount of the commercial loans, market risk is not significant to our financial statements.

Foreign currency exchange risk for financial instruments on our balance sheet, which consist of cash, accounts receivable and accounts payable, is not significant. Sales from the U.S. and Mexico to foreign distributors are all denominated in U.S. dollars. We have manufacturing, sales and distribution facilities in several countries and we conduct business transactions denominated in various foreign currencies, principally the Euro, British Pound, and Mexican Peso. Cash and receivables in those countries have been insignificant and are generally offset by accounts payable in the same foreign currency. We expect that in the future, with the growth of our European distribution operation, that net Euro denominated instruments will increase. We currently do not hedge our foreign currency exposures.

Our exposure to commodity price changes relates primarily to certain manufacturing operations that use resin. We manage our exposure to changes in those prices through our procurement and supply chain management practices and the effect of price changes have not been material. We are not dependent upon any single source for any of our principal raw materials or products for resale, and all such materials and products are readily available.

Item 4. Controls and Procedures

Our principal executive officer and principal financial officer have concluded, based on their evaluation of our disclosure controls and procedures (as defined in Regulations 13a-14(c) and 15a-14(c) under the Securities Exchange Act of 1934) as of the end of the period covered by this report, that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission. There were no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the date of the principal executive officer's and principal financial officer's evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

In an action filed August 21, 2001 and later amended, entitled ICU Medical, Inc. v. B Braun Medical, Inc. in the United States District Court for the Northern District of California, we alleged that B. Braun infringed ICU's patent by the manufacture and sale of its UltraSite medical connector. On April 20, 2005, ICU Medical, Inc. and B. Braun Medical Inc. settled the patent infringement suit, which was dismissed. The terms of the settlement are confidential.

In an action filed June 16, 2004 entitled ICU Medical, Inc. v. Alaris Medical Systems, Inc. pending in the United States District Court for the Central District of California, we allege that Alaris Medical Systems, Inc. infringes ICU's patent in the manufacture and sale of the SmartSite and SmartSite Plus Needle-Free Valves and Systems. We seek monetary damages and injunctive relief and intend to vigorously pursue this matter. On August 2, 2004 the Court denied our request for a preliminary injunction. The outcome of this matter cannot be determined at this time.

We are from time to time involved in various other legal proceedings, either as a defendant or plaintiff, most of which are routine litigation in the normal course of business. We believe that the resolution of the legal proceedings in which we are involved will not have a material adverse effect on our financial position or results of operations.

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

Inapplicable

Item 3. Default Upon Senior Securities

Inapplicable

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

Inapplicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit 2.1:	Asset Purchase Agreement dated February 25, 2005 between Registrant and Hospira, Inc.
Exhibit 2.2:	Letter Agreement dated May 1, 2005 between Registrant and Hospira, Inc.
Exhibit 2.3:	Real Estate Purchase Agreement dated February 25, 2005 between Registrant and Hospira, Inc.
Exhibit 2.4	Transition Services Agreement dated May 1, 2005 between Registrant and Hospira, Inc.

Exhibit 2.5	List of schedules and exhibits to Asset Purchase Agreement, Letter Agreement, Real Estate Purchase Agreement and Transition Services Agreement.
Exhibit 10.1:	Manufacturing, Commercialization and Development Agreement between Registrant and Hospira, Inc. effective May 1, 2005
Exhibit 10.2:	Employment Agreement between Registrant and George A. Lopez, M.D. effective January 1, 2005
Exhibit 10.3:	Form of Employment Agreements between Registrant and its Executive Officers effective January 1, 2005
Exhibit 10.4:	Form of ICU Medical, Inc. 2005 Long Tem Retention Plan
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2:	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32:	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ICU Medical, Inc.
(Registrant)

/s/ Francis J. O'Brien — Date: May 6, 2005
Francis J. O'Brien
Chief Financial Officer
(Principal Financial Officer)

/s/ Scott E. Lamb — Date: May 6, 2005
Scott E. Lamb
Controller
(Principal Accounting Officer)

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into this 25th day of February, 2005 by and between ICU Medical, Inc., a Delaware corporation ("Buyer") and Hospira, Inc., a Delaware corporation ("Seller").

RECITALS

A. Seller is in the business (among others) of designing, manufacturing, selling and distributing SLC Products (as defined herein), which are manufactured at the Facility.

B. Seller desires to sell, assign and transfer to Buyer, and Buyer desires to purchase and acquire from Seller, Seller's right, title and interest to and in substantially all of the tangible assets and properties located at the Facility, including assets used in the manufacture of Seller's SLC Products.

C. Simultaneously with the closing of the transactions contemplated by this Agreement, the parties desire to enter into, or cause one or more of their Affiliates to enter into, the following agreements (as listed in Schedule 3.2 of this Agreement): (i) Transition Services Agreement; (ii) MCDA; and (iii) Real Estate Purchase Agreement (each as defined herein).

Accordingly, in consideration of the foregoing and the following representations, warranties, covenants and agreements, and intending to be legally bound hereby, the parties agree as follows:

AGREEMENT

1. DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions. The terms listed in this Section 1 shall have the meanings specified or referred to below for all purposes of this Agreement:

"510(k) Registrations" - as defined in the MCDA.

"Accounting Firm" - as defined in Section 2.4(b)(v).

"Acquired Assets" - as defined in Section 2.1.

"Additional Payment" - as defined in Exhibit 2.10.

"Affiliate" - of any Person means another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person. For purposes of this definition, "control" as applied to any Person means the possession, directly or

indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract, or otherwise.

"Agreement" - as defined in the preamble.

"Amended Disclosure Schedule" - means the Disclosure Schedule, as updated pursuant to Section 6.14.

"Assumed Obligations" - as defined in Section 2.5.

"Benefit Plan" - means (i) each "employee benefit plan," as such term is defined in Section 3(3) of ERISA, (ii) each plan that would be an employee benefit plan if it were subject to ERISA, such as foreign plans and plans for directors, (iii) each stock bonus, stock ownership, stock option, stock purchase, stock appreciation rights, phantom stock, or other stock plan (whether qualified or nonqualified), (iv) each bonus, deferred compensation, incentive compensation or severance plan, and (v) each personal, vacation, holiday, severance and sick or other leave policy.

"Buyer" - as defined in the preamble.

"Buyer Indemnitees" - as defined in Section 8.2.

"Buyer's Allocation Schedule" - as defined in Schedule 2.8.

"Buyer's Consideration" - as defined in Schedule 2.8.

"Buyer's Representatives" - as defined in Section 6.2.

"CERCLA" - as defined in the definition of Environmental Law.

"CERCLIS" - as defined in Section 4.23(d).

"cGMP" - as defined in Section 4.16(c).

"Closing" - as defined in Section 3.1.

"Closing Date" - as defined in Section 3.1.

"Closing FTA Statement" - as defined in Section 2.4(b)(iii).

"Closing Raw Materials and WIP Statement" - as defined in Section 2.4(b)(iii).

"Code" - means the U.S. Internal Revenue Code of 1986, as amended, and any rules and regulations promulgated thereunder.

"Confidential Information" -means (i) any and all technical data, information, materials, trade secrets and other know-how currently owned by or hereafter developed by, on behalf of, or derived either directly or indirectly from either Party or its Affiliates, which relates to an Acquired Asset, the Facility or the operation of the Facility, and (ii) any and all financial data and information relating to the business of either of the parties or of their Affiliates, which a party or its Affiliates discloses to the other party or its Affiliates. If disclosed orally or visually, such information shall be considered "Confidential Information" only if it is identified as confidential at the time of disclosure and is summarized in a writing to the receiving party within 30 days of such disclosure and identified as "Confidential." Notwithstanding the foregoing, the information described above shall not be "Confidential Information" if it:

(a) is known to the receiving party or any of its Affiliates at the time of the disclosure, as evidenced by written records;

(b) is disclosed to the receiving party or any of its Affiliates by a third party not bound by a confidentiality or similar agreement with respect to holding such information in confidence;

(c) becomes patented, published or otherwise part of the public domain through no fault of the receiving party or any of its Affiliates;

(d) is independently developed by or for the receiving party or any of its Affiliates without use of Confidential Information, as evidenced by written records; or

(e) is required by applicable Legal Requirements to be disclosed; provided, however, that no disclosure shall be made by a party pursuant to this clause unless (x) prior notice is given to the other party and (y) such other party has a reasonable opportunity to (i) limit such disclosure or take appropriate protective precautions relating to such disclosure or (ii) in the case of applicable public disclosure requirements under any securities laws or any stock exchange or national stock market, to consult as to the form of such disclosure.

"Contract" - means any written or oral agreement, contract, real property lease, equipment lease, obligation, nongovernmental license, commitment, promise or undertaking.

"Damages" - as defined in Sections 8.2 and 8.3.

"Disclosure Schedule" - as defined in Section 4.

"Employees" - means any employee of Seller employed at the Facility as of the Closing Date.

"Encumbrances" - means any mortgage, deed of trust, lien, pledge, hypothecation, assignment or security instrument.

"Environmental Law" - means any applicable statute or regulation in effect at Closing and any judicial or administrative interpretation thereof, in each case relating to the environment or harm to or the protection of human health or animals or plants, including laws relating to (i) public health and safety, (ii) emissions, discharges or releases of chemicals or any other pollutants or contaminants or industrial, radioactive, dangerous, toxic or hazardous substances or wastes (whether in solid or liquid form or in the form of a gas or vapor) into the environment or (iii) the manufacture, processing, use, treatment, storage, distribution, disposal, transport or handling of such substances or wastes. Environmental Laws include the Comprehensive Environmental Response, Compensation and Liability Act, as amended 42 USC 9601 et seq. ("CERCLA"), the Resource Conservation and Recovery Act 42 USC, 6901 et seq., the Hazardous Materials Transportation Act 49 USC, 6901 et seq., the Clean Water Act 33, 1251 et seq., the Toxic Substances Control Act 15 USC, 2601 et seq., the Clean Air Act 42 USC, 7401 et seq., the Safe Drinking Water Act 42 USC, 300f et seq., the Atomic Energy Act 42 USC, 2201 et seq., and equivalent state and local ordinances and statutes.

"Environmental Permit" - means any applicable permit, license, consent, approval, certificate, qualification, specification, registration and other authorization, and the filing of all notifications, reports and assessments, required by any Governmental Body pursuant to any Environmental Law.

"ERISA" - means the Employee Retirement Income Security Act of 1974, as amended, and the related regulations and published interpretations.

"Excess Net Proceeds" - as defined in Exhibit 2.10.

"Excluded Assets" - as defined in Section 2.2.

"Facility" - means the manufacturing facility, including the Real Property and improvements thereon, located at 4455 South Atherton Drive, Salt Lake City, Utah 84123.

"Facility Benefit Plan" - means each Benefit Plan that is sponsored, maintained or contributed to as of the date of this Agreement by Seller for the benefit of its current or former Employees employed at the Facility.

"Facility Environmental Permits" - as defined in Section 4.23(a).

"Facility Tangible Assets" - as defined in Section 2.1(a)(ii).

"FDA" - means the United States Food and Drug Administration.

"FDC Act" - means the United States Food, Drug and Cosmetics Act, as amended, and all regulations promulgated thereunder.

"Finished Goods" - means SLC Products that have passed final quality assurance release.

"GAAP" - means generally accepted accounting principles in the United States of America, as in effect on the date hereof.

"Governmental Body" - means any: nation, state, county, city, town or other jurisdiction; federal, state, local municipal, foreign or other government; or governmental or quasi-governmental authority, including any agency, branch, department, board, commission, court, tribunal, other entity or official exercising governmental or quasi-governmental authority.

"Hazardous Materials" - means any hazardous or toxic substance, material, or waste which is or becomes regulated by any local governmental authority, the State of Utah or the United States Government. The term "Hazardous Material" includes any material or substance (i) that consists of petroleum or petroleum products (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), polychlorinated biphenyls (PCBs), asbestos or asbestos containing materials, urea formaldehyde foam insulation, and radon gas; (ii) that is defined as or included in the definition of "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste," "waste," "special waste," "toxic substance," "toxic pollutant," "contaminant" or "pollutant," or words of similar import, under any local, Utah or U.S. Environmental Law; (iii) that consists of infectious materials and other regulated medical wastes; (iv) that is toxic, explosive, corrosive, flammable, radioactive, carcinogenic, mutagenic or otherwise hazardous and is or becomes regulated by any local, Utah or U.S. Governmental Body; (v) the presence of which requires investigation or remediation under any local, Utah or U.S. Environmental Law; (vi) that is designated as a "Hazardous Substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317); (vii) that is defined as a "Hazardous Waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq. (42 U.S.C. Section 6903); or (viii) that is defined as a "Hazardous Substance" pursuant to CERCLA.

"Hired Employee" - as defined in Schedule 6.8.

"Improvements" - as defined in Exhibit 2.10.

"knowledge" of Seller - means the knowledge of any of the individuals listed on Schedule 1.1(b); provided, that any such individual shall be deemed to have knowledge if and only if: (i) such individual is actually aware of that fact or matter; or (ii) a prudent individual could be expected to discover or otherwise become aware of that fact or matter in the course of conducting a reasonable inquiry regarding (x) the accuracy of any representation or warranty contained in this Agreement, or the information in any Part of the Disclosure Schedule, or (y) the other party hereto's compliance with any pre-closing covenant contained in this Agreement.

"Legal Requirements" - means any constitution, charter, law, ordinance, principle of common law, code, regulation, statute, treaty or Order of any Governmental Body, stock exchange or national stock market.

"MCDA" - means the Manufacturing, Commercialization and Development Agreement entered into by Buyer and Seller as of the date hereof, which Buyer contemplates assigning to Newco.

"Net Book Value" - means (i) in the case of any Facility Tangible Asset, the purchase price paid by Seller, its Affiliates or its predecessors for such asset less any reductions to such asset for depreciation, amortization, write-downs or reserves, or (ii) in the case of Raw Materials or WIP, the standard cost (which in the aggregate approximates actual cost excluding any unabsorbed variances) of Seller or its Affiliates less reserves, as applicable, in each case according to GAAP, as consistently applied, and Seller's policies and procedures (made available to Buyer), as consistently applied.

"Net Sales Price" - as defined in Exhibit 2.10.

"Newco" - means a Delaware corporation to be newly organized as a wholly-owned subsidiary of Buyer.

"Order" - means any order, writ, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Body or arbitrator.

"Organizational Documents" - means (i) the articles or certificate of incorporation or association and the bylaws of a corporation; and (ii) any amendment thereto.

"Permitted Encumbrances" - means (i) any Encumbrance for Taxes either not yet delinquent or being contested; and (ii) any mechanic's, materialmen's, workman's, warehousemen's and other similar Encumbrances incurred in the ordinary course of business with respect to obligations which are not past due or which are being contested.

"Permits" - as defined in Section 4.16(a).

"Person" - means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, the executors, administrators or other legal representative of an individual in such capacity, unincorporated association, joint venture, a government (or any agency or department of any government) or any other entity.

"Purchase Price" - as defined in Section 2.3(a).

"Raw Materials" - as defined in Section 2.1(a)(iii).

"Real Property" - means the real property subject to the Real Estate Purchase Agreement.

"Real Estate Purchase Agreement" - means that certain purchase agreement of even date herewith executed by Seller and Buyer.

"Seller" - as defined in the preamble.

"Seller Indemnitees" - as defined in Section 8.3.

"Seller's Allocation Schedule" - as defined in Schedule 2.8.

"Seller's Consideration" - as defined in Schedule 2.8.

"Shortfall" - as defined in Exhibit 2.10.

"SLC Products" - means the products manufactured at the Facility that are listed on Schedule 1.1(c).

"Statement Date" - means the date of the Statement of Acquired Assets, which is January 31, 2005.

"Statement of Acquired Assets" - as defined in Section 4.4.

"Tax" or "Taxes" - means any federal, state, local or foreign income, gross receipts, net receipts, turnover, license, payroll, employment, unemployment, disability, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Internal Revenue Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), real property and personal property (tangible and intangible), sales, use, transfer, registration, value added, alternative or

add-on minimum, estimated or other tax, levy or assessment of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty or addition thereto, and including any obligation to indemnify or otherwise assume or succeed to the Tax liability of any other Person.

"Tax Benefit" - as defined in Section 8.7.

"Transaction Allocation Schedule" - as defined in Schedule 2.8.

"Transaction Consideration" - as defined in Schedule 2.8.

"Transaction Costs" - means all costs and expenses incurred by a party or its Affiliates in connection with this Agreement and the transactions contemplated by this Agreement, including investment bankers', brokers', finders', attorneys', accountants' and consultants' fees and disbursements, commissions, filing fees, and travel expenses.

"Transaction Documents" - means this Agreement, the Real Estate Purchase Agreement and the Transition Services Agreement, in each case to be entered into by and between Buyer and Seller or their respective Affiliates on the date hereof or at the Closing.

"Transition Services Agreement" - means a Transition Services Agreement with respect to the services described on Exhibit 1.1(d) hereto.

"WIP" - as defined in Section 2.1(a)(iii).

1.2 Rules of Construction. This Agreement has been negotiated by the parties and is to be interpreted according to its fair meaning as if the parties had prepared it together and not strictly for or against any party. All references in this Agreement to "parties" refer to parties to this Agreement unless expressly indicated otherwise. References in this Agreement to Sections, Schedules and Exhibits are to Sections, Schedules and Exhibits of or to this Agreement unless expressly indicated otherwise. At each place in this Agreement where the context so requires, the masculine, feminine or neuter gender includes the others. "Including" means "including without limitation." "Or" is used in the inclusive sense of "and/or."

2. PURCHASE AND SALE

2.1 Purchase and Sale of Assets. Seller agrees to sell, transfer, assign and convey to Buyer, and Buyer agrees to purchase and acquire from Seller, on the Closing Date, all of Seller's right, title and interest to and in the following (the "Acquired Assets"):

(a) The tangible assets and properties of Seller located at the Facility (but not the Excluded Assets), including the following:

(i) All owned fixtures, machinery, equipment, motor vehicles, furniture, computers, computer systems and office equipment and other tangible personal property (excluding inventory), located at the Facility and used in connection with the manufacturing of SLC Products;

(ii) All owned production tooling, dies, tools, molds and spare parts located at the Facility and used in connection with the manufacturing of SLC Products (and along with the items described in Section 2.1(a)(i), the "Facility Tangible Assets");

(iii) All raw materials, packaging and factory supplies ("Raw Materials") and work in process ("WIP") at the Facility used in connection with the manufacturing of the SLC Products (but not any Finished Goods); and

(iv) Those books, records, files and papers of Seller, whether in hard copy or electronic format, consisting of (i) deeds, maps, engineering data, blueprints and other property records relating solely to the Facility; and (ii) personnel records that may be transferred under applicable law that relate solely to the operation of the Facility.

(b) To the extent assignable, Permits used solely in connection with the manufacture of the SLC Products; and

(c) The Contracts listed on Schedule 2.1(c).

In addition, the "Facility Tangible Assets" shall include molds owned by Seller more than 50% of the use of which is in connection with the manufacture of SLC Products but not located at the Facility or another facility

of Seller, and the "Acquired Assets" shall include such molds and related raw materials and work in process owned by Seller and used in connection with the manufacture of SLC Products but not located at the Facility or another facility of Seller.

2.2 Excluded Assets. Notwithstanding the foregoing, Seller shall not sell, transfer or assign to Buyer, and Seller shall retain, the assets listed on Schedule 2.2 (the "Excluded Assets").

2.3 Purchase Price and Payment.

(a) The total purchase price for the Acquired Assets and the Real Property will be the excess of Thirty-five Million Four Hundred Forty-five Thousand Dollars ($35,445,000) over the amount of Seller's accrued liability as of the Closing Date for certain vacation pay that will be assumed by Buyer pursuant to Section 2.5 (such excess, the "Purchase Price"), subject to

adjustment as provided in Section 2.4 and Exhibit 2.10, together with the assumption by Buyer of certain obligations of Seller as provided in Section 2.5.

(b) Buyer shall pay the Purchase Price to Seller on the Closing Date by wire transfer to a bank designated by Seller in immediately available funds.

2.4 Purchase Price Adjustment.

(a) The Purchase Price will be adjusted (i) upward to the extent that the sum of (A) the Net Book Value as of the Closing Date of the Facility Tangible Assets, and (B) the Net Book Value as of the Closing Date of the Raw Materials and WIP, exceeds $24,945,000, or (ii) downward to the extent that the sum of (A) the Net Book Value as of the Closing Date of the Facility Tangible Assets, and (B) the Net Book Value as of the Closing Date of the Raw Materials and WIP, is less than $24,945,000, in each case as determined in accordance with Section 2.4(b).

(b) Adjustments to the Purchase Price shall be determined as follows:

(i) Seller will conduct, as of the Closing Date, (A) a physical count of the Facility Tangible Assets consisting of assets (other than spare parts) valued on the Statement of Acquired Assets at $10,000 or more, (B) a sample count of approximately 75 items of the Facility Tangible Assets consisting of assets (other than spare parts) valued at less than $10,000 and (C) a separate sample count of approximately 50 items of spare parts, all of which Buyer will be entitled to observe and the cost of which shall be borne by Seller.

(ii) Seller will conduct, as of the Closing Date, (A) a physical count of the Raw Materials consisting of items valued on the Statement of Acquired Assets at $10,000 or more and (B) a sample count of approximately 60 items of the Raw Materials consisting of items valued at less than $10,000. Seller will conduct, as of the Closing Date, a physical count of WIP that is finished, except for sterilization and quality assurance release and a sample count of approximately 50 other items of WIP, which Buyer will be entitled to observe, the cost of which shall be borne by Seller.

(iii) As soon as practicable following the Closing Date, and in no event later than 15 days following the Closing Date, Seller shall prepare statements setting forth Seller's determination of the Net Book Value as of the Closing Date of the Facility Tangible Assets (the "Closing FTA Statement") and the Net Book Value as of the Closing Date of the Raw Materials and WIP (the "Closing Raw Materials and WIP Statement"), based on the counts and using the procedures described above in Sections 2.4(b)(i) and (ii) and otherwise using the same methodology as that used to prepare the Statement of Acquired Assets.

(iv) Buyer shall give written notice to Seller of any objection to the Closing FTA Statement or the Closing Raw Materials and WIP Statement (the "Objection Notice") as soon as practicable after Buyer's receipt thereof, and in no event later than 30 days after Buyer's receipt thereof. The

Objection Notice shall specify in reasonable detail the items in the Closing FTA Statement or the Closing Raw Materials and WIP Statement to which Buyer objects and shall provide a summary of Buyer's reasons for such objections. In the event Buyer does not deliver an Objection Notice within 30 days of Buyer's receipt of the Closing FTA Statement or the Closing Raw Materials and WIP Statement, Buyer shall be deemed to have accepted for all purposes of this Agreement Seller's Closing FTA Statement and Closing Raw Materials and WIP Statement.

(v) Buyer and Seller shall use good faith efforts to resolve any dispute involving any matter set forth in an Objection Notice. If the parties are unable to resolve any such dispute within 15 days after receipt by Seller of the relevant Objection Notice, such dispute shall be referred for decision to the Salt Lake City, Utah office of a reputable accounting firm chosen by Buyer and reasonably acceptable to Seller who is not engaged in providing services to Seller or Buyer or any of their respective Affiliates (the "Accounting Firm") to decide the dispute, if practical, within 30 days of such referral. The decision by the Accounting Firm with respect to such dispute shall be final and binding on the parties hereto and shall be based upon a review of any relevant books and records or other documents requested by the Accounting Firm. The cost of retaining the Accounting Firm with respect to resolving such disputes shall be paid by Buyer unless the Accounting Firm's final calculation of the sum of the Net Book Values as of the Closing Date of the Facility Tangible Assets and the Raw Materials and WIP is more than $100,000 lower than Seller's final calculation of the sum of the Net Book Values as of the Closing Date of the Facility Tangible Assets and the Raw Materials and WIP, in which case such cost shall be paid by Seller.

(c) No later than the 10th day after such final determination of the Net Book Value at Closing of the Facility Tangible Assets and the Net Book Value at Closing of the Raw Materials and WIP, Buyer shall pay to Seller the amount, if any, by which the Purchase Price is adjusted upward in accordance with this Section 2.4 or Seller shall refund to Buyer the amount, if any, by which the Purchase Price is adjusted downward in accordance with this Section 2.4; provided that a refund shall be due to Buyer with respect to spare parts only to the extent there is an adjustment to the Net Book Value of the spare parts less than five years old based on the sample count set forth in Section 2.4(b)(i)(C).

2.5 Assumption of Certain Obligations. Buyer shall assume, as the same shall exist on and as of the Closing Date, and to the extent not discharged at the Closing Date, only the following obligations of Seller (the "Assumed Obligations"):

(a) The obligations of Seller under (i) each Contract listed on Schedule 2.1(c) and (ii) each other Contract that Buyer agrees in writing to assume at Closing (in the case of either clause (i) or (ii) above, with the consent, where required, of the other party(ies) to such Contract); and

(b) Seller's liability to Employees for vacation pay accrued from January 1, 2005 to the Closing Date to the extent of the dollar amount reflected on a schedule to be provided by Seller to Buyer at Closing.

2.6 Other Obligations Not Assumed. Other than the Assumed Obligations, Buyer shall not assume any liability or obligation of Seller, including the following:

(a) any claim by any customer or supplier of Seller or any other Person based on any alleged tort, breach of contract or other claim or cause of action arising as a result of the manufacture or sale of the SLC Products by Seller prior to or at the Closing Date;

(b) obligations or liabilities of Seller under any Contracts not listed on Schedule 2.1(c) (or payables not described in Section 2.5(b));

(c) obligations or liabilities of Seller to any Employees except to the extent expressly undertaken by Buyer in a Transaction Document;

(d) any obligations arising from a liquidation or dissolution of Seller;

(e) Seller's obligations under this Agreement or with respect to the transactions contemplated hereby or incident hereto;

(f) any Taxes of Seller, whether attributable to periods prior to, including or subsequent to the Closing Date, and whether attributable to the sale of Acquired Assets, the liquidation of Seller, or otherwise; or

(g) any liability of Seller under Environmental Laws arising from circumstances on or before the Closing Date.

Except for the Assumed Obligations, all obligations and liabilities of Seller shall remain the obligation and responsibility of Seller, and Buyer shall not be responsible for (other than as specifically provided under indemnification obligations contained in this Agreement) any tort or other liability or obligation of any nature of Seller, whether matured or unmatured, fixed or contingent, known or unknown, arising out of occurrences prior to, at or after the Closing Date.

2.7 Prorations. Seller and Buyer agree that all personal property (or other similar) Taxes, if any, relating to the Acquired Assets will be prorated as of the Closing Date, with Seller liable to the extent such Taxes relate to any time period up to and including the Closing Date and Buyer liable to the extent such Taxes relate to periods subsequent to the Closing Date. Seller agrees to furnish Buyer with such documents and other records as Buyer reasonably requests in order to confirm all adjustment and proration calculations made pursuant to this Section 2.7.

2.8 Tax Allocation. The tax allocation for the sale of the Acquired Assets pursuant to this Agreement and the sale of the Real Property pursuant to the Real Estate Purchase Agreement is set forth on Schedule 2.8, and each of the parties hereto shall comply with the agreements set forth on Schedule 2.8 at all times on and after the date hereof.

2.9 Certain Irrevocable Instructions. With respect to any Acquired Assets sold hereunder which cannot be physically delivered because they are in the possession of third parties or otherwise, Seller will give irrevocable instructions to the party in possession that all right, title and interest in and to the same have been vested in Buyer.

2.10 Additional Purchase Price Adjustment.The Purchase Price (as previously adjusted, if applicable) will be adjusted as and to the extent provided in Exhibit 2.10.

3. CLOSING

3.1 Closing Date. The consummation of the purchase and sale of the Acquired Assets and other transactions contemplated by this Agreement (the "Closing") will take place on March 21, 2005 if all of the Closing conditions set forth in Article 7 have been satisfied (other than those conditions that by their nature are to be satisfied at Closing, but subject to the satisfaction or waiver of such conditions) and at such time and place as shall be fixed by agreement of the parties, or such other date, time and place as shall be fixed by agreement of the parties, but no later than May 31, 2005. Upon consummation, the Closing shall be deemed to take place as of 12:01 a.m. on the Closing Date. The time and date of the Closing are herein referred to as the "Closing Date."

3.2 Actions at Closing. Subject to the terms and conditions of this Agreement, at the Closing:

(a) Seller will deliver, or cause to be delivered, to Buyer each of the agreements, certificates and other documents listed on Schedule 3.2 hereto as deliverable by Seller;

(b) Buyer will deliver, or cause to be delivered, to Seller each of the agreements, certificates and other documents listed on Schedule 3.2 hereto as deliverable by Buyer; and

(c) Buyer will pay to Seller the Purchase Price in accordance with Section 2.3.

4. REPRESENTATIONS AND WARRANTIES OF SELLER

Except as the disclosure schedule attached hereto (the "Disclosure Schedule") and the Amended Disclosure Schedule, if any, specifically qualify (including specific qualifications by cross-reference to other sections of this Agreement or other Parts of the Disclosure Schedule), any of the following representations and warranties (in which case the specified representation and warranty, but no other representation or warranty, will be deemed made subject to such qualification), Seller hereby represents and warrants to Buyer as follows:

4.1 Organization and Good Standing. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to own the Acquired Assets and operate the Facility and to carry on its business with respect thereto as now being conducted and is duly qualified to do business as a foreign corporation and is in good standing in the State of Utah.

4.2 Authorization; Authority.

(a) The execution, delivery and performance by Seller of the Transaction Documents and the transactions contemplated thereby have been duly authorized by all necessary corporate action.

(b) Seller has full corporate power and authority to execute, deliver and perform the Transaction Documents, sell the Acquired Assets to Buyer and assign the Assumed Obligations to Buyer pursuant to this Agreement and to perform all of its obligations required under the other Transaction Documents. Each of this Agreement and the other Transaction Documents, when executed, has been or shall be (as applicable) duly executed and delivered by and on behalf of Seller and is or will be, as applicable, a legal, valid and binding obligation of Seller and each instrument contemplated by the Transaction Documents, when executed and delivered by Seller in accordance with the provisions thereof, will be a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally and general equitable principles.

4.3 No Breach or Violation. Neither the execution and delivery by Seller of the Transaction Documents nor the consummation by Seller of the transactions contemplated thereby will: (a) violate or conflict with any provision of Seller's Organizational Documents; (b) except as set forth in Part 4.3 of the Disclosure Schedule, conflict with, result in a violation or breach of, constitute a default under, require any notice under, create any rights of termination, cancellation or acceleration in any Person under, require the consent or approval of any Person (or in the absence of the consent of any Person result in the loss of any rights or benefits either automatically or at the election of any Person) under, or result in the creation of any Encumbrance upon any of the Acquired Assets or the Facility pursuant to the terms of, any Contract to which Seller is a party or by which Seller or any of the Acquired Assets or the Facility is bound and which is material to the Facility, the Acquired Assets, the Employees or the operation of the Facility, or to Seller's ability to consummate the transactions contemplated thereby; (c) violate any Permit or any Order binding upon Seller or any of the Acquired Assets or the Facility; or (d) constitute a violation by Seller of, or either automatically or at the election of any Person result in the loss of any rights or benefits under, any applicable Legal Requirements.

4.4 Financial Statements. Seller has attached as Part 4.4 of the Disclosure Schedule statements of Acquired Assets as of and at September 30, 2004 and January 31, 2005, and the manufacturing cost statements for the Facility for the periods ended December 31, 2003, September 30, 2004 and January 31, 2005. The foregoing financial statements, together with any notes and schedules thereto, (a) are in accordance with the books and records of Seller and (b) present fairly the matters set forth therein with respect to the Facility at the dates and for the periods covered by such financial statements. The accounting principles and methodology used in preparing the statement of Acquired Assets as of and at January 31, 2005 (sometimes referred to as the "Statement of Acquired Assets") were applied consistently with those used in preparing the statement of Acquired Assets as of, and at, September 30, 2004.

4.5 Undisclosed Liabilities. As of the Closing Date, to the knowledge of Seller, Seller will have no debts or liabilities of any nature whatsoever related to or arising from the use or possession of the Facility or the Acquired Assets, whether accrued, absolute or contingent, determined or undetermined, asserted or unasserted, and whether due or to become due (including liability for Taxes), except (i) Assumed Obligations, (ii) liabilities arising in the ordinary course of business since the Statement Date and (iii) liabilities disclosed in the Disclosure Schedule.

4.6 Title to and Adequacy of Acquired Assets. Seller has and at the Closing will have good and valid title to all of the Acquired Assets free and clear of all Encumbrances, except Permitted Encumbrances. Except as set forth on Part 4.6 of the Disclosure Schedule, the Acquired Assets, the intangible assets to be licensed to Buyer under the MCDA, the 510(k) Registrations to be transferred to Buyer under the MCDA and the Real Property to be transferred to Buyer pursuant to the Real Estate Purchase Agreement together constitute all of the assets necessary to manufacture the SLC Products and operate the Facility in connection with the manufacture of the SLC Products in substantially the manner in which the SLC Products were manufactured by Seller (other than with respect to functions performed by Hospira outside the Facility). Except as set forth on Part 4.6 of the Disclosure Schedule and except for maintenance and repair performed in the ordinary course, the tangible Acquired Assets necessary to manufacture the SLC Products and operate the Facility to manufacture the SLC Products in substantially the manner in which the SLC Products are manufactured by Seller are, and as of the Closing Date will be, in good operating condition and repair, normal wear and tear excepted. The parties acknowledge that representations as to the condition of title to the Real Property are covered by the Real Estate Purchase Agreement.

4.7 Contracts.

(a) Seller has delivered or made available to Buyer a correct and complete copy of each Contract listed on Schedule 2.1(c), including all amendments, modifications and supplements thereto. Each such Contract is a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, and to the knowledge of Seller, against any other

party thereto, except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditor's rights generally and general equitable principles. Seller is not in material violation of or material default under any such Contract; nor to the knowledge of Seller, is any other party thereto. Seller has paid all of its liabilities under the Contracts listed on Schedule 2.1(c) when due in accordance with the terms of such Contracts. Seller has not assigned any of its interest in any such Contracts.

(b) Other than the Contracts listed on Schedule 2.1(c) and Schedule 4.7(b), Seller is not a party to any Contracts necessary for the manufacture of the SLC Products or otherwise necessary for the operation of the Facility in connection with the manufacture of the SLC Products in substantially the manner in which the SLC Products are manufactured by Seller.

4.8 Inventories. Except for defective, damaged, slow moving or obsolete items and items of below-standard quality, all of which have been written off,

written down or reserved to net realizable value on the Statement of Acquired Assets or on the Closing Raw Materials and WIP Statement, all Raw Materials and WIP at the Statement Date or the Closing Date, as applicable, consist or will consist of items of a quality and quantity that are usable in the ordinary course of business. All such Raw Materials and WIP not written off, written down or reserved have been priced at Seller's standard cost (which in the aggregate approximates actual cost excluding any unabsorbed variances) on the Statement of Acquired Assets or on the Closing Raw Materials and WIP Statement, as applicable. Items of Raw Materials and WIP now on hand that were purchased after the Statement Date were purchased in the ordinary course of business at a cost not exceeding market prices prevailing at the time of purchase. The quantities of Raw Materials and WIP at the Statement Date or the Closing Date, as applicable, are not and will not be excessive, except to the extent reserved for, but are reasonable in the present circumstances of Seller.

4.9 Absence of Certain Changes.

(a) Since the Statement Date, there has not been any material adverse change in (i) the Acquired Assets, (ii) the Facility or its operations, (iii) the Real Property or (iv) the business, operations, assets, results of operations or condition (financial or other) of Seller's business of manufacturing and distributing the SLC Products, and no event has occurred that could reasonably be expected to result in such a material adverse change; provided, however, that in no event shall any of the following be deemed to constitute such a material adverse change: any change or effect arising out of or attributable to (x) a decline or deterioration in the economy, the capital markets or Seller's industry in general, (y) this Agreement or the transactions contemplated hereby or the announcement thereof, or (z) continued decline in sales of the SLC Products consistent with historical trends over the last 12 months; and

(b) Except as disclosed in Part 4.9(b) of the Disclosure Schedule, since the Statement Date, Seller has not (i) incurred any obligation or liability or entered into, and none of Seller or the Acquired Assets have become bound by, any Contract (except for this Agreement) relating to the Acquired Assets, the Facility or the operation of the Facility other than in the ordinary course of business and involving obligations and liabilities not in excess of $25,000 individually or $100,000 in the aggregate; (ii) mortgaged, pledged or subjected to any Encumbrance (other than Permitted Encumbrances) any of the Acquired Assets; (iii) sold, assigned, transferred, leased or otherwise disposed of or agreed to dispose of any of the Acquired Assets other than in the ordinary course of business; (iv) waived or released any material rights relating to the Acquired Assets or the Facility; or (v) suffered any material damage, destruction or loss (whether or not covered by insurance) adversely affecting the Acquired Assets, the Facility or the operation of the Facility.

4.10 Taxes. All personal property Taxes attributable to the Acquired Assets and all sales Taxes attributable to the SLC Products in each case that are due and payable by Seller, have been paid. All Taxes that Seller is or was required by any Governmental Body to withhold, deduct or collect have been duly withheld, deducted or collected and, to the extent required, have been paid to the proper Governmental Body or other Person.

4.11 Litigation. Except as set forth in Part 4.11 of the Disclosure Schedule, there are no written violation notices, demand letters, claims, actions, suits or legal or administrative arbitrations or other proceedings or investigations pending against Seller, or, to Seller's knowledge, threatened against Seller, brought by any Governmental Body or by any private Person before any Governmental Body or other arbiter of disputes which could reasonably be expected to materially adversely affect (i) the value of or title to the Acquired Assets, (ii) the validity and enforceability of the material Contracts listed on Schedule 2.1(c), (iii) the 510(k) Registrations, or (iv) Seller's business of manufacturing and distributing the SLC Products. There are no existing or, to the knowledge of Seller, threatened Orders to which Seller is explicitly subject relating to (x) the Acquired Assets, (y) the Facility, or (z) Seller's business of manufacturing, selling and distributing the SLC Products.

4.12 Labor Matters.

(a) Seller is not a party to any collective bargaining or other labor union contracts covering Persons employed at the Facility. No collective bargaining agreement relating to Persons employed at the Facility is being negotiated by Seller. There is no pending or, to the knowledge of Seller, threatened, labor dispute, strike or work stoppage against Seller which may interfere with the operation of the Facility. There is no pending or, to the knowledge of Seller, threatened, charge or complaint against Seller by the National Labor Relations Board or any other Governmental Body relating to Employees.

(b) Except as set forth in Part 4.12(b) of the Disclosure Schedule, (i) as of the date hereof, no present or former Employee or independent contractor performing services for Seller at the Facility has a claim pending against Seller before any Governmental Body or, to the knowledge of Seller, has

threatened to make such a claim, including any claim for (A) overtime pay (other than overtime pay for the current payroll period) (B) wages, salaries or profit sharing (excluding wages, salaries or profit sharing for the current payroll period), (C) vacations, time off or pay in lieu of vacation or time off (other than vacation or time off (or pay in lieu thereof) earned in respect of Seller's current fiscal year), (D) any violation of any rule or contract relating to minimum wages or maximum hours of work, (E) discrimination against employees on any unlawful basis, (F) unlawful employment or termination practices, (G) unlawful retirement, termination or labor relations practices or breach of employment contract or (H) any violation of occupational safety or health standards, and (ii) at Closing there will be no such claims that are material pending or, to Seller's knowledge, threatened. With respect to current or former Employees or consultants employed at the Facility, there are no administrative charges, arbitration or mediation proceedings or court complaints pending or, to the knowledge of Seller as of the date hereof, threatened, against Seller before the U.S. Equal Employment Opportunity Commission concerning alleged employment discrimination, employment contract violation or any other matters relating to the employment of labor.

(c) To the knowledge of Seller, with respect to current and former employees and consultants employed at the Facility, Seller is and has been in compliance in all material respects with all applicable rules and regulations relating to the employment of labor, including employment and employment practices, terms and conditions of employment, wages and hours, equal opportunity, occupational health and safety, severance, termination or discharge, collective bargaining and the payment of employee welfare and retirement and other taxes, the Worker Adjustment Retraining and Notification Act and the Immigration Reform and Control Act of 1986, each as amended.

4.13 [Reserved]

4.14 Product and Service Claims. Except as set forth in Part 4.14 of the Disclosure Schedule and other than routine claims in the ordinary course of business, since January 20, 2005, Seller has not received any written claims, complaints or notices regarding damaged or defective SLC Products or SLC Products which do not conform to Seller's product and service warranties in place at any time with respect to the SLC Products.

4.15 [Reserved]

4.16 Permits and Licenses; Compliance with Legal Requirements; Regulatory Matters.

(a) Part 4.16(a) of the Disclosure Schedule contains a complete list of all permits, licenses, notices, registrations, certificates, franchises, variances and other approvals and authorizations of all Governmental Bodies issued to or held by Seller and relating to the Acquired Assets, the Facility, the operation of the Facility as conducted by Seller (collectively, the

"Permits") other than the Facility Environmental Permits, which are covered by Section 4.23. The Permits comprise all permits, licenses, notices and other approvals and authorizations of all Governmental Bodies the failure of which to be in force would have a material adverse effect on the operation of the Facility as now conducted (other than the 510(k) Registrations), and all of such Permits (other than the Facility Environmental Permits, which are covered by Section 4.23) are in full force and effect, and all of the most recently due annual fees and product/facilities required with respect thereto by the FDA and similar Governmental Bodies have been filed in a timely manner. Part 4.16(a) of the Disclosure Schedule indicates which Permits are assignable to Buyer.

(b) To the knowledge of Seller, except as set forth in Part 4.16(b) of the Disclosure Schedule, since December 31, 2000 the operation of the Facility by Seller has not violated, and does not violate, in any material respect, any Legal Requirements applicable to Seller or any of the Acquired Assets or the Facility, and (i) during the period beginning on December 31, 2003 and ending on the date prior to the date hereof, Seller has not received any complaint, FDA 483 Notice of Observations, summons, citation or written notice of violation from any Governmental Body with regard to the operation of the Facility and (ii) during the period beginning on the date hereof and ending on the Closing Date, Seller will not have received any material complaint, FDA 483 Notice of Observations, summons, citation or written notice of violation from any Governmental Body with regard to the operation of the Facility; provided, however, that no representation is being made in this Section 4.16(b) as to Environmental Laws (or Orders thereunder) or the Facility Environmental Permits, which are covered by Section 4.23.

(c) To Seller's knowledge, except as set forth in Part 4.16(b) of the Disclosure Schedule, the Facility and Seller's processes, procedures and techniques used in the manufacture of SLC Products comply, and at all times since December 31, 2002 have complied, in all material respects, with the FDA's applicable quality system regulations and the applicable requirements of the European Community, including EN ISO 9001 (1994), EN 46001 and ISO 13485 (1996). Each of the SLC Products has received pre-market clearance or approval under Section 510(k) of the FDC Act, to the extent required for the manufacture or sale of such product. Seller's operation of the Facility has conformed in all material respects to European Community Directives, and with respect to SLC Products sold in member countries of the European Community, Seller is authorized to affix the CE Mark to each SLC Product currently sold in member countries of the European Community. Seller has furnished or made available to Buyer complete copies of all audit reports (including current Good Manufacturing Practices ("cGMP") audit reports), orders and other written notices and material correspondence received from or sent to the FDA or any other equivalent Governmental Body with respect to the Facility or the SLC Products during the period beginning on January 1, 2002 and ending on the date prior to the date

hereof and Seller will have furnished or made available to Buyer complete copies of all material audit reports (including cGMP audit reports), orders and other written notices received from the FDA or any other equivalent Governmental Body with respect to the Facility or the SLC Products during the period beginning on the date hereof and ending on the Closing Date.

4.17 [Reserved]

4.18 [Reserved]

4.19 [Reserved]

4.20 Insurance. All insurance policies and indemnity agreements and surety bonds of Seller placed with insurance or surety companies with respect to the Facility and the Acquired Assets are in full force and effect and, except as set forth in Part 4.20 of the Disclosure Schedule, there are no outstanding requirements or written recommendations by any insurance or surety company or by any Governmental Body which require or recommend material repairs or other work to be done on or with respect to any of the Acquired Assets. Seller has not received any notice or other written communication from any such insurance or surety company canceling or amending any of said insurance policies, and, to the knowledge of Seller, no such cancellation or amendment is threatened. Seller has

provided Buyer with access to summaries of all insurance policies and indemnity agreements and surety bonds of Seller placed with insurance or surety companies with respect to the Facility and Acquired Assets.

4.21 Notification re Insurance Claims. Seller has timely notified its insurance carriers of any and all claims with respect to the Acquired Assets, the SLC Products, and the Facility for which Seller is insured.

4.22 Employee Benefit Matters.

(a) Part 4.22(a) of the Disclosure Schedule sets forth a list, as of the date hereof, of all Facility Benefit Plans. Each material Facility Benefit Plan is in writing. Seller has furnished or made available to Buyer copies of each of the following, to the extent applicable, with respect to each Facility Benefit Plan: the plan document (including all amendments thereto), the trust agreement (including all amendments thereto), and the most recent summary plan description. For each Facility Benefit Plan and its related trust, intended to be qualified under Section 401(a) or 501(c)(9) of the Code, Seller has either received a favorable determination letter from the Internal Revenue Service with respect to its qualified status under the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1977, the IRS Restructuring and Reform Act of 1998 and the Community Renewal Tax Relief Act of 2000 (collectively referred to as "GUST") and the Economic Growth and Tax Relief Reconciliation Act of 2001 or has a remaining period of time under applicable Treasury regulations or Internal Revenue Service pronouncements in which to

apply for such determination letters; and Seller has adopted good faith amendments to each Facility Benefit Plan that is a defined contribution or defined benefit plan as required by the Economic Growth and Tax Relief Reconciliation Act of 2001, and has operated in accordance with such good faith amendments.

(b) Seller and its respective Affiliates (which, for purposes of this Section 4.22(b), includes any corporation, business or entity under common control with Seller within the meaning of Section 414(b), (c) or (m) of the Code) do not contribute to, and have no obligation to contribute to, and no Facility Benefit Plan is, a multi-employer plan (within the meaning of Section 3(37) of ERISA) or a Benefit Plan subject to Title IV of ERISA. Except as disclosed in Part 4.22(b) of the Disclosure Schedule, no Facility Benefit Plan provides or promises to provide retiree medical, dental or life insurance benefits to any current or former employee of Seller employed at the Facility.

(c) With respect to each Facility Benefit Plan, Seller has substantially performed all material obligations, whether arising by operation of applicable Legal Requirements or by contract, required to be performed by it.

(d) Except as disclosed in Part 4.22(d) of the Disclosure Schedule, (i) as of the date hereof, there are no actions, suits, or claims pending (other than routine claims for benefits) or, to Seller's knowledge, threatened, against, or with respect to, any Facility Benefit Plan or its assets, and there is no matter pending (other than routine qualification determination filings) with respect to any Facility Benefit Plan before any Governmental Body and (ii) at Closing there will be no material actions, suits, or claims pending (other than routine claims for benefits) or, to Seller's knowledge, threatened, against, or with respect to, any Facility Benefit Plan or its assets, and there will be no material matter pending (other than routine qualification determination filings) with respect to any Facility Benefit Plan before any Governmental Body.

(e) The execution and delivery of this Agreement and consummation of the transactions contemplated hereby will not (i) require Seller to make a larger contribution to, or pay greater benefits or provide other rights under, any Facility Benefit Plan than it otherwise would, or (ii) create or give rise to any additional vested rights or service credits under any Facility Benefit Plan. Except as described in Part 4.22(e) of the Disclosure Schedule, Seller is not a party to any agreement, nor has it established any policy or practice, requiring it to make a payment or provide any other form of compensation or benefit to any person performing services for the Seller at the Facility upon

termination of such services that would not be payable or provided in the absence of the consummation of the transactions contemplated by this Agreement.

(f) In connection with the consummation of the transactions contemplated by this Agreement, no payments of money or other property, acceleration of benefits, or provision of other rights have been or will be made under any Facility Benefit Plan to any individual that would be reasonably likely to be nondeductible as an "excess parachute payment" under Section 280G of the Code.

(g) Between the Statement Date and the date of this Agreement, Seller has not (i) paid or agreed to pay any bonuses or made or agreed to make any increase in the rate of wages or salaries, other than (A) merit increases and cash profit sharing in the ordinary course of business and (B) Seller's incentive plan announced in January 2005; or (ii) paid or agreed to pay any pension, retirement allowance or other employee benefit not required by any existing plan, agreement or arrangement to any Persons employed at the Facility, whether past or present.

4.23 Environmental Matters.

(a) Part 4.23 of the Disclosure Schedule contains a complete list of, and Seller possesses, all Environmental Permits required under applicable Environmental Laws for Seller to occupy and operate the Facility and to use it to manufacture the SLC Products (the "Facility Environmental Permits"). All Facility Environmental Permits are in full force and effect and, to the knowledge of Seller, Seller is in compliance in all material respects with the terms of the Facility Environmental Permits.

(b) Seller has no knowledge that any Facility Environmental Permits will be revoked, suspended, canceled or not renewed, and all necessary action in connection with the renewal or extension of any of the Facility Environmental Permits has been taken.

(c) To Seller's knowledge, Seller's operation of the Facility is in compliance in all material respects with all applicable Environmental Laws, Seller has not received notice of any liability regarding the Facility under any Environmental Law during the period beginning on January 1, 2002 and ending on the date prior to the date hereof, and Seller has not received notice of any material liability regarding the Facility under any Environmental Law during the period beginning on the date hereof and ending on the Closing Date.

(d) To Seller's knowledge, the Facility is not listed or proposed for listing, on the National Priorities List or the CERCLA Information System ("CERCLIS"), under CERCLA or any comparable list established under any state or local Environmental Law, nor has Seller received any written notification of potential or actual liability or any request for information under CERCLA or any comparable state or local law with respect to the Facility.

(e) Since January 1, 2002, there has not been any disposal, spill, discharge, or release of any Hazardous Material generated, used, owned, stored, or controlled by Seller on, at, or under the Facility, and there are no Hazardous Materials located in, at, on, or under the Facility, in each case that required investigation, removal, remedial or corrective action under Environmental Laws by Seller resulting in costs in excess of U.S. $100,000, individually or in the aggregate, to Seller.

(f) Since January 1, 2000, (A) other than cleaning and office supplies normally used in the operation of a facility, Hazardous Materials have not been generated, used, treated, handled or stored on, or transported to or from, or released on the Facility other than in compliance in all material

respects with all applicable Environmental Laws and Environmental Permits; (B)

Seller has disposed of all wastes of the Facility, including those wastes containing Hazardous Materials, in compliance in all material respects with all applicable Environmental Laws and Environmental Permits; and (C) Seller has not transported or arranged for the transportation of any Hazardous Materials from the Facility to any location that is listed or proposed for listing on the National Priorities List under CERCLA or on the CERCLIS or any analogous state or local list.

(g) Since January 1, 2000, except as disclosed in Part 4.23(g) of the Disclosure Schedule, (A) there has not been any underground or aboveground storage tank or other underground storage receptacle or related piping, or any impoundment or other disposal area containing Hazardous Materials located on the Facility and (B) no asbestos or polychlorinated biphenyls have been used or disposed of, or have been located at, on, or under the Facility.

(h) Seller is not currently performing any investigation, response or other corrective action under any Environmental Law at the Facility.

(i) The 2004 Phase One Environmental Report regarding the Facility and all material written reports and studies regarding the Facility that have been submitted to state or federal regulatory agencies since January 1, 2000, other than reports and studies that do not report material violations, exceptions or compliance failures regularly submitted in the ordinary course of business under Environmental Laws with respect thereto, have been disclosed by Seller to Buyer.

4.24 No Brokers' or Finders' Fees. Neither Seller nor any officer or director of Seller has incurred any obligation or liability for any investment banker fees, brokerage fees, commissions, finders' fees or other similar payments in connection with any of the transactions contemplated by this Agreement.

4.25 Full Disclosure. No representation or warranty of Seller in this Agreement or in the Disclosure Schedule omits to state a material fact necessary to make any of the representations or warranties herein or therein, in light of the circumstances in which they were made, not misleading.

5. BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer represents and warrants to Seller as follows:

5.1 Organization and Good Standing. Buyer is a duly organized, validly existing corporation registered in Delaware and has all requisite power and authority to own, operate and lease its properties and to carry on its business as now being conducted.

5.2 Authorization. Buyer has full power and authority to execute, deliver and perform the Transaction Documents. The execution, delivery and performance by Buyer of the Transaction Documents and the transactions contemplated hereby

and thereby have been duly authorized by all necessary and proper action. This Agreement has been duly and the other Transaction Documents will be, as applicable, executed and delivered on behalf of Buyer and is and will be, as applicable, legal, valid and binding obligations of Buyer, respectively, and each other instrument contemplated by this Agreement and the Transaction Documents, when executed and delivered by Buyer in accordance with the provisions of this Agreement and the Transaction Documents, will be legal, valid and binding obligations of Buyer, in each case enforceable against Buyer, respectively, in accordance with their terms except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditors' rights generally and general equitable principles.

5.3 No Breach or Violation. Neither the execution and delivery of the Transaction Documents nor the consummation of the transactions contemplated hereby and thereby will: (i) violate or conflict with any provision of Buyer's Organizational Documents; (ii) conflict with, or result in a violation or breach of, or constitute a default under, any term or provision of any contract, indenture, mortgage, lease, agreement, instrument, commitment or other

arrangement to which either Buyer is a party or by which it is bound; (iii) violate any judgment, order, injunction, writ, decree or award of any Governmental Body against, or binding upon Buyer; or (iv) constitute a violation by Buyer of any statute, law, rule, ordinance or regulation of any Governmental Body.

5.4 No Brokers' or Finders' Fees. None of Buyer, or any officer or director of Buyer has incurred any obligation or liability for any investment banker fees, brokerage fees, commissions, finders' fees or other similar payments in connection with any of the transactions contemplated by this Agreement.

6. ADDITIONAL AGREEMENTS

6.1 Operations Prior to the Closing.

(a) Except as otherwise expressly contemplated by this Agreement or with the prior written consent of Buyer, from the date hereof until the Closing Date, Seller will (i) conduct the operations of the Facility and will manufacture the SLC Products only in the ordinary course consistent with past practices, (ii) use commercially reasonable efforts to retain the services of the present key Employees located at the Facility, and (iii) use commercially reasonable efforts to preserve the relationships with the customers and distributors with respect to the SLC Products and the Facility's suppliers.

(b) Except as otherwise expressly contemplated by this Agreement, from the date hereof until the Closing Date, the Seller will not do any of the following without the prior written consent of the Buyer:

(i) sell, transfer, lease, exchange or otherwise dispose of, whether by merging, consolidating or in any other manner, or voluntarily grant any material Encumbrance with respect to, any material Acquired Asset or the Facility, except for sales of (A) inventories and assets in the ordinary course of business consistent with past practice and (B) worn out or obsolete property in the ordinary course of business consistent with past practice;

(ii) take or cause to be taken any action or omit to take or cause any action to be taken that could reasonably be expected to result in any of the representations or warranties of Seller contained herein becoming, at the Closing Date, untrue or inaccurate in any material respect;

(iii) enter into, renew, modify, amend or terminate any material Contract listed on Schedule 2.1(c) or waive, delay the exercise of, release or assign any material rights or claims thereunder; or

(iv) agree in writing to take any of the foregoing actions set forth in this Section 6.1(b).

(c) Notwithstanding the provisions of Section 6.1(a) and Section 6.1(b), at any time before the Closing Date, Seller may remove any Excluded Asset from the Facility so long as such Excluded Asset can be removed without damage to the Facility, the Acquired Assets and the building and so long as the act of removal will not interfere with Buyer's manufacture of SLC Products at the Facility after the Closing Date

6.2 Access to Information Prior to Closing. From the date hereof until the Closing, upon reasonable notice to Paul Rolfes, on behalf of Seller, Seller shall, and shall cause its officers, directors, employees, auditors and agents to (i) afford the officers, directors, employees, accountants, consultants, legal counsel, authorized agents and representatives of Buyer (the "Buyer's Representatives") reasonable access, during normal business hours, to the Facility, the Acquired Assets, and key Employees, as well as the books, records, financial and operating data, Contracts and documents of Seller relating to the Facility; and (ii) furnish to the Buyer's Representatives such additional information with respect thereto as they may from time to time reasonably request through Paul Rolfes; provided, however, that such investigation shall not unreasonably interfere with any of the businesses or operations of Seller; and provided, further, that Buyer shall give Seller prompt notice of (and a reasonable opportunity to cure) any failure by Seller to comply with this

Section 6.2.

6.3 [Reserved]

6.4 Pre-Closing Obligations Regarding Regulatory and Other Authorizations, Consents and Notices.

(a) From the date hereof until the Closing, Seller shall use all commercially reasonable efforts to obtain all consents and approvals (whether from Governmental Bodies or other Persons) listed on Schedule 7.2(c) and Buyer agrees to cooperate in such process. Seller shall use commercially reasonable efforts to assign or assign in part to Buyer the software contracts listed on Part 4.7(b) of the Disclosure Schedule.

(b) From the date hereof until the Closing, each party hereto will give prompt notice to the other of (i) any written notice from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement, (ii) any written notice from any Governmental Body in connection with the transactions contemplated by this Agreement, (iii) any actions, suits, claims, product complaints, investigations or proceedings commenced against any party hereto, relating to the consummation of the transactions contemplated by this Agreement, (iv) any fact or condition that causes or constitutes a breach in any material respect of any of such party's representations or warranties in this Agreement as of the date hereof, (v) the occurrence after the date of this Agreement of any fact or condition that would cause or constitute a breach in any material respect of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery by such party of such fact or condition, or (vi) any event that would be reasonably expected to make the satisfaction of any of the conditions in Section 7 impossible or unlikely.

6.5 Further Action After Closing. Each of the parties hereto shall execute and deliver such documents and other papers and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the sale and purchase of the Acquired Assets, the exclusion of the Excluded Assets, or the assumption of the Assumed Obligations. The parties shall cooperate with each other in all reasonable respects in connection with (i) inquiries or audits by Governmental Bodies or (ii) the defense of any third party claims, in each case related to the Facility, the Acquired Assets or the Excluded Assets, including making available records relating to such claim, inquiry or audit and furnishing, without expense (other than reasonable out-of-pocket expenses), management employees of the party or the Hired Employees as may be reasonably necessary for the preparation of the defense of any such claim or response to any such inquiry or audit or for testimony as a witness in any proceeding relating to such claim; provided, however, that the foregoing right to cooperation shall not be exercisable by one party in such a manner as to interfere unreasonably with the normal operations and business of the other party.

6.6 Further Instruments After Closing. At the request of any party hereto and without further consideration, any other party will execute and deliver to the requesting party, all instruments, assumptions, novations, undertakings, substitutions or other documents and take such other action as the requesting party may reasonably request in order to evidence to third parties, and to

effect completely, the sale and purchase of the Acquired Assets, the exclusion of the Excluded Assets, or the assumption of the Assumed Obligations.

6.7 Production of Molded Parts after Closing. If any molds included in the Acquired Assets are used by Seller to produce molded parts for both SLC Products and products other than SLC Products, Buyer will produce at Seller's request Seller's requirements for the molded parts for products other than SLC Products at a commercially reasonable price to be agreed upon by the parties.

6.8 Pre-Closing Employee and Benefit Matters. From the date hereof until the Closing Date, (i) each of the parties hereto shall comply with the agreements set forth on Schedule 6.8 relating to the Employees, and (ii) other than in the ordinary course of business, neither party will take any action relating to the Employees or to the employment and benefits to be offered to the Employees before or after the Closing except as explicitly set forth on Schedule 6.8.

6.9 [Reserved]

6.10 Pre-Closing Public Announcements and Confidentiality.

(a) No press release related to this Agreement or the transactions contemplated herein, or other announcement to the customers or suppliers of Seller, will be issued without the joint written approval of Seller and Buyer, except: (i) any public disclosure which Seller or Buyer in its good faith judgment believes is required by any Legal Requirement or by any stock exchange or national stock market on which its securities are listed (in which case the party making the disclosure will use its commercially reasonable efforts to consult with the other party prior to making any such disclosure); (ii) that Seller may make such an announcement to its employees; and (iii) as provided in Section 6.10(b) below.

(b) As soon as practical after the execution of this Agreement, the parties will issue a joint press release in the form attached as Exhibit 6.10(b) and, prior to the issuance of such press release, the parties will develop a question and answer document anticipating questions relating to this Agreement and preparing appropriate responses to be used by the parties when making public statements related to this Agreement.

(c) Each party agrees that from the date hereof until the Closing, it will not disclose Confidential Information received by it from the other party or use Confidential Information disclosed to it by the other party for its benefit (other than in the performance of its obligations hereunder) or for the benefit of any third party. The parties acknowledge that the confidentiality provisions of the MCDA will govern the disclosure and use of Confidential Information from and after the Closing.

6.11 Post-Closing Sales Tax Matters. All transfer, sales, use, stamp, documentary, registration and other Taxes that are incurred in connection with the sale and purchase of the Acquired Assets and assumption of the Assumed Obligations, shall be paid by Seller when due, and Seller shall, at its own expense, file all necessary Tax returns and other documentation with respect to all such Taxes, and, if required by applicable Legal Requirements, the parties shall, and shall cause their Affiliates to, join in the execution of any such Tax returns and other documentation, other than Taxes incurred as a result of Buyer's moving Acquired Assets to a jurisdiction other than their current locations. Buyer shall retain for at least nine years after the Closing Date, and make available to any taxing authority upon request during such period, the Use Tax Statement referenced in and delivered pursuant to Schedule 3.2 hereto.

6.12 Transaction Costs. Whether or not the transactions contemplated by this Agreement are consummated, Seller shall be responsible for and shall pay all of Seller's Transaction Costs and Buyer shall be responsible for and shall pay all of Buyer's Transaction Costs.

6.13 [Reserved]

6.14 Pre-Closing Supplemental Disclosure. Seller may update or supplement any Part of the Disclosure Schedule or provide a new Part qualifying any representation or warranty of Seller contained herein or in the Real Estate Purchase Agreement that is not subject to the Disclosure Schedule as of the date of this Agreement, at any time prior to the Closing, with respect to any fact or condition (x) that arises after the date hereof or (y) that arose before the date hereof, but is discovered by Seller thereafter and does not cause such representation or warranty to be untrue or incorrect in any material respect as of the date hereof because the applicable portion of such representation or warranty was qualified to Seller's knowledge. Buyer in its sole discretion may

(i) accept such updated, supplemented, or new Part of the Disclosure Schedule and, subject to the conditions in Section 7 hereof, close the transaction contemplated by this Agreement, thereby waiving any claim that Seller breached the applicable representation or warranty or (ii) terminate this Agreement pursuant to Section 9.1(d), if Seller fails to cure as provided in such Section. If the Closing occurs, such updated, supplemented or additional Part of the Disclosure Schedule will cure and correct, solely for purposes of post-closing indemnification, any breach of any representation or warranty related to such Part of the Disclosure Schedule, as set forth in Section 8.2(a).

6.15 Environmental Permits. Buyer and Seller will cooperate and will each use commercially reasonable efforts, as appropriate under the circumstances, to apply for reissuance to Buyer of non-transferable Facility Environmental Permits and to apply for transfer to Buyer of transferable Facility Environmental Permits, in each case in adequate time for such Facility Environmental Permits to be issued or transferred at Closing.

7. CONDITIONS TO CLOSING

7.1 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations and Warranties; Covenants. (i) Each of the representations and warranties of Buyer that include qualifications as to materiality shall be true and correct in all respects and each of the other representations and warranties of Buyer contained in this Agreement shall be true and correct in all material respects, in each case as of the date of this Agreement and as of the Closing Date, with the same force and effect as if made as of the Closing Date (other than such representations and warranties that are made as of a specific date which representations shall be true and correct as of such particular date); (ii) the covenants, agreements and obligations contained in this Agreement to be complied with or performed by Buyer on or before the Closing shall have been complied with or performed in all material respects; and (iii) Seller shall have received a certificate of Buyer to such effect, signed by a duly authorized officer thereof;

(b) No Legal Requirements. No Governmental Body of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Legal Requirements (whether temporary, preliminary or permanent) which are in effect and have the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions;

(c) Other Buyer Deliveries. Buyer shall have delivered each of the agreements, certificates and other documents listed on Schedule 3.2 hereto as deliverable by Buyer; and

(d) Material Consents. The consents and approvals set forth on Schedule 7.2(c) shall have been obtained.

(e) Real Property. The sale of the Real Property pursuant to the Real Estate Purchase Agreement shall have closed simultaneously with the Closing hereunder.

7.2 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or waiver, at or prior to the Closing, of each of the following conditions:

(a) Representations and Warranties; Covenants. (i) Each of the representations and warranties of Seller that include qualifications as to materiality shall be true and correct in all respects and each of the other representations and warranties of Seller contained in this Agreement and the information in the Disclosure Schedule shall be true and correct in all material respects, in each case, as of the date of this Agreement and as of the Closing Date with the same force and effect as if made as of the Closing Date (other than such representations and warranties that are made as of a specific date,

which representations shall be true and correct as of such particular date), without giving effect to any supplement to the Disclosure Schedule, including the Amended Disclosure Schedule, made pursuant to Section 6.14; (ii) the

covenants, agreements and obligations contained in this Agreement to be complied with or performed by Seller on or before the Closing shall have been complied with or performed in all material respects; and (iii) Buyer shall have received a certificate of Seller to such effect, signed by a duly authorized officer thereof;

(b) No Legal Requirement. No Governmental Body of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Legal Requirements (whether temporary, preliminary or permanent) which are in effect and have the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions;

(c) Material Consents. Buyer shall have received evidence reasonably satisfactory to the Buyer that any consents and approvals set forth on Schedule 7.2(c) have been obtained; provided that if any such consent or approval has not been obtained but Seller can provide (and covenants to provide), to Buyer's reasonable satisfaction, Buyer with the benefit of any Contract for which such consent or approval is required, this condition will be deemed to have been satisfied with respect to such Contract;

(d) Other Seller Deliveries. Seller shall have delivered each of the agreements, certificates and other documents listed on Schedule 3.2 hereto as deliverable by Seller; and

(e) Real Property. The sale of the Real Property pursuant to the Real Estate Purchase Agreement shall have closed simultaneously with the Closing hereunder.

8. SURVIVAL AND INDEMNIFICATION

8.1 Survival. The respective representations and warranties of Seller and Buyer set forth in this Agreement (including representations or warranties contained in any schedule or certificate or other instrument delivered by or on behalf of any party hereto or in connection with the transactions contemplated hereby), and any term or provision of this Agreement intended, by its terms, to be observed and performed after the Closing Date, shall survive the execution of this Agreement (subject to Section 8.5), the Closing and any examinations, investigations or inspections made by or on behalf of the parties.

8.2 Seller's Indemnification. Seller agrees to indemnify and hold Buyer, its officers, directors, Affiliates and representatives (collectively, the "Buyer Indemnitees") each harmless from and against any damages, losses, liabilities, claims or expenses (including court costs and reasonable attorneys' fees associated therewith) ("Damages") to the extent arising in any manner directly or indirectly from or contributed to by:

(a) the inaccuracy of any representation or breach of any warranty of Seller contained in this Agreement, or the Real Estate Purchase Agreement (including any Schedule, Exhibit or certificate delivered by or on behalf of Seller hereunder or under the Real Estate Purchase Agreement), without regard to

any qualification as to materiality contained therein except for such qualifications contained in the representations set forth in Section 4.9 hereof; provided, that Buyer Indemnitees shall have no right to indemnification under this Section 8.2(a) for any matter disclosed in the Disclosure Schedule or Amended Disclosure Schedule, if any.

(b) any default by Seller in the observance or performance of, or

any omission of Seller that constitutes a breach or default under, any covenant or obligation on its part to be observed or performed under this Agreement;

(c) any liabilities of Seller arising out of (i) the ownership of the Acquired Assets or the operation of the Facility prior to the Closing or (ii) the transactions contemplated by the Transaction Documents, other than Assumed Obligations;

(d) product liability claims or product defects of the SLC Products manufactured at the Facility before the Closing;

(e) any violation or alleged violation of any Environmental Law or the storage, use, manufacture, generation, discharge, disposal or release of any Hazardous Materials at the Facility, in each case prior to the Closing;

(f) the litigation matters described in the Disclosure Schedule or the Amended Disclosure Schedule, if any;

(g) any noncompliance with any bulk sales laws in connection with the transfer of the Acquired Assets; or

(h) any breach by Seller of its obligations to fund certain severance benefits as set forth on Schedule 6.8.

8.3 Buyer's Indemnification. Buyer agrees to indemnify and hold Seller, its officers, directors, Affiliates and representatives (collectively, the "Seller Indemnitees") each harmless from and against any Damages to the extent arising in any manner directly or indirectly from:

(a) the inaccuracy of any representation or breach of any warranty of Buyer contained in this Agreement (including any Exhibit or certificate delivered by or on behalf of Buyer hereunder);

(b) any default by Buyer in the observance or performance of, or any omission of Buyer that constitutes a breach or default under, any (i) covenant or obligation on its part to be observed or performed under this Agreement prior to the Closing or (ii) covenant or obligation on its part to be observed or performed under this Agreement after the Closing;

(c) any Assumed Obligation; or

(d) the operation of the Facility, use of the Acquired Assets, ownership or use of the Real Property or employment of the Employees after the Closing; provided, however, that Buyer shall have no obligation to indemnify

Seller pursuant to this clause (d) for any Damages to the extent arising in any manner directly or indirectly from or contributed to by any of the events or matters for which Buyer is entitled to indemnification under Section 11.1 of the MCDA (or for which Buyer would have been entitled to indemnification under Section 11.1 of the MCDA to the extent that "Liabilities" (as defined in the MCDA) arose out of or were attributable to such event or matter).

8.4 Indemnification Procedure; Defense.

(a) As soon as reasonably practical after obtaining knowledge thereof, the indemnified party or parties shall notify the indemnifying party or parties of any claim, demand or cause of action asserted against an indemnified party by third Persons which the indemnified party or parties have determined has given or could give rise to a right of indemnification under this Agreement. However, the failure to notify the indemnifying party or parties will not relieve the indemnifying party or parties of any liability that it may have to any indemnified party or parties, except to the extent that the indemnifying party or parties demonstrates that the defense of such action was prejudiced by the failure of the indemnified party or parties to give such notice. Such notice shall specify the agreement, representation or warranty with respect to which the claim is made, the facts giving rise to the claim and the alleged basis for the claim, and the amount (to the extent then determinable) of liability for which indemnity is asserted.

(b) In the event any action, suit or proceeding with respect to which there is indemnity hereunder is brought against an indemnified party, the defense of the action, suit or proceeding (including all settlements and arbitration, trial, appeal, or other such proceedings) shall be conducted by counsel selected and paid for by the indemnifying party. However, the indemnified party shall have the right to have its counsel participate fully in such defense, at the indemnified party's sole cost and expense. If the indemnifying party shall, within 30 days from the date of such notice, fail to defend, or if the indemnifying party fails to continue such defense after notice and opportunity to cure, the indemnified party shall have the right, but not the obligation, to undertake the defense of, and to compromise or settle the claim, demand, cause of action or other matter on behalf, for the account, and at the risk and expense of the indemnifying party. The indemnifying party shall not admit any guilt, liability or fault with respect to, or settle, compromise or discharge any such action, suit or proceeding in the name of the indemnified party without the indemnified party's prior written consent (which shall not be unreasonably withheld); provided, however, that the indemnifying party shall have the right, without obtaining the indemnified party's consent, to settle all indemnifiable matters which do not admit any guilt, liability or fault in the name of the indemnified party, provided that such settlement is for an amount less than the limits on indemnification obligations set forth in Section 8.5, as

applicable, and to the extent any such settlement exceeds such limits, the indemnifying party shall be obligated to pay the entirety of such settlement amount, notwithstanding the provisions of Section 8.5, and provided further that the indemnifying party may not consent to any Order other than for the payment of monetary damages that would be binding on or affect the indemnified party, its officers, directors, Affiliates and representatives or, in the case of any Buyer Indemnitee, the Acquired Assets or the operation of the Facility. The parties hereto agree to make available to each other, their counsel and accountants, all non-privileged information and documents reasonably available to them which relate to such actions, suits or proceedings and the parties hereto agree to render to each other such assistance as they may reasonably require of each other in order to ensure the proper and adequate defense of any such action, suit or proceeding. The parties shall keep each other reasonably informed of all settlement negotiations with third parties and the progress of any actions, suits or proceedings with third parties.

(c) If an indemnified party has a claim against an indemnifying party that does not involve an asserted claim, demand, cause of action or other matter involving liability or potential liability to any third Person, the indemnifying party shall have 10 days after receipt of written notice from the indemnified party describing the existence and nature of such claim to the indemnifying party to dispute such claim. If an indemnifying party does not notify the indemnified party within 10 days that it disputes such claim, a dispute shall be deemed to exist with respect to such claim for purposes of the Alternative Dispute Resolution procedures set forth on Schedule 10.11.

8.5 Limits on Indemnification Obligation.

(a) All rights of the parties hereto to indemnification shall terminate 16 months after the Closing Date; provided, however, that if, prior to such termination, a state of facts shall have become known which threatens to give rise to a liability against which any party or parties hereto would be entitled to indemnification hereunder and the indemnified party or parties shall have given notice of such facts to the indemnifying party or parties as described in Section 8.4(a) then the rights of the indemnified party or parties to indemnification with respect to such liability shall continue until such liability shall have been finally determined and disposed of.

(b) Seller shall not be liable for any Damages described in Section 8.2(a) or (b) until the aggregate of all such Damages for which Seller is liable is in excess of $250,000. In any event, Seller shall not be liable for the first $250,000 of all such Damages.

(c) Subject to the provisions of Section 8.4(b) above, Seller's aggregate liability for the Damages described in Section 8.2(a) or (b) shall not exceed 50% of the Purchase Price as the Purchase Price is adjusted as provided in this Agreement.

(d) In no event shall the limitations in Sections 8.5(a) (survival limit), (b) (deductible) and (c) (cap) apply to Damages resulting from: (i) any of the matters referred to in Sections 8.2(c), (d), (e), (f), (g) or (h), (ii) the inaccuracy of any representation or breach of any warranty of Seller contained in Section 4.10 (as to Taxes, without regard to any qualifications or

exception in the Disclosure Schedule or any Amended Disclosure Schedule with respect to such representation, Section 4.16(c) (as to FDA matters), Section 4.6 (as to title to the Acquired Assets) or Section 4.22 (as to Employee Benefit Matters); (iii) any of the matters referred to in Sections 8.3(b)(ii), (c) or (d); or (iv) fraud.

(e) Neither party shall have liability to the other or to the Buyer Indemnitees or Seller Indemnitees, as applicable, for any consequential, incidental or punitive damages, and Damages indemnifiable hereunder shall not include such damages, except in each case, as such Damages are actually paid to third parties.

(f) In no event shall Damages be considered to arise from (i) the adjustments made to financial statement categories or amounts in connection with Section 2.4; or (ii) if there has been a Closing under this Agreement, any default by either party in the observance or performance of, or any omission of such party that constitutes a breach or default under, any covenant or obligation on its part to be observed before Closing under this Agreement, to the extent that the other party had actual knowledge of such default or omission before Closing.

8.6 Exclusive Remedy. The rights and remedies set forth in this Section 8 shall constitute the sole and exclusive rights and remedies of the parties with respect to this Agreement and the Real Estate Purchase Agreement, the events giving rise to this Agreement and the Real Estate Purchase Agreement and the transactions contemplated hereby and thereby.

8.7 Net Damages and Subrogation. Notwithstanding anything contained herein to the contrary, the amount of any Damages incurred or suffered by a Seller Indemnitee or Buyer Indemnitee entitled to indemnification hereunder shall be calculated after giving effect to: (i) any insurance proceeds received by such Seller Indemnitee or Buyer Indemnitee (or any of its Affiliates) with respect to such Damages; (ii) any Tax Benefit realized by such Seller Indemnitee or Buyer Indemnitee (or any of its Affiliates) arising from the facts or circumstances giving rise to such Damages; (iii) any increase in the amount of Taxes currently paid by such Buyer Indemnitee (or any of its Affiliates), computed at the combined federal, state and local effective marginal tax rate actually applicable to such Person, by reason of its receiving indemnification hereunder; provided that if the receipt of such indemnification is treated for Tax purposes as a reduction in the adjusted basis of any Acquired Asset, there shall be deemed to be an increase in the amount of Taxes currently paid equal to the sum of the present values, determined as of the date of the receipt of such indemnification at a rate of 5% per annum, compounded annually, of the payment on the date of the receipt of such indemnification, and on each anniversary of such date, if any, that occurs before the fifth anniversary of the Closing Date, of the product of (A) the amount of indemnification received, (B) a fraction the numerator of which is 1 and the denominator of which is 1 plus the number of anniversaries, if any, of the date of the receipt of such indemnification that occur before the fifth anniversary of the Closing Date, and (C) the combined

federal, state and local effective marginal tax rate actually applicable to such Person for such Person's taxable year in which such indemnification is received; and (iv) any recoveries obtained by such Seller Indemnitee or Buyer Indemnitee (or any of its Affiliates) from any other third party. Each such Seller Indemnitee or Buyer Indemnitee shall exercise commercially reasonable efforts to obtain such proceeds, benefits and recoveries. For purposes hereof, "Tax

Benefit" shall mean any actual refund of Taxes paid or actual reduction in the amount of Taxes which otherwise would have been paid currently, in each case computed at the marginal tax rate actually applicable to the indemnified party. If any such proceeds, benefits or recoveries are received by a Seller Indemnitee or Buyer Indemnitee (or any of its Affiliates) with respect to any Damages after such Seller Indemnitee or Buyer Indemnitee (or any Affiliate) has received the benefit of any indemnification hereunder with respect thereto, such Seller Indemnitee or Buyer Indemnitee (or such Affiliate) shall pay to the Person providing the indemnification (the "Indemnifying Person") the amount of such proceeds, benefits or recoveries (up to the amount of the Indemnifying Person's payment). Upon making any payment to a Seller Indemnitee or Buyer Indemnitee in respect of any Damages, the Indemnifying Person will, to the extent of such payment, be subrogated to all rights of such Seller Indemnitee or Buyer Indemnitee (and its Affiliates) against any third party in respect of the Damages to which such payment relates. Such Seller Indemnitee or Buyer Indemnitee (and its Affiliates) and Indemnifying Person will execute upon request all instruments reasonably necessary to evidence or further perfect such subrogation rights.

9. TERMINATION AND WAIVER

9.1 Termination. In the event of termination by Buyer or Seller pursuant to this Section 9.1, written notice thereof shall promptly be given to the other parties hereto stating the provision of this Section 9.1 pursuant to which the termination is made. This Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(a) by the mutual written consent of Seller and Buyer;

(b) by Seller or Buyer, if the Closing shall not have occurred prior to June 1, 2005; provided, however, that the right to terminate this Agreement under this Section 9.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date;

(c) by Seller or Buyer, if there shall have been enacted, issued, promulgated, enforced or entered any Legal Requirements which are in effect and which have the effect of making the transactions contemplated by this Agreement illegal or otherwise permanently restraining, enjoining or prohibiting Seller or Buyer from consummating the transactions contemplated by this Agreement, and such Legal Requirements shall have become final and nonappealable;

(d) by Buyer if there has been a material breach of any representation, warranty, covenant or agreement of Seller contained in this Agreement, or if any representation or warranty of Seller shall have become materially untrue, in either case such that the conditions set forth in Section 7 hereof would not be satisfied and such breach or untruth is not curable by the Seller or if curable has not been cured within 30 days after Seller receives written notice thereof from Buyer;

(e) by Seller if there has been a material breach of any representation, warranty, covenant or agreement of Buyer contained in this Agreement, or if any representation or warranty of the Buyer shall have become materially untrue, in either case such that the conditions set forth in Section 7 hereof would not be satisfied and such breach or untruth is not curable by Buyer or if curable has not been cured within 30 days after the Buyer receives written notice thereof from the Seller; or

(f) by Buyer if the Seller enters into an agreement to sell the Acquired Assets to a third party.

9.2 Effects of Termination. In the event of termination of this Agreement pursuant to Section 9.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any party hereto provided that (a) the provisions of Sections 6.10 (Pre-Closing Public Announcements and Confidentiality) and this Article 9 shall remain in full force and effect and survive any termination of this Agreement, and (b) nothing herein shall relieve either party from liability for fraud, intentional misrepresentation or a pre-termination breach of its covenants under this Agreement.

9.3 Waiver. At any time prior to the Closing, any party may (a) extend the

time for the performance of any of the obligations or other acts of any other party hereto, (b) waive any inaccuracies in the representations and warranties of any other party hereto contained herein or in any document delivered pursuant hereto or (c) waive compliance by any other party hereto with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby.

10. MISCELLANEOUS

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

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

10.3 Entire Agreement. This Agreement, including the Exhibits and Schedules, and the Transaction Documents embody the entire agreement and understanding between the parties pertaining to the subject matter hereof and thereof, and supersede all prior agreements, understandings, negotiations, representations and discussions, whether verbal or written, of the parties,

pertaining to that subject matter. There are no promises, terms, conditions or obligations of the parties pertaining to that subject matter other than as contained in this Agreement and the Transaction Documents. Notwithstanding the foregoing, the parties acknowledge that they have entered into other agreements pertaining to other subject matters, including the MCDA. All Schedules and Exhibits to this Agreement constitute an integral part of this Agreement as if fully written herein.

10.4 Assignment. Neither this Agreement nor any rights or obligations under this Agreement may be assigned by any party without the prior written consent of the other party, provided that either party may assign its rights (without any release of its obligations hereunder) to one or more of its Affiliates.

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

10.6 Parties in Interest. Nothing in this Agreement, expressed or implied, is intended to confer on any Person or entity other than Seller and Buyer any right or remedy under or by reason of this Agreement.

10.7 Notices. All notices hereunder shall be delivered personally; by registered or certified mail, postage prepaid; or by overnight courier service, to the following addresses of the respective Parties:

If to Buyer:

c/o ICU Medical, Inc.
951 Calle Amenecer
San Clemente, California 92673
Attention: Chief Financial Officer

With a copy (which shall not constitute notice hereunder) to:

Heller Ehrman White & McAuliffe LLP
601 S. Figueroa Street, 40th Floor
Los Angeles, California 90017-5758
Attention: Stephen E. Newton

If to Seller:

Hospira, Inc.
275 N. Field Drive
Building H1, Department 0960

Lake Forest, IL 60045-2579
Attention: Chief Executive Officer

With copies (which shall not constitute notice hereunder) to:

Hospira, Inc.
275 N. Field Drive
Building H1, Department NLEG
Lake Forest, IL 60045-2579
Attention: General Counsel

Goodsmith Gregg & Unruh LLP
105 West Adams Street
26th Floor
Chicago, IL 60603
Attn: Marilee Unruh

Notices shall be effective upon receipt if personally delivered, on the third Business Day following the date of mailing or on the first Business Day following deposit with an overnight courier service. A Party may change its address listed above by notice to the other Party.

10.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together will constitute a single agreement.

10.9 Amendments and Waiver. This Agreement may be amended, modified or supplemented only by a writing executed by each of the parties. Any party may in writing waive any provision of this Agreement to the extent such provision is for the benefit of the waiving party. No action taken pursuant to this Agreement, including any investigation by or on behalf of any party, shall be deemed to constitute a waiver by that party of its or any other party's compliance with any representations or warranties or with any provisions of this Agreement. No waiver by any party of a breach of any provision of this Agreement shall be construed as a waiver of any subsequent or different breach, and no forbearance by a party to seek a remedy for noncompliance or breach by another party shall be construed as a waiver of any right or remedy with respect to such noncompliance or breach.

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

10.11 Dispute Resolution. The parties recognize that bona fide disputes may arise which relate to the parties' rights and obligations under this Agreement. The parties agree that any such dispute shall be resolved by

Alternative Dispute Resolution in accordance with the procedures set forth on Schedule 10.11.

10.12 No Third Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person.

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

BUYER

ICU MEDICAL, INC.

By /s/George A. Lopez, M.D.

Name George A. Lopez, M.D.

Title President & CEO

SELLER

HOSPIRA, INC.

By /s/Christopher B. Begley

Name Christopher B. Begley

Title Chief Executive Officer

ICU MEDICAL, INC.
ICU MEDICAL (UTAH), INC.
951 CALLE AMANECER
SAN CLEMENTE, CALIFORNIA 92673

May 1, 2005

Hospira, Inc.
275 N. Field Drive
Building H1, Department 0960
Lake Forest, Illinois 60045-2579
Attention: Chief Executive Officer

Re: Asset Purchase Agreement dated February 25, 2005 between ICU Medical, Inc. and Hospira, Inc. (the "Agreement")

Dear Mr. Begley:

This letter agreement amends and supplements the Agreement, which was assigned by Buyer to ICU Medical (Utah), Inc. ("Newco") by means of an Assignment and Assumption Agreement dated February 28, 2005. Capitalized terms used, but not defined, in this letter agreement have the meanings ascribed to them in the Agreement and Schedule 6.8 to the Agreement. References in this letter agreement to articles, sections, subsections, schedules and exhibits are to articles, sections, subsections, schedules and exhibits of the Agreement. Except as expressly amended by this letter agreement, the Agreement remains in full force and effect. In the event of any conflict or inconsistency between this letter agreement and the Agreement, this letter agreement shall control.

Closing Date and Closing

Subject to the provisions of Section 3.1, the Closing will take place on May 1, 2005 at 12:01 a.m. MDT, or such other date and time as shall be fixed by agreement of the parties.

Definitions

The following definitions are added to the Agreement:

"Surgicare Assets" means the assets listed on Exhibit A hereto.

"Surgicare Products" means the products listed on Schedule 1.1(c) under the heading "Surgicare."

Excluded Assets

Schedule 2.2 listing the Excluded Assets is amended to include the Surgicare Assets.

Purchase Price

Because the parties have agreed that the Surgicare Assets are Excluded Assets, as provided above, Section 2.3(a) of the Agreement is hereby amended to read as follows:

> "The total purchase price for the Acquired Assets and the Real Property will be the excess of Thirty-two Million Four Hundred Forty-five Thousand Dollars ($32,445,000) over the amount of Seller's accrued liability as of the Closing Date for certain vacation pay that will be assumed by Buyer pursuant to Section 2.5 (such excess, the "Purchase Price"), subject to adjustment as provided in Section 2.4 and Exhibit 2.10, together with the assumption by Buyer of certain obligations of Seller as provided in Section 2.5."

Vacation Pay

For purposes of Sections 2.3 and 2.5, the amount of Seller's liability to Employees for vacation pay accrued from January 1, 2005 to the Closing Date shall be the sum of the Closing Date Accruals (as defined below) of all Employees. Each Employee's individual vacation accrual as of the Closing Date,

which may be a negative amount, ("Closing Date Accrual") will be (A) the total vacation pay to which such Employee is entitled for 2005 multiplied by a fraction, the numerator of which is the number of weeks and fractions thereof elapsed from and after December 31, 2004 to and including the Closing Date and the denominator of which is 52, less (B) the amount of vacation pay attributable to the number of days of vacation taken by such Employee in 2005 on or before the Closing Date.

Payment of Accrued Vacation Pay

A Hired Employee whose employment by Newco is voluntarily or involuntarily terminated during 2005 will be entitled to payment of vacation pay credited to the Hired Employee as of January 1, 2005 in accordance with Seller's vacation pay policy less the amount of vacation pay attributable to the number of days of vacation taken by such Hired Employee in 2005 before such termination ("Termination Vacation Pay"). Newco shall be responsible for funding the portion of such payment equal to such Hired Employee's Termination Date Accrual (as defined below). As used herein, "Termination Date Accrual" as to a Hired Employee shall mean (A) the total vacation pay to which such Hired Employee is entitled for 2005 multiplied by a fraction, the numerator of which is the number

of weeks and fractions thereof elapsed from and after December 31, 2004 to and including the date of such Hired Employee's termination and the denominator of which is 52, less (B) the amount of vacation pay attributable to the number of days of vacation taken by such Hired Employee in 2005 on or before such date of termination. A Hired Employee's Termination Date Accrual may be a negative number. Seller shall pay to Newco with respect to such Hired Employee (X) an amount equal to such Hired Employee's Termination Vacation Pay minus such Hired Employee's Termination Date Accrual plus (Y) all applicable payroll taxes on the employer and the Hired Employee and other required withholdings on the amount expressed in clause (X) or, in the event not all of such amount is payable to such Hired Employee, on the portion of such amount that is payable to such Hired Employee. The parties acknowledge that if such Hired Employee's Termination Date Accrual is a negative amount, only a portion of the amount expressed in clause (X) in the preceding sentence will be payable to such Hired Employee and the balance will be retained by Newco. At least 10 business days before the date of each payment of Termination Vacation Pay Newco is required to make to a Hired Employee under this paragraph, Newco shall deliver to Seller an invoice for the gross amount of the payment Seller is required to make to Newco in respect of such Hired Employee as provided above (reflecting the payment date and a detailed calculation of the gross amount of such payment); and Seller shall pay in advance to Newco or Buyer, as applicable, the gross amount of such payment at least three business days before such payment date. Newco and Buyer shall have no obligation to Seller to make payments in excess of the amounts which Newco is responsible for funding as provided in this paragraph if, and to the extent that, Seller does not fund such payments as provided above.

Health Care

Seller agrees that the Altius and IHC HMOs that Newco will provide to Hired Employee will satisfy the obligations of Buyer and Newco under paragraph 1 of Annex 6.8A of Schedule 6.8 to provide Hired Employees health care coverage comparable to health care coverage offered by Seller as of the date of the Agreement.

Access to Business and Accounting Books and Records

For a period of two (2) years from the Closing Date, Seller agrees to provide Buyer and Newco with copies of, or reasonable access to, all of the business and accounting books and records in the actual possession of Seller that are directly related to the Acquired Assets and the manufacture of the SLC Products including, without limitation, general ledgers, vendor files and fixed asset records, but not including any books and records related to sales, marketing and distribution of the SLC Products. If any such accounting books and records are in the possession of third parties, Hospira will use commercially reasonable efforts to obtain reasonable access to such accounting books and records for Newco.

Other Amendments

In Sections 2.1(a)(i) and 2.1(a)(ii) and the ultimate paragraph of Section 2.1, the term "SLC Products" is replaced with "SLC Products (other than the Surgicare Products)".

In Section 2.4(a), the dollar amounts "$24,945,000" are replaced with "$21,945,000".

The following language is added at the end of Section 4.4: "The parties acknowledge that, although all such statements include the Surgicare Assets, the Surgicare Assets are now "Excluded Assets."

The second and third sentences of Section 4.6 are replaced with the following language (added language is underlined): "Except as set forth on Part 4.6 of the Disclosure Schedule, the Acquired Assets, the intangible assets to be licensed to Buyer under the MCDA, the Surgicare Assets to be used by Newco under the MCDA, the 510(k) Registrations to be transferred to Buyer under the MCDA and the Real Property to be transferred to Buyer pursuant to the Real Estate Purchase Agreement together constitute all of the assets necessary to manufacture the SLC Products and operate the Facility in connection with the manufacture of the SLC Products in substantially the manner in which the SLC Products were manufactured by Seller (other than with respect to functions performed by Hospira outside the Facility). Except as set forth on Part 4.6 of the Disclosure Schedule and except for maintenance and repair performed in the ordinary course, the tangible Acquired Assets (and the Surgicare Assets) necessary to manufacture the SLC Products and operate the Facility to manufacture the SLC Products in substantially the manner in which the SLC Products are manufactured by Seller are, and as of the Closing Date will be, in good operating condition and repair, normal wear and tear excepted."

In Section 8.2(c), after the words "Acquired Assets," insert ", the Surgicare Assets".

In Section 8.3(d), after the words "Acquired Assets," insert "or the Surgicare Assets".

Replace Schedule 2.8 ("Tax Allocation") with Schedule 2.8 ("Tax Allocation") attached hereto.

Please indicate your agreement to the foregoing by singing below.

ICU Medical, Inc.

By: /s/ Francis J. O'Brien
Name: CFO

ICU Medical (Utah), Inc.

By: /s/ Francis J. O'Brien
Name: CFO

Agreed and Accepted this 1st day of May 2005

Hospira, Inc.

By: /s/ Terrence C. Kearney
Name: Senior V.P. and Chief Financial Officer

REAL ESTATE PURCHASE AGREEMENT

BASIC INFORMATION

Seller:	Hospira, Inc., a Delaware corporation
Buyer:	ICU Medical, Inc., a Delaware corporation (subject to assignment in accordance with Section 6 hereof)
Effective Date:	February 25, 2005
Street Address of Property:	4455 South Atherton Drive, Salt Lake City, Utah 84123
Purchase Price:	See Sections 2.3 and 2.8 of the Asset Purchase Agreement (as defined below) and Schedule 2.8 to the Asset Purchase Agreement
Title Company	First American Title Insurance Company 30 N. LaSalle Street, Suite 310 Chicago, Illinois 60602

The foregoing information (the "Basic Information") is incorporated into and made a part of this Agreement. Each reference in this Agreement to any of the Basic Information shall mean the respective information set forth above. Capitalized terms used in this Agreement without definition shall have the respective meanings given to them in the Asset Purchase Agreement dated of even date herewith by and between Seller and Buyer (the "Asset Purchase Agreement").

REAL ESTATE PURCHASE AGREEMENT

This Real Estate Purchase Agreement (the "Agreement") is entered into by and between the Buyer specified in the Basic Information and the Seller specified in the Basic Information as of the Effective Date specified in the Basic Information.

1. Agreement of Purchase and Sale. Buyer agrees to purchase from Seller, and Seller agrees to sell to Buyer, at the purchase price referred to below, on the terms and conditions set forth herein, that certain real property located at the address specified in the Basic Information, as more particularly described on Exhibit A attached hereto and incorporated herein by reference, together with all buildings, fixtures and improvements located on such real property and all rights, easements and privileges appurtenant to such real property (collectively, the "Real Property"). The "Real Property" shall not include any personal property. The purchase price for the Real Property and the other assets purchased by Buyer from Seller pursuant to the Asset Purchase Agreement is specified in Section 2.3 of the Asset Purchase Agreement and the tax allocation for the sale of the Real Property and such other assets is set forth on Schedule 2.8 to the Asset Purchase Agreement.

2. Deed. At the Closing (as defined below) Seller shall deliver a recordable special warranty deed in the form attached hereto as Exhibit B (the "Deed").

3. Survey and Title.

(a) Buyer has received a copy of the plat of survey of the Real Property, dated as of April 16, 2004, prepared by Bush & Gudgell, Inc., referred to as Job No. 46886 (the "Survey").

(b) Buyer has received a title commitment for an owner's title insurance policy, a copy of which is attached hereto as Exhibit C (the "Title Commitment"), issued by the Title Company specified in the Basic Information covering title to the Real Property, together with copies of all recorded documents referenced therein.

4. Closing.

(a) Closing Date. The closing of the transactions contemplated by this Agreement (the "Closing") shall occur on the Closing Date in accordance with

Section 3.1 of the Asset Purchase Agreement.

(b) Simultaneous Closing. The parties agree that the Closing and the closing of the transactions contemplated by the Asset Purchase Agreement shall occur simultaneously on the Closing Date.

(c) Seller's Requirements at Closing. At the Closing, Seller shall deliver, or cause to be delivered, to Buyer the following:

(i) The Deed for the Real Property in duly recordable form for filing in the office of the County Recorder of the County in which the Real Property is located.

(ii) To the extent required by the Title Company, an appropriate resolution, certified by an officer of Seller, confirming its authority to enter into the transaction contemplated hereby, together with certified copies of its organizational documents, and good standing certificates from its state of organization and the state in which the Real Property is located.

(iii) Non-foreign affidavit dated as of the Closing Date in the form of Exhibit D attached hereto.

(iv) Owner's policy of title insurance issued by the Title Company, naming Buyer or its permitted assignee as the insured, in the amount set forth on Exhibit G, providing extended coverage, subject only to Permitted Encumbrances, the items shown in the Title Commitment, all matters disclosed by the Survey, and all such other matters as do not materially interfere with the operation of the Real Property as historically operated by Seller (the "Title Policy").

(v) An executed counterpart to a closing statement prepared by the Title Company (the "Closing Statement").

(vi) Any other documents reasonably required hereunder by Buyer or the Title Company to effectuate the provisions of this Agreement.

(d) Buyer's Requirements at Closing. At the Closing, Buyer shall deliver to Seller the following:

(i) All funds, which shall be immediately available, required to be delivered at the Closing pursuant to the terms of the Asset Purchase Agreement to satisfy Buyer's obligation to pay the Purchase Price.

(ii) To the extent required by the Title Company, an appropriate resolution or consent, certified by an officer, member or other appropriate representative of Buyer, confirming its authority to enter into the transaction contemplated hereby, together with certified copies of Buyer's applicable organizational documents, and good standing certificates from its state of organization and the state in which the Real Property is located.

(iii) An executed counterpart to the Closing Statement.

(iv) Any other documents reasonably required hereunder by Seller or the Title Company to effectuate the provisions of this Agreement.

(e) Conditions to Closing.

(i) The obligation of Buyer to acquire the Real Property on the Closing Date shall be subject to the satisfaction of the following conditions on and as of the Closing Date:

(A) (x) Each of the representations and warranties of Seller contained in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date, with the same force and effect as if made as of the Closing Date (other than such representations and warranties that are made as of a specific date, which representations shall be true and correct as of such particular date); (y) the covenants,

agreements and obligations contained in this Agreement to be complied with or performed by Seller on or before the Closing shall have been complied with or performed in all material respects; and (z) Buyer shall have received a certificate of Seller to such effect, signed by a duly authorized officer thereof;

(B) The Seller shall have delivered or caused to be delivered all the documents described in Section 4(c) of this Agreement;

(C) The "Closing" under the Asset Purchase Agreement shall have occurred or shall occur simultaneously with the Closing; and

(D) Seller shall have, at its option, either (I) removed or caused the removal of, that certain de-commissioned used oil tank located in Building "B" of the solvent building on the Real Property and pictured in Exhibit F attached hereto (the "Oil Tank") or (II) arranged in a manner reasonably satisfactory to Buyer for the Oil Tank to be removed on or before July 31, 2005. If Seller elects to proceed according to clause (II) above, then Seller shall coordinate the removal of the Oil Tank with Buyer so that such removal occurs during a period when the Facility is shutdown or, if no shutdown is scheduled prior to July 31, 2005, so that such removal does not unreasonably interfere with Buyer's operations in the Facility. Buyer shall provide Seller, its employees and contractors with reasonable access to the Facility and the Oil Tank to conduct all activities related to the removal of the Oil Tank.

(ii) The obligation of Seller to convey the Real Property on the Closing Date shall be subject to the satisfaction of the following conditions on and as of the Closing Date:

(A) Buyer shall have complied with or performed in all material respects the covenants, agreements and obligations contained in this Agreement to be complied with or performed by Buyer on or before the Closing and Seller shall have received a certificate of Buyer to such effect, signed by a duly authorized officer thereof;

(B) Buyer shall have delivered or caused to be delivered all the documents described in Section 4(d) of this Agreement;

(C) Buyer shall have delivered to Seller the Purchase Price as provided in Section 4(d) of this Agreement; and

(D) The "Closing" under the Asset Purchase Agreement shall have occurred or shall occur simultaneously with the Closing.

5. Remedies. The sole remedy for any breach of this Agreement by either party, including, without limitation, a breach by Seller of its representations and warranties contained herein, shall be as set forth in the Asset Purchase Agreement. All disputes which relate to the parties' rights and obligations under this Agreement shall be resolved as set forth in Section 10.11 of the Asset Purchase Agreement.

6. Assignment. Neither this Agreement nor any of the rights or obligations hereunder may be assigned by either party without the prior written consent of the other party; provided that either party may assign its rights (without any release of its obligations hereunder) to one or more of its Affiliates.

7. Property Damage Prior to Closing. In the event that, after the date hereof and prior to the Closing Date, there occurs any casualty damage to the Real Property or any taking by eminent domain or similar proceeding of any portion of

the Real Property, then (i) any right of Buyer to terminate this Agreement or the Asset Purchase Agreement as a result thereof shall be governed solely by the terms and conditions of the Asset Purchase Agreement and (ii) at the Closing, provided that Buyer has not terminated this Agreement and the Asset Purchase Agreement as may be permitted in accordance with Section 7(i) hereof, Seller shall assign to Buyer any property insurance proceeds and/or eminent domain awards payable as a result of such casualty or taking and shall provide Buyer with a credit in an amount equal to the deductible amount, if any, in effect with respect to any such insurance proceeds. Seller shall not be obligated to repair or replace damaged improvements.

8. "As Is" Condition of Real Property. Subject to Seller's representations and warranties set forth in Section 10 hereof, the Real Property will be conveyed in an "AS IS, WHERE IS, WITH ALL FAULTS" condition existing as of the Closing Date. Seller makes no express or implied warranties as to the merchantability or fitness for a particular purpose or use of any improvements, or fixtures transferred hereunder.

9. Expenses. Seller shall pay (a) premiums for the Title Policy; (b) one-half (1/2) of all of the closing fees charged by the Title Company for the closing of this transaction; and (c) the cost of the Survey. Buyer shall pay (i) the cost of recording the deed and any mortgage or other documents related to any Buyer financing; (ii) all costs for title insurance coverage in excess of what is provided by the Title Policy; (iii) the cost of all endorsements, if any, to the Title Policy that Buyer desires; (iv) one-half (1/2) of all of the closing fees charged by the Title Company for the closing of this transaction; and (v) all title insurance premiums, endorsement costs and Title Company fees and expenses relating to any Buyer financing. Any state, county, local or municipal stamp or transfer tax shall be paid by the party upon whom such ordinance places responsibility. If such ordinance does not so place responsibility, the tax shall be shared equally by Buyer and Seller. Buyer and Seller shall each pay its own attorneys' and accountants' fees and costs in connection with this transaction.

10. Representations and Warranties of Seller. Seller represents and warrants to Buyer that the following statements are true and correct in all material respects as of the Effective Date:

(a) The Real Property comprises all the land and premises occupied by Seller comprising the Facility.

(b) Seller possesses good fee simple title to the Real Property free and clear of all Encumbrances, other than Permitted Encumbrances. Other than an oral lease for the operation of Cyprus Credit Union and its ATM(s), Seller has not leased to, or entered into any occupancy agreement with, any Person for any portion of the Real Property that will remain in effect after the Closing.

(c) To Seller's knowledge (as defined in the Asset Purchase Agreement), Seller is in compliance in all material respects with all recorded covenants, conditions and restrictions.

(d) To Seller's knowledge (as defined in the Asset Purchase Agreement), the present use of the Real Property is permitted under applicable zoning ordinances.

(e) To Seller's knowledge (as defined in the Asset Purchase Agreement), since December 31, 2000, no development or construction work has been carried out on the Real Property which would require any consent under or by virtue of the relevant planning or building regulations or any other relevant legislation without such consent having been properly obtained and any conditions or restrictions imposed thereon have been fully observed and performed in all material respects.

(f) There is reasonable access to and from the Real Property for the current uses of the Real Property as of the date of this Agreement.

(g) Since December 31, 2003, Seller has not received any Order or written notice of proceedings from any Governmental Body with respect to the Real Property.

(h) Seller has not entered into any material agreements with any water,

sewerage or other utilities Governmental Body for the supply of water, sewerage or other facilities to or from the Real Property or mains or other equipment laying and has not deposited any moneys with any such Governmental Body as security therefor other than customary agreements and deposits.

(i) Other than the space above the molding office area in the Facility, which space is not usable, to Seller's knowledge (as defined in the Asset Purchase Agreement), there is no material structural or other material defect in the buildings and structures on or comprising the Real Property, provided that Seller makes no representation or warranty of any nature whatsoever concerning the maximum load ratings of any floor in the Real Property.

(j) Seller does not lease, as tenant, any Real Property in connection with the Facility.

(k) All representations and warranties applicable to the Real Property and contained in the Asset Purchase Agreement are incorporated herein by reference.

The representations and warranties of Seller and Buyer contained in this Agreement shall survive as set forth in Article 8 of the Asset Purchase Agreement.

11. Notice. All notices and other communications which are required or may be given hereunder shall be given in accordance with the terms of Section 10.7 of the Asset Purchase Agreement.

12. Entire Agreement. This Agreement, including the exhibits, and the other Transaction Documents embody the entire agreement and understanding between the parties pertaining to the subject matter hereof and thereof, and supersede all prior agreements, understandings, negotiations, representations and discussions, whether verbal or written, of the parties, pertaining to that subject matter. There are no promises, terms, conditions or obligations of the parties

pertaining to that subject matter other than as contained in this Agreement and the other Transaction Documents. Notwithstanding the foregoing, the parties acknowledge that they have entered into other agreements pertaining to other subject matters, including the MCDA. All exhibits to this Agreement constitute an integral part of this Agreement as if fully written herein.

13. Modifications. This Agreement may be amended, modified or supplemented only by a writing executed by each of the parties. Any party may in writing waive any provision of this Agreement to the extent such provision is for the benefit of the waiving party. No action taken pursuant to this Agreement, including any investigation by or on behalf of any party, shall be deemed to constitute a waiver by that party of its or any other party's compliance with any representations or warranties or with any provisions of this Agreement. No waiver by any party of a breach of any provision of this Agreement shall be construed as a waiver of any subsequent or different breach, and no forbearance by a party to seek a remedy for noncompliance or breach by another party shall be construed as a waiver of any right or remedy with respect to such noncompliance or breach.

14. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together will constitute a single agreement.

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

16. Further Action After Closing. Each of the parties hereto shall execute and deliver such documents and other papers and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the sale and purchase of the Real Property.

17. Time. Time is of the essence of this Agreement.

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

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

20. Taxes. Seller and Buyer agree that all state, county, city, school, ad valorem, and other local real property taxes and assessments, if any, relating to or assessed against the Real Property will be prorated as of the Closing Date, with Seller liable to the extent such taxes and assessments relate to any time period up to and including the Closing Date and Buyer liable to the extent such taxes and assessments relate to periods subsequent to the Closing Date. Seller agrees to furnish Buyer with such documents and other records as Buyer reasonably requests in order to confirm all adjustment and proration calculations made pursuant to this Section 20. If the real property tax bill for the current tax year is not available by the Closing Date, the prorations shall be made on the basis of the most recent actual real property tax bill available and such proration shall be final.

21. Utilities. Seller shall attempt to have all providers of utilities for the Real Property read the meters on the Closing Date and issue a separate statement for Seller for all time prior to the Closing Date. In the event that any provider of utilities shall refuse to issue a separate statement, the applicable utility charges shall be prorated as of the Closing Date on the basis of the most recent actual utility bills available and such proration shall be final.

22. Termination. A termination under Article 9 of the Asset Purchase Agreement shall be deemed a termination under this Agreement.

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

24. Parties in Interest. Nothing in this Agreement, expressed or implied, is intended to confer on any Person or entity other than Seller and Buyer any right or remedy under or by reason of this Agreement.

25. No Third Party Beneficiaries. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person.

26. Buyer's Covenants. Buyer shall comply with its obligations under Exhibit 2.10 of the Asset Purchase Agreement. Simultaneously with the recording of the Deed at Closing, Buyer and Seller shall execute and cause the recordation of an Encumbrance, in the form attached hereto as Exhibit E in the office of the County Recorder of the County in which the Real Property is located.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

BUYER

ICU Medical, Inc., a Delaware corporation

By: /s/ George A. Lopez, M.D.

Name: George A. Lopez, M.D.
Title: President & CEO

SELLER

Hospira, Inc., a Delaware corporation

By: /s/ Christopher B. Begley

Name: Christopher B. Begley
Title: Chief Executive Officer

TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (the "Agreement") is entered into as of May 1, 2005 by and between Hospira, Inc., a Delaware corporation ("Hospira"), and ICU Medical (Utah), Inc., a Delaware corporation ("Medical").

RECITALS

A. Hospira and ICU Medical, Inc., a Delaware corporation ("ICU") have entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") dated as of February 25, 2005, providing for the purchase by ICU of certain assets of Hospira, and a Manufacturing, Commercialization and Development Agreement (the "MCDA") dated as of February 25, 2005, providing for, among other things, the manufacture of certain products by ICU and the sale of such products to Hospira.

B. Pursuant to the Assignment and Assumption Agreement dated February 25, 2005, ICU has assigned, granted, sold, conveyed and transferred all of its right, title and interest in and to the Asset Purchase Agreement and the MCDA to Medical, ICU's wholly-owned subsidiary, and Medical has assumed and agreed to observe and perform all of the duties, terms, provisions and covenants in connection therewith.

C. This Agreement is one of the "Transaction Documents" contemplated by the Asset Purchase Agreement, and the Closing under the Asset Purchase Agreement is occurring simultaneously with the delivery of this Agreement.

D. To ensure that the Acquired Assets are transferred to Medical in an orderly fashion and that the Parties are able to perform under the MCDA as required, Hospira and Medical wish to provide for certain transition services on the terms set forth herein.

NOW, THEREFORE, in consideration of the covenants contained herein, in the Asset Purchase Agreement and in the MCDA, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I DEFINITIONS.

For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "Agreement" has the meaning set forth in the Preamble.

1.2 "Asset Purchase Agreement" has the meaning set forth in the Recitals.

1.3 "Business Entity" means any corporation, general or limited partnership, trust, joint venture, unincorporated organization, limited liability entity or other entity.

1.4 "Charge" and "Charges" have the meanings set forth in Section 2.4.

1.5 "Facility" has the meaning set forth in the MCDA

1.6 "FBEC" shall mean the Fully Burdened Employee Cost and shall equal the cost of the applicable employee including payroll, bonuses, fringe benefits, travel, depreciation of personal computers, floor space, communication charges and other applicable costs in accordance with Hospira's historical practices. The total FBEC shall not exceed two times the base compensation for the applicable employee.

1.7 "Governmental Body" - means any: nation, state, county, city, town or other jurisdiction; federal, state, local municipal, foreign or other government; or governmental or quasi-governmental authority, including any agency, branch, department, board, commission, court, tribunal, other entity or official exercising governmental or quasi-governmental authority.

1.8 "Hospira" has the meaning set forth in the Preamble.

1.9 "Hospira Subsidiary" means any Subsidiary of Hospira.

1.10 "ICU" has the meaning set forth in the Recitals.

1.11 "ICU Subsidiary" means any Subsidiary of ICU.

1.12 "Information" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

1.13 "Initial Services" has the meaning set forth in Section 2.1.

1.14 "MCDA" has the meaning set forth in the Recitals hereto.

1.15 "Medical" has the meaning set forth in the Preamble.

1.16 "Person" means any: (i) individual; (ii) Business Entity; or (iii) Governmental Authority.

1.17 "Parties" means Medical and Hospira.

1.18 "Prime Rate" means the rate which Citibank N.A. (or its successor or another major money center commercial bank agreed to by the Parties) announces as its prime lending rate, as in effect from time to time.

1.19 "Provider" means, with respect to any Service, the entity or entities identified on the applicable Schedule as the "Provider."

1.20 "Provider Indemnities" has the meaning set forth in Section 5.3.

1.21 "Purchaser" means, with respect to any Service, the entity or entities identified on the applicable Schedule as the "Purchaser."

1.22 "Service Term" means, with respect to any Service, the term specified on the Schedule applicable to such Service.

1.23 "Services" has the meaning set forth in Section 2.2.

1.24 "Subsidiary" of any Party means another Business Entity that is directly or indirectly controlled by such Party. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Business Entity, whether through ownership of voting securities or other interests, by contract or otherwise.

1.25 "Third Party" means any Person other than Medical, ICU, any ICU Subsidiary, Hospira and any Hospira Subsidiary.

ARTICLE II SERVICES.

2.1 Initial Services. Commencing on the date hereof, the Party designated as the Provider on the Schedules hereto agrees to provide, or with respect to any service to be provided by a Subsidiary of such Party, to cause such Subsidiary to provide, to the Party designated as the Purchaser on the Schedules hereto, or with respect to any service to be provided to a Subsidiary of such Party, to such Subsidiary, the applicable services (the "Initial Services") set forth on TSA #1 through TSA #19 attached hereto.

2.2 Additional Services. From time to time after the date hereof, the Parties may identify additional services that one Party will provide to the other Party in accordance with the terms of this Agreement (the "Additional Services" and, together with the Initial Services, the "Services"). The Parties shall cooperate and act in good faith to create a Schedule for each Additional Service on commercially reasonable terms. Notwithstanding the foregoing, neither Party shall have any obligation to agree to provide Additional Services until a Schedule for such Additional Services has been agreed to by the Parties in writing.

2.3 Performance Of Services.

(a) Each Provider shall perform, or cause its Subsidiaries to perform, all Services to be provided by such Provider in a commercially reasonable manner.

(b) Neither Provider nor any of its Subsidiaries shall be liable or held accountable, in damages or otherwise, for any error of judgment or any mistake of fact or law or for anything that the Provider or any of its Subsidiaries does or refrains from doing in good faith hereunder, except in the case of its gross negligence or willful misconduct, and except that Medical shall perform the Design-a-Set for Pumps services to be provided by Medical to Hospira in conformity and subject to the provisions of Sections 3.4, 3.5 and 3.6 of the MCDA.

(c) Nothing in this Agreement shall require a Provider to perform or cause to be performed any Service in a manner that would constitute a violation of applicable laws.

(d) Neither Provider nor any of its Subsidiaries will be required to perform or to cause to be performed any of the Services for the benefit of any Third Party or any other Person other than the applicable Purchaser or its Subsidiaries.

2.4 Charges For Services. The charges for each Service, if any, shall be determined as set forth on the applicable Schedule (each a "Charge" and together the "Charges").

2.5 Changes To Services. Except as provided in Section 2.8 below, each Provider may make changes from time to time in the manner of performing the Services if such Provider is making similar changes in performing analogous services for itself and if such Provider furnishes to the applicable Purchaser substantially the same notice (in content and timing) as such Provider shall furnish to its own organization respecting such changes. No such change shall affect the Charges for the applicable Service.

2.6 Transitional Nature Of Services. The Parties acknowledge the transitional nature of the Services and agree to cooperate in good faith and to use commercially reasonable efforts to effectuate a smooth transition of the Services from the Provider to the Purchaser (or its designee).

2.7 Cooperation. In the event that (i) there is nonperformance of any Service as a result of an event described in Section 5.4, or (ii) the provision of a Service would violate applicable law, the Parties agree to work together in good faith to arrange for an alternative means by which the applicable Purchaser may obtain, at the Purchaser's sole cost, the Services so affected.

2.8 Use Of Third Parties To Provide The Services. Each Provider may perform its obligations through its Subsidiaries or, if such Provider is obtaining analogous services for itself from agents, subcontractors or independent contractors, the Provider may perform its obligations hereunder through the use of agents, subcontractors or independent contractors, if such Provider furnishes to the applicable Purchaser substantially the same notice (in content and timing) as such Provider shall furnish to its own organization respecting such use of Third Parties. If the Provider is not obtaining analogous services for itself from Third Parties, the Provider may perform its obligations hereunder through the use of agents, subcontractors or independent contractors only upon obtaining the prior written consent of the Purchaser which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, the Provider shall not be relieved of its obligations under this Agreement by use of such Subsidiaries, agents, subcontractors or contractors. Delegation of performance of any Service by a Provider in accordance with this Section 2.8 shall not affect the Charges for the applicable Service.

ARTICLE III BILLING; TAXES.

3.1 Procedure. Charges for the Services, if any, shall be charged to and payable by the applicable Purchaser. Any charges payable pursuant to the terms of this Agreement shall be paid to the applicable Provider, as directed by such Provider, on a monthly basis, which amounts shall be due within thirty (30) days after the date of invoice. All amounts due and payable hereunder shall be invoiced and paid in U.S. dollars.

3.2 Taxes. Each Purchaser shall pay any and all taxes incurred in connection with the applicable Provider's provision of the Services, including all sales, use, value-added, and similar Taxes, but excluding Taxes based on such Provider's net income.

3.3 No Set-Off. A Purchaser's obligation to make any required payments under this Agreement shall not be subject to any unilateral right of offset, set-off, deduction or counterclaim, however arising.

ARTICLE IV TERM AND TERMINATION.

4.1 Term. This Agreement will terminate with respect to any Service at the close of business on the last day of the Service Term for such Service.

4.2 Information Transmission. On or prior to the last day of each relevant Service Term, the Provider shall use commercially reasonable efforts and shall cause its Subsidiaries to use commercially reasonable efforts to support any transfer of Information concerning the relevant Services to the applicable Purchaser. If requested by the Purchaser, the Provider shall deliver and shall cause its Subsidiaries to deliver to the applicable Purchaser, within such time periods as the Parties may reasonably agree, all Information received or computed for the benefit of such Purchaser during the Service Term, in electronic and/or hard copy form; provided, however, that (i) the Provider shall not have any obligation to provide or cause to provide Information in any non-standard format, and (ii) the Provider and its Subsidiaries shall be reimbursed for their reasonable out-of-pocket costs for providing Information in any format other than its standard format.

ARTICLE V MISCELLANEOUS.

5.1 Mutual Cooperation. The Parties and their respective Subsidiaries shall cooperate with each other in connection with the performance of the Services hereunder, including producing on a timely basis all Information that is reasonably requested with respect to the performance of Services and the transition of Services at the end of the term of this Agreement; provided, however, that such cooperation shall not unreasonably disrupt the normal operations of the Parties and their respective Subsidiaries.

5.2 Limitations On Liability.

(a) NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES RESULTING FROM ANY BREACH OF THIS AGREEMENT, EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND EACH PARTY HEREBY WAIVES ON BEHALF OF ITSELF AND ITS AFFILIATES (AS DEFINED IN THE MCDA) ANY CLAIM FOR SUCH DAMAGES, INCLUDING ANY CLAIM FOR PROPERTY DAMAGE OR LOST PROFITS, WHETHER ARISING IN CONTRACT OR TORT.

(b) The foregoing limitations on liability in this Section 5.2 shall not apply to either Party's obligations under Section 5.3 (Third Party Claims).

5.3 Third Party Claims. Each Purchaser shall indemnify, defend and hold harmless the Provider, its Subsidiaries and each of their respective directors, officers and employees, and each of the successors and assigns of any of the foregoing (collectively, the "Provider Indemnitees"), from and against any and all claims of Third Parties relating to, arising out of or resulting from the Provider's furnishing or failing to furnish the Services provided for in this Agreement, other than Third Party claims arising out of the gross negligence or willful misconduct of any Provider Indemnitee. The Party seeking indemnification shall promptly notify the other Party of any claims for which indemnification is sought. The indemnified Party shall cooperate fully with the indemnifying Party in the investigation and defense of any claims and shall allow the indemnifying Party to control the defense of any such claims with counsel reasonably

satisfactory to the indemnified Party. No settlement or compromise shall be made without the prior written consent of the indemnifying Party, which consent shall not be unreasonably withheld or delayed.

5.4 Force Majeure. Neither Party shall be liable to the other if, and to the extent that, the performance or delay in performance of any of its obligations under this Agreement is prevented, restricted, delayed or interfered with due to any delay in the performance of any of the duties or obligations of either Party hereto (except the payment of money) and such delay shall not be considered a breach of this Agreement and the time required for performance shall be extended for a period equal to the period of such delay; provided that such delay has been caused by or is the result of any acts of God, acts of public enemy, insurrections, riots, embargoes, labor disputes, including strikes, lockouts, job actions, or boycotts, fires, explosions, earthquakes, floods, shortages of energy, order by any governmental agency or instrumentality, or other unforeseeable causes beyond the control and without the fault or negligence of the Party so affected. The Party so affected shall give prompt notice to the other Party of such cause, and its expected duration. In such event, the Parties shall meet promptly to determine an equitable solution to the effects of any such event, and the Party claiming the force majeure event shall thereafter take whatever reasonable steps are necessary to relieve the effect of such cause as rapidly as possible.

5.5 Independent Contractors. The Parties hereto are independent contractors. Nothing contained in this Agreement shall be construed to constitute a Party as a partner, agent or joint venturer with the other Party or as a participant in a joint or common undertaking with the other Party. Each Party shall be individually responsible for its own obligations and liabilities as herein provided. Neither Party shall be under the control or shall be deemed to control the other Party. Neither Party shall be the agent of or have the right or power to bind the other Party without such Party's express written consent, except as may be expressly provided in this Agreement.

5.6 Parties in Interest. Nothing in this Agreement, expressed or implied, is intended to confer on any Person or entity other than Hospira and Medical any right or remedy under or by reason of this Agreement.

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

5.8 Dispute Resolution. The Parties recognize that bona fide disputes may arise which relate to the Parties' rights and obligations under this Agreement. The Parties agree that any such dispute shall be resolved by Alternative Dispute Resolution in accordance with the procedures set forth on Exhibit 14.4 to the MCDA.

5.9 Amendment; Assignment. Neither Party shall assign this Agreement or any part hereof without the prior written consent of the other Party; provided, however, that (i) Hospira may assign this Agreement in whole or in part without consent of Medical to a Subsidiary of Hospira; provided that any such assignment shall not release Hospira from its obligations hereunder; (ii) Hospira may assign this Agreement, in whole or in part, without such consent in connection with the assignment, transfer, sale or spin-off to a Third Party of substantially its entire business to which this Agreement pertains, the sale of a product line, or in the event of its merger or consolidation with another company; (iii) Medical may assign this Agreement in whole or in part without such consent to a Subsidiary of ICU; provided that any such assignment shall not release Medical from its obligations; and (iv) Medical may assign this Agreement without such consent in connection with its merger or consolidation with another company or the assignment, sale, transfer or spin-off to a Third Party of all or substantially all of its assets. No assignment shall relieve any Party of responsibility for the performance of any accrued obligation which such Party then has hereunder.

5.10 Notices. All notices hereunder shall be delivered personally; by registered or certified mail, postage prepaid; by facsimile with a confirmation copy sent by registered or certified mail, postage prepaid; or by overnight courier service, to the following addresses of the respective Parties:

If to Hospira: Hospira, Inc.

Building H1; Department 0960
275 N. Field Drive
Lake Forest, IL 60045-2579

Attention: Chief Executive Officer
Facsimile No.: (224) 212-3262

With a copy to: Hospira, Inc.
Building H1; Department NLEG
275 N. Field Drive
Lake Forest, IL 60045-2579

Attention: General Counsel
Facsimile No.: (224) 212-2088

If to Medical: ICU Medical (Utah), Inc.
951 Calle Amanecer
San Clemente, California 92673

Attention: Chief Financial Officer
Facsimile No.: 949-366-8368 and (949) 366-4264

With a copy to: Heller Ehrman LLP
601 South Figueroa Street
40th Floor
Los Angeles, California 90017

Attention: Stephen E. Newton
Facsimile No.: (213) 614-1868

Notices shall be effective upon receipt if personally delivered or delivered by facsimile, on the third business day following the date of mailing or on the first business day following deposit with an overnight courier service. A Party may change its address listed above by notice to the other Party.

5.11 Counterparts. This Agreement may be executed in one or more counterparts (including by means of faxed signature pages), all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to the other Party.

5.12 Entire Agreement. This Agreement and the Schedules hereto contain the entire agreement and understanding between the Parties with respect to the subject matter hereof and supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein. Notwithstanding the foregoing, the Parties acknowledge that they have entered into other agreements pertaining to other subject matters, including the Asset Purchase Agreement, the Transaction Documents (as defined in the Asset Purchase Agreement) and the MCDA.

5.13 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any Party. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the Parties.

5.14 Confidentiality. The Parties acknowledge that the confidentiality provisions of the MCDA apply to Confidential Information (as defined in the

MCDA) received by either Party in connection with this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement to be executed as of the date first written above.

ICU MEDICAL (UTAH), INC.

By: /s/ Francis J. O'Brien

Name: Francis J. O'Brien

Title: CFO

HOSPIRA, INC.

By: /s/ Terrence C. Kearney

Name: Terrence C. Kearney

Title: Senior V.P. and Chief Financial Officer

Exhibit 2.5

List of Schedules and Exhibits to Asset Purchase Agreement, Letter Agreement, Real Estate Purchase Agreement and Transition Services Agreement

The following schedules and exhibits to the Asset Purchase Agreement, Letter Agreement, Real Estate Purchase Agreement and Transition Services Agreement are omitted from Exhibits 2.1-2.4:

Asset Purchase Agreement

Exhibit or Schedule	Description
Schedule 1.1(b) - Knowledge of Seller	Individuals whose knowledge is imputed to Hospira
Schedule 1.1(c) - SLC Products	Name and product numbers of products manufactured at the manufacturing facility purchased by ICU
Schedule 2.1(c) - Assigned and Assumed Contracts	Contracts transferred and assigned to ICU by Hospira
Schedule 2.2 - Excluded Assets	Assets not purchased by ICU from Hospira
Schedule 2.8 - Tax Allocation	Allocation of transaction consideration solely for tax purposes
Schedule 3.2 - Closing Agenda	Items delivered at or prior to closing
Schedule 4.7(b) - Non-Assigned Contracts	Contracts not transferred or assigned to ICU by Hospira
Schedule 6.8 - Employee and Benefit Matters	Details regarding offers of employment, employee benefits and severance payments for Hospira employees
Schedule 10.11 - Alternative Dispute Resolution	Alternative dispute resolution procedures
Exhibit 1.1(d) - Transition Services	Transition services to be provided by the parties
Exhibit 2.10 - Purchase Price Adjustment	Procedures for determining post-closing adjustment to the purchase price
Disclosure Schedules	Qualifications and exceptions to Hospira's representations and warranties

Exhibits and Schedules to Side Letter to Asset Purchase Agreement

Exhibit or Schedule	Description
Exhibit A - Surgicare Assets	Additional assets to be Excluded Assets
Exhibit B	Detailed list of active Surgicare and EzeVac assets
Exhibit C	Detailed list of Surgicare MLDS assets
Amended Schedule 2.8	Amended allocation of transaction consideration solely for tax purposes

Real Estate Purchase Agreement

Exhibit or Schedule	Description
Exhibit A - Legal Description	Legal description of the property
Exhibit B - Form of Deed	Form of special warranty
Exhibit C - Title Commitment	Details of the title insurance policy issued

	to ICU
Exhibit D - Form of Non-Foreign Affidavit	Form of certification of non-foreign status executed by Hospira
Exhibit E - Encumbrance	Form of encumbrance on the property
Exhibit F - Decommissioned Used Oil Tank	Photograph of oil tank removed from the property before closing
Exhibit G - Title Policy Amount	Amount of title insurance coverage provided under the title insurance policy issued to ICU

Schedules of Services for Transition Services Agreement

Exhibit or Schedule	Description of Services
TSA #1	Product deployment services
TSA #2	Warehousing and distribution services
TSA #3	Product sterilization services
TSA #4	Manufacturing services
TSA #5	Purchasing services
TSA #6	Technical services - network connectivity to Internet and corporate applications
TSA #7	Hospira to provide access to historical data
TSA #8	Newco to provide access to historical data
TSA #10	Product sterilization services
TSA #11	Management services

TSA #12	Manufacturing support services
TSA #13	Engineering, quality assurance, regulatory and medical affairs support services
TSA #14	Technical services -maintenance of system links
TSA #15	Technical services -maintenance of system links
TSA #16	Product transfers, equipment relocations and other support services
TSA #17	Access to specified information technology systems
TSA #19	E-mail routing and virus scanning services

* * * * * * * * * *

Registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request.

MANUFACTURING, COMMERCIALIZATION AND DEVELOPMENT AGREEMENT

THIS AGREEMENT is made this 25th day of February, 2005, to be effective as of the Effective Date, by and among Hospira, Inc., a Delaware corporation having its principal place of business at 275 North Field Drive, Lake Forest, Illinois 60045 ("Hospira"), and ICU Medical, Inc., a Delaware corporation having its principal place of business at 951 Calle Amanecer, San Clemente, California 92673 ("ICU").

RECITALS

A. ICU and Hospira have entered into that certain Asset Purchase Agreement dated as of February 25, 2005 (the "Asset Purchase Agreement"), which ICU contemplates assigning to NEWCO, pursuant to which Hospira is transferring to ICU certain of its assets related to the manufacture of the Transferred Products and Transferred Components (each as defined below).

B. Hospira and ICU wish to enter into an arrangement whereby ICU will manufacture the Transferred Components and Transferred Products for Hospira and Hospira will (i) incorporate certain Transferred Components into certain products to be marketed and sold by Hospira, and (ii) market and sell the Transferred Products with certain technical assistance from ICU, all on the terms contained herein. The Transferred Products and the Transferred Components together comprise the "SLC Products," as such term is defined in the Asset Purchase Agreement.

1 C. Hospira and ICU also wish to enter into an arrangement whereby Hospira will manufacture Specified Components (as defined below) for ICU and ICU will incorporate such Specified Components into certain of the Transferred Products and Transferred Components prior to selling such Transferred Products or Transferred Components to Hospira.

D. Hospira and ICU also wish to engage in the joint development of new products on the terms contained herein and to enter into certain agreements with respect to new products developed by Hospira or ICU individually.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and upon the terms and subject to the conditions set forth below, Hospira and ICU hereby agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 Certain Definitions. The following words and phrases, when used herein, shall have the meanings set forth or referenced below:

"Act" shall mean the United States Food, Drug and Cosmetic Act, as amended, and all regulations promulgated thereunder.

"ADR" shall have the meaning set forth in Section 14.4.

"Affiliate" shall mean with respect to any Person, another Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person. For purposes of this definition, "control" as applied to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract, or otherwise.

"Asset Purchase Agreement" shall have the meaning set forth in the Recitals.

"Audit Rights" shall mean the rights of a Party to select an independent certified public accountant reasonably acceptable to the other Party to inspect, during normal business hours and upon at least 10 Business Days' notice to such other Party, the applicable records of such other Party to confirm the accuracy of its calculations or compliance with specific provisions of this Agreement that provide for such rights. The determination of the independent certified public accountant shall be binding on the Parties.

"Business Day" shall mean any day other than a day which is a Saturday or Sunday or other day on which commercial banks in Chicago, Illinois are authorized or required to remain closed.

"cGMPs" shall mean all current and future good manufacturing practices and quality systems regulations promulgated by any applicable Regulatory Authority in a country in which the applicable Product is or will be sold, to the extent applicable to such Product, including those promulgated by the FDA under 21 C.F.R. Part 820.

"Catheters" shall mean those Transferred Products identified on Exhibit 1.1C as Catheters.

1 "Confidential Information" shall mean (i) any and all technical data, information, materials, trade secrets and other know-how currently owned by or hereafter developed by, on behalf of, or derived either directly or indirectly from either Party or its Affiliates, which relates to a Product, its development, manufacture, promotion, marketing, distribution, sale or use, (ii) any and all financial data and information relating to the business of either of the Parties or of their Affiliates, which a Party or its Affiliates discloses to the other Party or its Affiliates, (iii) the Specifications and all amendments thereto, and (iv) the terms and conditions of this Agreement. If disclosed orally or visually, such information shall be considered "Confidential Information" only if it is identified as confidential at the time of disclosure and is summarized in a writing to the receiving Party within 30 days of such disclosure and identified as "Confidential." Notwithstanding the foregoing, the information described above shall not be "Confidential Information" if it:

(a) is known to the receiving Party or any of its Affiliates at the time of the disclosure, as evidenced by written records;

(b) is disclosed to the receiving Party or any of its Affiliates by a Third Party not bound by a confidentiality or similar agreement to hold such information in confidence;

(c) becomes patented, published or otherwise part of the public domain through no fault of the receiving Party or any of its Affiliates;

(d) is independently developed by or for the receiving Party or any of its Affiliates without use of Confidential Information, as evidenced by written records;

(e) is required by applicable Laws to be disclosed; provided, however, that no disclosure shall be made by a Party pursuant to this clause unless prior notice is given to the other Party and such other Party has a reasonable opportunity to limit such disclosure or take appropriate protective precautions relating to such disclosure; or

(f) is necessary to disclose it to prosecute patent rights, obtain Regulatory Approvals for the Products, or manufacture, market, sell or distribute the Products pursuant to this Agreement; provided, however, that no disclosure shall be made by a Party pursuant to this clause unless prior notice is given to the other Party and such other Party has a reasonable opportunity to limit such disclosure or take appropriate protective precautions relating to such disclosure.

"Contract Year" shall mean a calendar year during the Term, except that the first Contract Year shall commence on the Effective Date and end on December 31, 2005.

"Cover Costs" shall have the meaning set forth in Section 3.2(d).

"Custom Product" shall mean any Product specifically designed, configured or packaged in response to an individual customer request.

"Customer Supply Agreements" shall have the meaning set forth in Section 3.2(d).

"Delivery Date" means the date for delivery of any Product as specified in the applicable Purchase Order in accordance with the terms of this Agreement.

"Development Spending" shall have the meaning set forth in Section 7.1(a).

"Effective Date" shall mean the Closing Date, as defined in the Asset Purchase Agreement.

1 "Facility" shall mean the manufacturing facility located at 4455 Atherton Drive, Salt Lake City, Utah.

"FDA" shall mean the United States Food and Drug Administration and any successor agency thereto.

"Field Correction" shall have the meaning set forth in Section 4.3.

"GAAP" shall mean United States generally accepted accounting principles consistently applied from period to period and throughout any period in accordance with the applicable Party's past practices.

"Hospira Change of Control Event" shall mean (a) any transaction or series of transactions that causes a Third Party to own, directly or indirectly, at least 50% of the outstanding voting securities of Hospira or to be the surviving corporation in a merger with Hospira; (b) as a result of or in connection with a contested election of Hospira directors pursuant to a proxy fight for control of the company, persons who were directors immediately before the election cease to constitute a majority; or (c) the assignment, sale, transfer, spin-off, lease or other disposition to a Third Party of all or substantially all of the assets of Hospira or of the Critical Care business of Hospira.

"Hospira Derivative Product" shall mean any new product developed or acquired by Hospira that is derived from Confidential Information shared with Hospira by ICU.

"Hospira Marks" shall mean the corporate names "Hospira" and "Hospira, Inc." and the trademarks, tradenames, service marks and logos of Hospira.

"ICU Change of Control Event" shall mean: (a) any transaction or series of transactions that causes a Third Party to own, directly or indirectly, at least 50% of the outstanding voting securities of ICU or the surviving corporation in a merger with ICU; (b) as a result of or in connection with a contested election of ICU directors pursuant to a proxy fight for control of the company, persons who were directors immediately before the election cease to constitute a majority; or (c) the assignment, sale, transfer, spin-off, lease or other disposition to a Third Party of all or substantially all of the assets of ICU or of the assets associated with this Agreement.

"ICU Derivative Product" shall mean any new product developed or acquired by ICU that is derived from the technology, know-how or Confidential Information transferred to or shared with ICU by Hospira.

"ICU Marks" shall mean the corporate names "ICU," "ICU Medical" and "ICU Medical, Inc." and the trademarks, tradenames, service marks and logos of ICU.

"including" shall mean "including without limitation."

"ISO" shall mean International Standards Organization.

"Laws" shall mean all national, international, federal, state and local laws, statutes, regulations and guidelines, including cGMPs.

"Liabilities" shall have the meaning set forth in Section 11.1.

"MSDSs" shall have the meaning set forth in Section 3.6(e).

"Newco" shall have the meaning set forth in the Asset Purchase Agreement.

"New Hospira Competitive Product" shall mean any new product (other than a New Joint Product or Hospira Derivative Product) developed or acquired by Hospira independent of this Agreement, and without the use of Confidential Information shared with Hospira by ICU, that could reasonably be expected to reduce the sales of a Transferred Product by 10% or more. Notwithstanding the foregoing, New Hospira Competitive Products shall not include any product for which Hospira does not acquire manufacturing rights.

"New ICU Competitive Product" shall mean any new product (other than a New Joint Product or an ICU Derivative Product) developed or acquired by ICU independent of this Agreement, and without the use of technology, know-how or Confidential Information transferred to or shared with ICU by Hospira, that could reasonably be expected to reduce the sales of a Transferred Product by 10% or more. Notwithstanding the foregoing, New ICU Competitive Products shall not include any products for which ICU does not acquire marketing, sales or distribution rights.

"New Joint Product" shall mean any of the following:

(a) a new product or an improvement or modification of a Transferred Product or Transferred Component, in each case funded in whole or in part by the Development Spending;

(b) an ICU Derivative Product or Hospira Derivative Product that the Parties designate in writing as a New Joint Product; or

(c) a product which results from any future improvements or modifications to the Specifications in accordance with Section 3.1 for the products described in subsections (a) or (b).

"Party" shall mean any of ICU, Newco or Hospira and their respective successors and permitted assigns, and "Parties" shall mean ICU, Newco and Hospira and their respective successors and permitted assigns.

"Person" means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, the executors, administrators or other legal representative of an individual in such capacity, unincorporated association, joint venture, a government (or any agency or department of any government) or any other entity.

"Product" shall mean (i) any Transferred Product, (ii) any Transferred Component, (iii) any New Joint Product, or (iv) any New ICU Competitive Product or New Hospira Competitive Product that ICU has agreed in writing to manufacture and sell to Hospira, and Hospira has agreed in writing to purchase from ICU, in accordance with Article 8.

"Purchase Order" shall have the meaning set forth in Section 2.2(a).

"Regulatory Approval" shall mean all necessary and appropriate regulatory approvals, licenses, registrations and authorizations from the applicable Regulatory Authority to manufacture, use, store, import, export, transport, promote, market and sell any Product in a country, and any renewals of the foregoing.

"Regulatory Authority" shall mean any governmental authority or agency charged with issuing approvals, licenses, registrations or authorizations necessary for the manufacture, use, storage, import, export, transport, marketing, promotion or selling of any Product in a country.

"Recall" shall have the meaning set forth in Section 4.3.

"Special Transaction" shall mean, collectively, the following: (i) the transfer by ICU to Hospira of all tangible assets the use of which is exclusively or more than 50% devoted to the manufacture of Transferred Products, Transferred Components, New Joint Products and New Hospira Competitive Products under this Agreement, in exchange for a payment by Hospira to ICU of the net

book value (defined in accordance with GAAP) of such assets, (ii) the grant by ICU to Hospira of a non-exclusive license on commercially reasonable terms to be negotiated in good faith by the Parties of all rights to any intellectual property rights owned solely by ICU that is necessary to manufacture and sell New Joint Products; (iii) the transfer by ICU to Hospira, and the release by ICU of all rights to all manufacturing processes, documentation, specifications, know-how, intellectual property and Regulatory Approvals necessary for the manufacture and sale of the Transferred Products, Transferred Components and New Hospira Competitive Products; (iv) the provision by ICU to Hospira of a copy of all manufacturing processes, documentation, specifications, know-how, intellectual property and Regulatory Approvals to the New Joint Products; and (v) the cooperation of the Parties with respect to all of the foregoing, and with respect to any further transfer of items described above by Hospira to any Third Party; provided that ICU shall not be required to grant licenses or transfer the items described in clauses (iii) and (iv) above that relate to ICU proprietary components or products, but shall sell such components or products to Hospira on commercially reasonable terms.

"Specifications" shall mean those product formulations, standards, requirements and manufacturing, labeling, packaging and performance specifications for the Products and Specified Components as determined by Hospira and in effect at the time of manufacture of such Products and Specified Components in accordance with Section 3.1.

"Specified Components" shall mean those components of the Transferred Products or Transferred Components that, before the Effective Date, were manufactured at Hospira facilities other than the Facility and supplied to the Facility, as more particularly described on Exhibit 1.1A.

"Standard Products" shall mean Products that are not Custom Products.

"Surgicare Products" shall mean those Transferred Products identified as Surgicare Products on Exhibit 1.1C, as such Transferred Products may be improved or modified from time to time through changes to the Specifications in accordance with Section 3.1.

"Term" shall have the meaning set forth in Section 13.1.

"Third Party" shall mean any Person other than the Parties and their Affiliates.

"Third Party Rights" shall have the meaning set forth in Section 3.2(c).

"Transfer Price Credit" shall have the meaning set forth in Section 2.7(b)(i)(D).

"Transferred Components" shall mean those components that, before the Effective Date, were manufactured at the Facility and supplied to other Hospira facilities and Third Parties and are listed on Exhibit 1.1B, as such components may be improved or modified from time to time through changes to the Specifications in accordance with Section 3.1.

"Transferred Products" shall mean those products that, before the Effective Date, were manufactured at the Facility and are listed on Exhibit 1.1C, as such products may be improved or modified from time to time through changes to the Specifications in accordance with Section 3.1, unless such changes to the Specifications result in the creation of a New Joint Product, as provided in the definition of New Joint Product.

"United States" shall mean the United States of America and shall include its territories and possessions, the District of Columbia and Puerto Rico.

1.2 Definitions Relating to Pricing. Certain words and phrases used herein and related to pricing have the meanings set forth in Exhibit 1.2.

ARTICLE 2 - PURCHASE AND SALE OF PRODUCTS

2.1 Purchase and Sale of Products.

(a) Transferred Products. During the Term, Hospira shall purchase all of its requirements of the Transferred Products for sale in the United States (provided that Hospira shall purchase all of its worldwide requirements for Catheters) from ICU, and ICU shall manufacture and sell Transferred Products exclusively to Hospira on a worldwide basis, in accordance with the terms hereof. If Hospira plans to transfer the manufacture of products comparable to the Transferred Products from its Ireland facility or Costa Rica facility to Third Parties, Hospira shall provide ICU with notice and negotiate in good faith with ICU for the manufacture by ICU of such products. In addition, if Hospira plans to sell the Transferred Products (other than the Catheters) to its customers outside the United States, Hospira shall provide ICU with notice and negotiate in good faith with ICU for the manufacture by ICU of such products; provided that if Hospira and ICU are unable to reach agreement within 90 days after notice, Hospira may transfer the manufacture of such Transferred Products, or such products comparable to Transferred Products, to Third Parties.

(b) Transferred Components.

(i) For a period of five years after the Effective Date, Hospira shall purchase all of its requirements of the Transferred Components from ICU (but only to the extent that such Transferred Components are to be incorporated into products, whether Transferred Products or not, that use

Transferred Components manufactured at the Facility as of the Effective Date), and ICU shall manufacture and sell such Transferred Components exclusively to Hospira, in accordance with the terms hereof; provided that ICU shall be able to sell such Transferred Components to Third Parties if such Transferred Components were sold to such Third Parties by Hospira as of the Effective Date. Nothing in this Section 2.1(b) shall be deemed to prohibit Hospira from manufacturing, or having manufactured by a Third Party, components that are the same as or similar to the Transferred Components for use in products that do not use Transferred Components manufactured at the Facility as of the Effective Date.

(ii) From and after the date that is five years after the Effective Date, Hospira may manufacture, or have manufactured by a Third Party, Transferred Components for incorporation into any product if ICU does not provide transfer prices for such Transferred Components equal to or less than Hospira can obtain by such self- or Third-Party manufacturing.

(iii) Notwithstanding the foregoing, with respect to those Transferred Components that, as of the Effective Date, are purchased from Third Parties by Hospira and shipped to other Hospira facilities, Hospira may, at its option, elect to purchase such Transferred Components directly from a Third Party, rather than through ICU; provided Hospira gives ICU commercially reasonable notice of such election.

(c) Other Products. During the Term, Hospira shall purchase from ICU, and ICU shall manufacture and sell exclusively to Hospira, in accordance with the terms hereof, (i) New Joint Products and (ii) any New ICU Competitive Product or New Hospira Competitive Product that ICU has agreed in writing to manufacture and sell to Hospira and Hospira has agreed in writing to purchase from ICU, in accordance with Article 8.

Nothing contained in this Agreement shall be construed to obligate Hospira to purchase any minimum quantity of any of the Products, except as provided in Section 3.2(a) (Forecasting).

2.2 Purchase Orders.

(a) Purchase Orders. Hospira shall deliver purchase orders to ICU on Hospira's then applicable purchase order form (each a "Purchase Order") at least (i) 21 days prior to the delivery date specified therein if such Purchase Order is for Custom Products unless any such Custom Product requires a component that is not then manufactured or purchased by ICU, (ii) 30 days prior to the delivery date specified therein if such Purchase Order is for Standard Products that have been included in the binding forecast delivered to ICU pursuant to Section 3.2(a), and (iii) at least 45 days prior to the delivery date specified therein if such Purchase Order is for Standard Products not included in the binding forecast delivered to ICU pursuant to Section 3.2(a) or for Custom Products that

require a component not then manufactured or purchased by ICU. Each Purchase Order shall include the following information: Product list number and description, quantity, the applicable Transfer Price, required delivery schedule, delivery location, and shipping instructions. ICU shall accept all such Purchase Orders; provided, that ICU shall not be required to accept any Purchase Order for quantities of Products to be delivered in any month to the extent such quantities exceed the lesser of (A) 125% of the aggregate quantities for all Products ordered by Hospira pursuant to Purchase Orders that ICU was

required to accept hereunder in the same month for the previous calendar year and (B) 125% of the aggregate quantities for all Products forecast for such month in the most recent binding forecast delivered to ICU pursuant to Section 3.2(a), but will use all commercially reasonable efforts to fill such orders for quantities over 125%. If there are significant changes in the Product mix reflected in Purchase Orders from the Product mix ordered for the same month for the previous calendar year or reflected in the most recent binding forecast, then the Parties will consider such significant changes when comparing the total aggregate quantities and negotiate in good faith to determine the quantities for which ICU will be required to accept Purchase Orders. With respect to the first 12 months of this Agreement, the foregoing reference to the aggregate quantities for all Products purchased by Hospira in the same month for the previous calendar year shall mean the quantities of Products manufactured by Hospira in the same month for the previous calendar year. Purchase Orders shall be non-cancelable, subject to Section 3.2(c) (Failure to Supply) below. Hospira will issue Purchase Orders with respect to all of the WIP (as defined in the Asset Purchase Agreement) with the Transfer Prices set in accordance with Section 2.3(a).

(b) Agreements Governing. All purchases of the Products by Hospira from ICU during the Term shall be subject to the terms and conditions of this Agreement, and any terms or conditions contained in a Purchase Order or confirmation form which conflict with this Agreement shall be of no force and effect unless the Parties specifically agree in writing to such terms and conditions.

(c) Custom Products. ICU shall make commercially reasonable efforts to reduce the delivery time for Custom Products from the applicable delivery time specified in Section 2.2(a) above if Hospira reasonably determines that such a reduced delivery time is necessary to remain competitive in the Custom Product market.

2.3 Transferred Product and Transferred Component Pricing (Excluding Surgicare Products).

(a) The initial Transfer Price (along with the Cost Savings Estimate) for each of the Transferred Products and Transferred Components (other than Surgicare Products) sold by ICU to Hospira hereunder shall be as set forth on Exhibit 2.3 and shall be the Transfer Price until December 31, 2005. On or before September 1 of each Contract Year, ICU shall make a good faith estimate of the Cost Savings it expects to achieve for each Transferred Product or Transferred Component (other than Surgicare Products) during the subsequent Contract Year (the "Cost Savings Estimate") and shall submit such estimate, along with its estimate of the Fully Burdened Manufacturing Cost and the resulting Transfer Price for such Products, determined in accordance with Exhibit 2.3(A), to Hospira in writing for approval, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, the Parties will negotiate in good faith to adjust the Transfer Prices prior to such annual change if it becomes apparent that the Transfer Price does not, or will not, materially reflect the agreement set forth in Exhibit 2.3(A) in order to minimize future Quarterly Variances. Notwithstanding the foregoing, with respect to Products that resulted from the WIP (as defined in the Asset Purchase Agreement) purchased by ICU pursuant to the Asset Purchase Agreement and, on the Effective Date, that had completed the manufacturing process and were either awaiting sterilization or in sterilization or awaiting the final quality assurance release, the Transfer Price shall be Hospira's 2005 standard cost as set forth in Exhibit 2.3.

(b) The Parties shall negotiate in good faith to develop, prior to September 1 of Contract Year 2008 and each Contract Year thereafter, a method of determining the Transfer Prices for Products for the following Contract Year that eliminates the on-going calculation of Cost Savings and minimizes or eliminates any Quarterly Variance or other reconciliation process, in any case maintaining the general margin profile for each Party that results from the agreement described in Exhibit 2.3(A).

2.4 RESERVED

2.5 Surgicare Product Pricing. The initial Transfer Price for each of the Surgicare Products sold by ICU to Hospira hereunder shall be as set forth on Exhibit 2.3 and shall be the Transfer Price until December 31, 2005. On or before September 1 of each Contract Year, ICU shall determine the Transfer Price it expects to charge Hospira for each Surgicare Product during the subsequent Contract Year in accordance with Exhibit 2.5 and shall submit such estimate to Hospira in writing for approval, which approval shall not be unreasonably withheld.

2.6 New Joint Product Pricing. The Transfer Price for each New Joint Product sold by ICU to Hospira hereunder shall be as set forth in Exhibit 2.6.

2.7 Payment.

(a) Invoices. ICU shall invoice Hospira at the time of shipment for all Products purchased by Hospira hereunder at the Transfer Price specified in the applicable Purchase Order. Such invoices shall be paid in U.S. Dollars within 30 days after the invoice date.

(b) Reconciliation of Transfer Prices with Actual Costs.

(i) Calculation. ICU shall submit to Hospira within 10 days following the end of each quarter a good faith estimate of each of the calculations in clauses A, B, C and D below. ICU shall use commercially reasonable efforts to submit to Hospira as soon as possible following the end of each quarter, and in no event later than 25 days after the end of each quarter, its actual calculations of each of the following:

(A) For Transferred Products (excluding Surgicare Products) and Transferred Components, the aggregate actual Cost Savings minus the aggregate Cost Savings Estimate (or, if greater, the applicable Guaranteed Cost Savings), in each case for all Transferred Products (excluding Surgicare Products) and Transferred Components sold by ICU to Hospira during such quarter, multiplied by the applicable Cost Savings Percentage, (the "Quarterly Variance");

(B) For Surgicare Products, the Transfer Price minus the Final Surgicare Product Cost, for all Surgicare Products sold by ICU to Hospira during such quarter (the "Quarterly Surgicare Variance");

(C) For New Joint Products, the Transfer Price minus the Final New Joint Product Cost, for all New Joint Products sold by ICU to Hospira during such quarter (the "Quarterly New Joint Product Variance"); and

(D) The number of direct labor hours used to produce Products during such quarter. Hospira shall receive a credit (the "Transfer Price Credit") for such quarter if such number is equal to or greater than 208,750 hours in that quarter. The amount of the Transfer Price Credit is set forth on Exhibit 2.7(b).

If the sum of the Quarterly Variance, Quarterly Surgicare Variance, Quarterly New Joint Product Variance and Transfer Price Credit,

if any, is less than zero, then such sum shall be the "Shortfall Amount". If such sum is greater than zero, then such sum shall be the "Overpayment Amount". Hospira shall have 30 days after receipt of such calculations to (x) review and approve such calculations or (y) elect to have an audit of the applicable financial records of ICU performed by Hospira, or its representative, during normal business hours and upon at least five Business Days' notice to ICU. In addition, Hospira shall also have annual Audit Rights with respect to such calculations. ICU shall pay the cost (A) of any quarterly audit performed by Hospira if the Parties agree that the results of such audit establish that the Shortfall Amount or Overpayment Amount were miscalculated in ICU's favor by more than $25,000 or (B) of any audit conducted pursuant to Hospira's Audit Rights if the results of any such audit establish that the Shortfall Amount or Overpayment Amount was miscalculated in ICU's favor by more than $100,000. All individuals conducting any audits shall sign a non-disclosure agreement with ICU on terms at least as stringent as those contained in this Agreement.

(ii) Payment. Hospira shall pay ICU the Shortfall Amount, if any, within 30 days of the date of Hospira's approval of ICU's calculations or completion of the audit, as applicable, in accordance with Subsection (i) above. ICU shall reimburse Hospira the Overpayment Amount, if any, within 30 days of the date of Hospira's approval of its calculations or completion of the audit, as applicable, in accordance with Subsection (i) above.

2.8 Raw Materials Reimbursement.

(a) ICU shall use commercially reasonable efforts to use the Raw Materials (as defined in the Asset Purchase Agreement) transferred to ICU pursuant to the Asset Purchase Agreement in the manufacturing operations of ICU.

(b) If at the date that is 18 months after the Effective Date, ICU has not sold or used any portion of the Raw Materials in its manufacturing operations, then ICU shall receive a credit on the next quarterly reconciliation pursuant to Section 2.7 equal to the gross value of the unused and unsold portion of Raw Materials less the amount of the reserves for Raw Materials on Hospira's books on the Effective Date, up to a maximum credit in the amount of 10 percent of the gross value as of the Effective Date of such Raw Materials.

(c) If ICU uses or sells any portion of such Raw Materials at any time after receiving a credit from Hospira pursuant to this Section 2.8, ICU shall return to Hospira the portion of such credit attributable to the Raw Materials used or sold by ICU.

(d) Hospira shall have Audit Rights with respect to any calculations pursuant to this Section 2.8 if the Parties are unable to resolve any dispute through good faith discussions within 30 days of Hospira's dispute of such calculations. The cost of any audit under this Section 2.8(d) shall be paid by Hospira or ICU as determined in accordance with Section 2.7(b)(i).

ARTICLE 3 - MANUFACTURE OF PRODUCTS

3.1 Manufacture of Products.

(a) Specification Changes.

(i) Initiated by Hospira. Hospira may amend the Specifications from time to time with the prior written consent of ICU, which consent shall not be unreasonably withheld, and any resulting changes to the Fully Burdened Manufacturing Cost for a Product will be reflected in the applicable Transfer Price in accordance with the terms of Article 2. If any amendment to the Specifications requires Regulatory Approval, ICU and Hospira, as the case may be, shall make commercially reasonable efforts to obtain such Regulatory Approval as quickly as possible as required by Section 4.1 and ICU shall not implement such change until such Regulatory Approval has been received.

(ii) Initiated by ICU. ICU may amend the Specifications from

time to time with the prior written consent of Hospira, which consent shall not be unreasonably withheld and any resulting changes to the Fully Burdened Manufacturing Cost for a Product will be reflected in the applicable Transfer Price in accordance with the terms of Article 2. If any change to the Specifications requires Regulatory Approval, ICU and Hospira, as the case may be, shall make commercially reasonable efforts to obtain such Regulatory Approval as quickly as possible as required by Section 4.1 and ICU shall not implement such change until such Regulatory Approval has been received.

(iii) Cost Impact. Promptly following a request by Hospira, ICU shall provide Hospira with a good faith estimate of the impact on the Fully Burdened Manufacturing Cost of any amendments to the Specifications proposed pursuant to this Section 3.1(a).

(b) Manufacturing Changes.

(i) ICU shall notify Hospira in writing prior to the implementation of any changes in its manufacturing process for a Product that affect the fit, form or function of such Product ("Manufacturing Changes") and shall provide Hospira with a good faith estimate of the impact of such Manufacturing Changes on the Fully Burdened Manufacturing Cost. Such notice shall include Manufacturing Changes that affect the Specifications, written quality plans or procedures for production, manufacturing procedures, component parts, raw materials, vendors or batch sizes.

(ii) Upon Hospira's request, ICU shall provide to Hospira representative samples of Products manufactured using any Manufacturing Changes in sufficient quantities for Hospira to evaluate such Manufacturing Changes. Upon such notice of any such Manufacturing Changes and after receipt of such representative samples (if requested), Hospira shall use commercially reasonable efforts to evaluate and notify ICU of its approval (which shall not be unreasonably withheld) or disapproval of such Manufacturing Changes within 30 days after the date of notice, but in any event within 60 days after the date of notice. If Hospira does not notify ICU of its disapproval of such Manufacturing Changes within such period, then such Manufacturing Changes shall be deemed to be approved by Hospira, and ICU shall notify Hospira when it has implemented such Manufacturing Changes.

(iii) In the event any Manufacturing Change has an impact on any Regulatory Approval, the responsibilities and costs for any necessary amendments, notifications or resubmissions (as determined by the responsible Party) shall be allocated as provided in Section 4.1. Changes to the Fully Burdened Manufacturing Cost caused by a Manufacturing Change will be reflected in the applicable Transfer Price in accordance with the terms of Article 2. If any Manufacturing Change requires Regulatory Approval, ICU and Hospira, as the case may be, shall use commercially reasonable efforts to obtain such Regulatory Approval as quickly as possible as required by Section 4.1 and ICU shall not implement such change until such Regulatory Approval has been received.

(c) Manufacturing Site. ICU shall initially manufacture the Products at the Facility. If ICU plans to move any manufacturing of Products to a location other than the Facility, ICU shall use commercially reasonable efforts to notify Hospira at least 60 days (but in any event not less than 30 days) in advance of such move and allow Hospira to inspect such new manufacturing facilities to ensure compliance of facilities, equipment, and procedures with applicable FDA regulations and cGMPs. ICU shall not manufacture Products at the new facility until such time as Hospira has completed its inspection confirming compliance. ICU shall use commercially reasonable efforts to ensure a smooth transition to a new manufacturing facility and to avoid delays in any such transition. Hospira shall use commercially reasonable efforts to complete its inspections on a timely basis to avoid delays in any such transition. In the event a manufacturing site change has an impact on any Regulatory Approval, ICU

shall reimburse Hospira for the costs of any Regulatory Approval amendment, notification or resubmission deemed necessary by Hospira in its sole discretion as a result of such manufacturing site change and the manufacture of the Products to the new manufacturing site shall not begin until all Regulatory Approvals have been obtained.

(d) Cost Reductions. ICU shall use all commercially reasonable efforts to continuously reduce its Fully Burdened Manufacturing Cost for the Products.

3.2 Inventory and Supply Matters.

(a) Forecasting. Hospira shall provide ICU with a rolling 12 month forecast of its monthly requirements for the Products prior to the first day of each calendar month during the Term, with the first three months of each such forecast constituting a binding commitment by Hospira to purchase such quantities. On a monthly basis, Hospira shall issue Purchase Orders in accordance with Section 2.2(a) for the delivery during each month of the quantities of Products as to which the then-current forecast is binding. The last nine months of the forecast will not be binding on either Party and will be used only for planning purposes.

(b) Capacity. ICU shall maintain sufficient manufacturing capacity and means to produce and timely deliver Hospira's forecasted requirements of the Products during the Term in accordance with the terms of this Agreement, to the extent that quarterly growth in the aggregate quantity of all Products forecast by Hospira is not greater than 25% of the aggregate quantity of all Products purchased by Hospira in the same calendar quarter for the previous calendar year. With respect to the first 12 months of this Agreement, the foregoing reference to the aggregate quantities for all Products purchased by Hospira shall mean the quantities of Products manufactured by Hospira in the same calendar quarter for the previous calendar year. Hospira shall have the right to review ICU's manufacturing capacity throughout the Term and, at Hospira's request, ICU shall provide to Hospira evidence of ICU's manufacturing capacity.

(c) Failure to Supply. If ICU fails to deliver, or anticipates that it will be unable to deliver, Products ordered pursuant to the terms of this Agreement for 60 or more consecutive days past any Delivery Date, ICU will promptly notify Hospira. Hospira shall have the right to (i) agree to a revised delivery date, (ii) cancel some or all existing Purchase Orders for such Products without penalty, (iii) transfer the manufacture of such Products to itself or a Third Party, or (iv) to the extent such failure to supply is a material breach, terminate this Agreement in accordance with Section 13.3. ICU shall not be deemed to have failed to deliver under the preceding sentence if it is unable to manufacture Products ordered by Hospira as a direct result of Hospira's failure to supply ICU with Specified Components under Section 5.2 hereof or as a direct result of Hospira's breach of its obligations under Sections 3.1(a), (b) or (c). If Hospira elects option (iii), ICU shall, if so requested by Hospira, (A) transfer and/or license to Hospira, as applicable, all know-how, technology, trade secrets and patent rights necessary to manufacture such Products (other than with respect to any component of such Product that can be timely supplied by ICU), thereby enabling Hospira or its designee to manufacture such Products, (B) reasonably assist Hospira or its designee in the transfer and the start-up of manufacturing operations for such Products and make all necessary plans, formulations and manufacturing processes, procedures, test methods, specialized test equipment, and other items available to Hospira or its

designee, (C) grant Hospira or its designee access to ICU's regulatory files relating to such Products, (D) transfer all Regulatory Approvals to Hospira necessary to manufacture, market and sell such Products, and (E) supply such other technical or regulatory assistance as is reasonably requested by Hospira or its designee. ICU hereby grants to Hospira, without the necessity of any further documentation, a non-exclusive, royalty free, irrevocable, worldwide

right and license to ICU's know-how, technology, trade secrets and patent rights to make, have made, use and sell such Products. To the extent any know-how, technology, trade secrets or patent rights are owned, controlled or licensed by a Third Party ("Third Party Rights"), and are required to implement Hospira's right to manufacture or have manufactured such Products, ICU shall use its best efforts to obtain a license to all such Third Party Rights to allow Hospira or its designee to use such Third Party Rights for the production of Products.

(d) Certain Temporarily Unavailable Products. Hospira may enter into long-term contracts with its customers for the sale of products ("Customer Supply Agreements"). These Customer Supply Agreements may include a provision that requires Hospira to pay any incremental costs incurred by a customer in the event the customer must purchase the products covered under the Customer Supply Agreement from another vendor due to a backorder situation with Hospira ("Cover Costs"). In the event that Hospira is unable to supply a product to its customers as a direct result of ICU's inability or unwillingness to supply Products under Purchase Orders placed by Hospira and accepted by ICU in accordance with Section 2.2(a), ICU agrees that it shall be responsible for and shall reimburse Hospira for any such Cover Costs. ICU shall not be deemed to have been unable to supply under the preceding sentence if it is unable to manufacture Products ordered by Hospira as a direct result of Hospira's failure to supply ICU with Specified Components under Section 5.2 hereof or as a direct result of Hospira's breach of its obligations under Sections 3.1(a), (b) or (c).

(e) Supply Resumption. If Hospira's manufacturing rights under Section 3.2(c) above become effective because of ICU's inability to supply Products and provided that Hospira has not elected to terminate this Agreement pursuant to Section 13.3, and ICU is thereafter, during the Term, able to demonstrate to Hospira's reasonable satisfaction that ICU is capable of re-establishing and maintaining a satisfactory supply of such Products, then Hospira shall transfer back to ICU all of the items, if any, previously transferred by ICU to Hospira pursuant to Section 3.2(c) and resume purchasing such Products from ICU for the remainder of the Term within 90 days after ICU satisfactorily demonstrates its ability to meet Hospira's forecasts and ICU reimburses Hospira for all incremental costs incurred by Hospira as a result of Hospira manufacturing Products or having a Third Party manufacture Products pursuant to Section 3.2(c) above. Notwithstanding the foregoing, Hospira shall still be permitted to fulfill any contractual purchase commitments entered into by Hospira with the Third Party manufacturer.

3.3 Product Delivery.

(a) Delivery Terms. Unless otherwise directed by Hospira, ICU shall ship Products ordered by Hospira, FCA (Incoterms 2000) ICU's manufacturing facility, in accordance with the quantities, delivery dates, and delivery and shipping instructions specified in the applicable Purchase Order; provided that if ICU moves manufacturing to a location other than the Facility or ICU's San

Clemente, California or Ensenada, Mexico facilities, any incremental increase in shipping costs from such new location shall be shared equally by ICU and Hospira and the Parties shall negotiate in good faith to implement procedures to accomplish such cost sharing. If the carrier noted on the Purchase Order is not available, or if the Purchase Order does not designate a carrier, then ICU shall contact Hospira for instructions regarding the mode of shipment. ICU shall deposit the Products with the designated carrier within the shipping periods specified, and ICU shall not be liable for late delivery if so accomplished. Title and risk of loss shall pass to Hospira upon delivery to the designated carrier for shipment.

(b) Delays. If ICU is unable to deliver the Products on or prior to the applicable Delivery Date, ICU shall notify Hospira as soon as possible. If Hospira incurs actual costs as a result of ICU's inability to deliver, other than costs related to its exercise of rights under Section 3.2(c) (iii) or (iv), ICU shall reimburse Hospira for such actual costs upon presentation of such costs to ICU. ICU shall have Audit Rights with respect to such costs. The Parties acknowledge that any notice of delay or reimbursement of Hospira's costs under this Section will not affect Hospira's remedies for breach hereunder, including those set forth in Section 3.2(c) (Failure to Supply). ICU shall not be deemed to have been unable to deliver under this Section 3.3(b) if it is

unable to manufacture Products ordered by Hospira as a direct result of Hospira's failure to supply ICU with Specified Components under Section 5.2 hereof or as a direct result of Hospira's breach of its obligations under Sections 3.1(a), (b) or (c).

(c) Certificates. ICU shall deliver to Hospira, in a form acceptable to Hospira, for each shipment of Products one or more (i) certificates of compliance indicating that representative samples of each lot of such Products have been tested and including identities of the items tested, applicable Specifications and test results, signed by a representative of the ICU quality unit; and (ii) certificates of manufacturing compliance certifying that the Products were manufactured in compliance with the applicable Specifications and cGMPs, signed by a representative of the ICU quality unit. Hospira is entitled to rely on such certificates at the time of delivery to Hospira. Such certificates are required only for Products shipped directly to Hospira. For Custom Products shipped directly to a customer of Hospira by ICU, ICU shall maintain appropriate quality records, as reasonably requested by Hospira, which may be reviewed by Hospira upon request.

(d) Storage. Following delivery to Hospira, Hospira shall be responsible for properly storing the Products in accordance with the Specifications in facilities selected by Hospira.

(e) Taxes. Hospira shall pay all sales and similar taxes payable with respect to the sale and purchase of Products sold by Hospira, but not taxes based on ICU's income or any importation duties.

3.4 Shelf Life. At the time of shipment by ICU under this Agreement, all Products shall have a remaining shelf life greater than the approved shelf life for such Product less two months.

3.5 Product Defects and Returns.

(a) Inspection. Except for latent defects, Hospira or its customers, as applicable, shall have a period of 30 days from the date of delivery to notify ICU that a shipment of Products is damaged or does not contain the correct quantities of Products. Hospira shall have no obligation to test Products to confirm compliance with the Specifications and shall be entitled to rely upon the certificate provided by ICU pursuant to Section 3.3(c) above.

(b) Returns. Hospira shall have the right, with prior written notice to ICU, to return any Product, or to have a customer return any Product, that is damaged or otherwise does not conform to the Specifications. Prior to making any such return, Hospira, or the customer, as the case may be, shall request a return goods authorization from ICU and ICU shall promptly issue such return goods authorization. ICU shall either credit Hospira's account or provide non-defective replacement Products at no cost to Hospira. Should ICU determine after investigation that any damage or non-conformity with the Specifications is attributable to any breach of Hospira's obligations, including faulty transportation or storage of the Product, then Hospira shall reimburse ICU for the Transfer Price of such Products, transportation, storage and disposal.

(c) Disputes. If a dispute arises as to whether a Product conforms to the Specifications and the Parties are unable to resolve the dispute, the matter shall be referred to an independent Third Party testing laboratory agreed to by the Parties. The testing laboratory shall test the Product in question for conformance with the Specifications and shall provide the results of its analysis to ICU and Hospira. The decision of the testing laboratory regarding conformance with the Specifications shall be final and binding on the Parties. The cost of the testing laboratory shall be paid by the Party found to be in error.

3.6 Representations, Warranties and Covenants.

(a) Adulteration and Misbranding. ICU represents, warrants and covenants to Hospira (i) that Products delivered to Hospira pursuant to this Agreement shall, at the time of delivery, not be adulterated or misbranded within the meaning of the Act or within the meaning of any Laws in which the definitions of adulteration and misbranding are substantially the same as those

contained in the Act, as the Act and such Laws are constituted and effective at the time of delivery, (ii) that ICU shall not cause any act or omission in relation to the Products that renders the Products adulterated or misbranded, and (iii) that no Product will be an article which may not under the provisions of Sections 404 and 505 of the Act be introduced into interstate commerce.

(b) Compliance. ICU represents, warrants and covenants to Hospira that Products ICU delivers to Hospira pursuant to this Agreement shall be free from defects in material and workmanship and shall be manufactured (i) in accordance with and in conformity with the Specifications, and (ii) in compliance with all applicable Laws. ICU shall be responsible for all product liability and quality assurance issues arising from any failure to comply with Specifications and/or such Laws, provided, however, that ICU shall in no event be responsible for failure of the Products to conform with Specifications and/or such Laws if such failure is caused by the inappropriate storage, transportation or distribution of the Products by Hospira for which Hospira alone shall be responsible.

(c) Quality Control. ICU and Hospira will negotiate in good faith and shall enter into a separate quality agreement within 60 days of the Effective Date in format mutually agreed upon by the Parties and suitable to meet Regulatory Authority requirements documenting communication, Products descriptions, Specifications, manufacturing standards and measures to ensure compliance with applicable regulations relating to the production, storage, transportation, and release of Products. In the event of a conflict between this Agreement and such quality agreement or agreements, the terms of this Agreement shall control.

(d) Facilities. Except to the extent directly caused by Hospira's breach of its representations and warranties under Section 4.16 of the Asset Purchase Agreement, ICU represents, warrants and covenants that any manufacturing facilities and processes utilized for the manufacture of the Products will comply with applicable government regulations, including applicable cGMPs.

(e) Product Safety. ICU represents, warrants and covenants that Products supplied by ICU to Hospira under this Agreement shall comply with all product safety regulations regarding hazardous classification, appropriate labeling requirements and requisite Material Safety Data Sheets ("MSDSs"), including OSHA (United States Occupational Safety Health Administration); DOT (United States Department of Transportation); EPA (United States Environmental Protection Agency); FDA; EC (European Community); IATA/ICAO (International Air Transportation Association/International Civil Aviation Organization); Prop-65 (California proposition regarding notification to individuals about hazardous substances in products); and WHMIS (Workplace Hazardous Material Information System), in any country in which Products may be distributed by Hospira. ICU shall provide to Hospira upon Hospira's request copies of MSDSs and any other information and documentation related to product safety, including but not limited to physical, chemical, and biological characteristics of the Products. ICU shall implement a procedure that complies to the above regulatory agency requirements. Notwithstanding anything in this provision to the contrary, ICU shall be solely responsible for all such safety matters related to the Products.

(f) No Other Representations or Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, ICU MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PRODUCTS. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, ARE HEREBY DISCLAIMED BY ICU.

3.7 Access to Manufacturing Documents. Hospira shall provide ICU with copies of, or reasonable access to, all records and documents reasonably necessary to manufacture the Products, including historical supplier lists, purchasing and shipping records, artwork, product development reports, production flowcharts and regulatory affairs communications including inspection reports.

ARTICLE 4 - REGULATORY MATTERS AND COMMUNICATION

4.1 Regulatory Approvals.

(a) United States. As of the Effective Date, Hospira has obtained all Regulatory Approvals required to manufacture and market the Transferred Products and Transferred Components that are sold in the United States as of the Effective Date. Hospira hereby transfers to ICU all domestic Regulatory Approvals owned by Hospira as set forth in Exhibit 4.1(a) and the Parties shall cooperate with each other to effect such transfers. ICU, at its sole cost and expense, shall (i) maintain and keep current during the Term all such Regulatory Approvals required in the United States to manufacture and market the Transferred Products and Transferred Components and (ii) obtain, maintain and keep current all Regulatory Approvals required in the United States to manufacture and market all Products, other than Transferred Products and Transferred Components. ICU shall keep Hospira apprised of the status of such Regulatory Approvals as requested by Hospira.

(b) Foreign Countries. Hospira, at its sole cost and expense, shall use reasonable commercial efforts to obtain, maintain and keep current all additional Regulatory Approvals, if any, for the Products in all countries outside the United States in which Hospira decides to market and sell any Products. ICU shall, at its sole cost and expense, assist Hospira in preparing the regulatory submissions, including generating any data required for such submissions, and shall consult with and advise Hospira in responding to questions from any Regulatory Authority regarding any such submissions for any Products. Hospira shall be the sole owner of any submission to a Regulatory Authority filed by it pursuant to this Agreement.

4.2 Communications With United States and Foreign Regulatory Authorities.

(a) United States. ICU shall be responsible for all communications with the FDA related to the Products. Neither Party shall initiate or respond to communications with the FDA or any other Regulatory Authority in the United States without previously consulting with the other Party. Each Party shall promptly, and in any event within two Business Days, communicate to the other Party the substance of all material matters communicated between such Party and any Regulatory Authority in the United States that relate to the Products.

(b) Foreign. Hospira shall be responsible for all communications with foreign Regulatory Authorities related to the registrations, CE marking, manufacture, importation, marketing, and sale of the Products. Hospira shall promptly, and in any event within two Business Days, communicate to ICU the substance of all material matters communicated between Hospira and any foreign Regulatory Authority that relate to the Products.

4.3 Product Recalls. Should any Product's defect or any Regulatory Authority action attributable to a Product's defect require (a) the recall, destruction or withholding from market of any Product (a "Recall") or (b) institution of a field correction of any Product (a "Field Correction"), Hospira and ICU must notify each other within two Business Days of becoming aware of such defect or governmental action. If a Recall or Field Correction is deemed necessary by any Regulatory Authority, by ICU in the United States, or by Hospira outside the United States, then ICU and Hospira shall provide the appropriate level of support for the Recall or Field Correction as shown in Exhibit 4.3. ICU will consider in good faith Hospira's suggestions and Hospira and ICU will work together to develop the strategy for carrying out the Recall or Field Correction. Hospira and ICU will each use commercially reasonable efforts to support such strategy. Hospira shall be responsible for the costs and

expenses of such Recall or Field Correction to the extent such Recall or Field Correction is attributable to any negligent acts or omissions or willful misconduct by Hospira, its Affiliates or their respective officers, directors, employees and agents, or Hospira's breach of this Agreement, and ICU shall be responsible for the costs and expenses of such Recall or Field Correction in all other circumstances. ICU shall be responsible as manufacturer for the

preparation of any required reports or information that under applicable Laws must be submitted to a Regulatory Authority with respect to any Product complaints, adverse events, Product withdrawals, Recalls or Field Corrections or other corrective actions. Hospira will be responsible for submitting such reports to Regulatory Authorities outside the United States. Any information of any nature disclosed by one Party to the other in connection with such Recall or Field Correction shall be considered Confidential Information of the disclosing Party.

4.4 Site Inspections. Upon at least 10 Business Days' prior notice, unless a shorter period is needed due to the circumstances, ICU shall, from time to time during the Term, allow representatives of Hospira to inspect all facilities utilized by ICU in the manufacture, testing, packaging or shipment of the Products for the purpose of verifying compliance with ICU's obligations under this Agreement. During such inspections (and at other reasonable times), ICU shall provide reasonable access to its regulatory, manufacturing and quality control documentation and shall cooperate with such representatives in every reasonable manner. Hospira may request that ICU complete and return assessment forms or other documentation intended to allow Hospira to assess ICU's performance of its obligations under this Agreement. On any inspection or audit by Hospira or by any governmental agency which results in required corrective actions, ICU shall have such time as is provided by such agency or as is commercially reasonable, as the case may be, to take all needed steps to implement the corrective actions identified in the aforementioned audits or inspections. Hospira shall furnish ICU a written report of any such inspection or audit within 30 days of the completion thereof. Nothing in this provision is to be construed so as to place a duty on Hospira to make any such inspection or audit or to determine whether or not ICU is in compliance with its obligations hereunder or applicable Laws. No determination by Hospira that ICU is or is not in compliance shall be construed as relieving ICU from its duty to determine if it is in such compliance and to comply with such Laws.

4.5 Regulatory Compliance. ICU shall comply with any applicable Laws that require ICU to (a) allow representatives of the FDA or any Regulatory Authority to inspect all facilities utilized by ICU in the manufacture, testing, packaging, storage and shipment of the Products, or (b) respond to requests for information from the FDA or any other Regulatory Authority. In addition, ICU shall cooperate with such representatives in every reasonable manner. ICU shall notify Hospira immediately whenever ICU receives notice of a pending inspection of any facility utilized by ICU in the manufacture, testing, packaging, storage or shipment of the Products by any Regulatory Authority. Hospira, at its expense, shall provide Hospira quality assurance or regulatory affairs personnel to consult with ICU in connection with any FDA audit during 39 the six month period following the Effective Date involving the Facility or Products manufactured in the Facility; provided, however, that such assistance shall not relieve ICU of any responsibility or liability set forth in this Agreement. Thereafter, Hospira at its option and expense, shall provide Hospira quality assurance or regulatory affairs personnel to consult with ICU in connection with

any FDA audit involving the Facility or Products manufactured in the Facility, provided, however, that such assistance shall not relieve ICU of any responsibility or liability set forth in this Agreement. ICU shall also provide Hospira with a copy of any FDA form 483 notices (or comparable notice from any other Regulatory Authority) of adverse findings, regulatory letters or similar writings it receives from any Regulatory Authority setting forth adverse findings or non-compliance with applicable Laws relating to any Product within two Business Days of its own receipt and a copy of any summary thereof prepared by ICU or its agents. If a foreign Regulatory Authority inspects ICU's facilities, Hospira may, at its option, have a representative at ICU's facility during the inspection. Hospira shall be responsible for responding to the foreign Regulatory Authority and shall consult with ICU prior to making any written response. Hospira shall provide ICU with a copy of Hospira's written response to such Regulatory Authority within two Business Days of its submission thereof. ICU shall treat such written responses as Confidential Information.

4.6 Product Complaints. Hospira shall notify ICU in writing as promptly as possible, but at least within two Business Days, of any customer complaints that relate to the Products. ICU shall notify Hospira in writing as promptly as possible, but at least within two Business Days, of any customer complaints that

relate to the Products. ICU shall investigate all Product complaints or adverse experiences and determine the cause of any alleged Product manufacturing defect. ICU shall conduct the necessary investigations to Hospira's reasonable satisfaction and shall use commercially reasonable efforts to report the findings of the investigations as soon as reasonably practicable, but in any event within 30 days (except within 15 days for investigations related to Japan) from receipt of notice of the complaint from Hospira. Hospira shall be responsible for customer response communications and shall provide a copy of such communications to ICU. ICU shall be responsible for all medical adverse event reports required by Regulatory Authorities and shall provide Hospira with a copy of such reports within two Business Days of submission to a Regulatory Authority; provided that in countries where Hospira is the product license holder and the product license holder is required to report adverse events, ICU shall provide the applicable adverse event reports and Product complaint information to Hospira for submission by Hospira to the Regulatory Authority.

4.7 Labeling. Hospira shall provide ICU with the form and content for all labeling for the Products from time to time during the Term. ICU agrees to manufacture Products with labeling needed for each country of sale as requested by Hospira, the cost of which is included in the Transfer Price. All Products shall be labeled prominently with the Hospira name, and may or, if required by applicable Laws shall, identify ICU less prominently as the manufacturer. ICU shall mark each saleable Product unit with the applicable Hospira list number, as specified by Hospira, the applicable ICU lot number and, as specified by Hospira and reasonably agreed to by ICU, the applicable bar code. Hospira shall supply ICU with Product list numbers, lot number suffixes and lot number blocks in a timely manner.

ARTICLE 5 - MANUFACTURE AND SUPPLY OF SPECIFIED COMPONENTS

5.1 Manufacture. For five years after the Effective Date, Hospira shall manufacture and supply to ICU all of ICU's requirements of the Specified Components, upon commercially reasonable notice from ICU, at the initial prices set forth in Exhibit 1.1A. Starting on January 1, 2006, the pricing for

Specified Components shall be equal to Hospira's Fully Burdened Manufacturing Cost plus 15%. Hospira shall provide ICU with 90 days' notice of any price increases and ICU shall have the option to accept the price increases or provide 90 days' notice that it shall cease ordering such Specified Components. Notwithstanding the foregoing, ICU shall have no obligation to purchase Specified Components from Hospira after the first anniversary of the Effective Date, provided that ICU gives Hospira at least six months written notice of ICU's intent to cease purchasing the Specified Components from Hospira.

5.2 Purchase Orders and Forecasts. ICU shall deliver purchase orders on its then applicable purchase order form to Hospira at least 60 days prior to the delivery date specified therein. Each such purchase order shall include the following information: Specified Component list number and description, quantity, price, requested delivery schedule, delivery location, and shipping instructions. Hospira shall ship Specified Components ordered by ICU, FCA (Incoterms 2000) Hospira's manufacturing facility. Other purchase order terms shall be negotiated in good faith by the Parties. ICU shall provide Hospira with a rolling 12 month forecast of its monthly requirements for the Specified Components prior to the first day of each calendar month during the Term, with the first three months of each such forecast constituting a binding commitment by ICU to purchase such quantities. On a monthly basis, ICU shall issue purchase orders in accordance with this Section 5.2 for the delivery during each month of the quantities of Specified Components as to which the then-current forecast is binding. The last nine months of the forecast will not be binding on either Party and will be used only for planning purposes.

5.3 Permitted Uses. ICU agrees that it shall not use Specified Components supplied by Hospira for any use other than Products sold to Hospira under this Agreement.

ARTICLE 6 - MARKETING, SELLING AND CUSTOMER SERVICE FOR PRODUCTS

6.1 Hospira's Responsibilities. Hospira shall have the following rights and responsibilities related to the marketing and sale of all Products:

(a) Sales and Marketing. Subject to Hospira's right to request and receive technical and product sales support pursuant to Section 6.2(a), Hospira shall have the exclusive right and the sole responsibility for lead generation, sales, marketing, promotion and product positioning activities (including the selection of distribution, co-promotion and/or co-marketing partners if Hospira so elects). In the United States, for the first five Contract Years Hospira shall devote sales, marketing, and promotion personnel in connection with its responsibilities under this Agreement as provided on Exhibit 6.1(a). Thereafter, Hospira shall incur commercially reasonable sales and marketing expenses in connection with its responsibilities under this Section 6.1(a). ICU shall have Audit Rights to confirm compliance with this Section 6.1(a).

(b) Contracting. Hospira shall have the exclusive right and sole responsibility to determine the terms of sale and to enter into all sales contracts.

(c) Pricing. Hospira shall have the exclusive right and sole responsibility for establishing all prices and pricing strategies.

(d) Billing and Collection. Hospira shall have sole responsibility for billing customers and collecting payment.

(e) Product Returns. Subject to Section 3.5 (Product Defects and Returns), Hospira shall have sole responsibility for handling all Product returns by customers.

(f) Inventory. Hospira shall maintain a commercially reasonable supply of Standard Products in inventory.

(g) Brand Name. Hospira shall determine the trade name and/or brand name under which the Products shall be marketed, whether individually or as a component of another Hospira product, and shall be the sole owner of any such brand or trade name.

(h) Customer Service. Hospira shall be responsible for all customer service issues (including medical inquiries), except as provided in Section 6.2(b) below.

(i) Compliance with Laws. Hospira shall conduct its sales and marketing activities hereunder in compliance with all applicable Laws.

6.2 ICU's Responsibilities.

(a) Sales Support. In the United States, ICU shall devote field-based technical and product sales support specialists to assist Hospira with its duties under Section 6.1 for the first five Contract Years as provided on Exhibit 6.1(a). Thereafter, ICU shall provide a commercially reasonable number of field-based technical and product sales support specialists to assist Hospira with its duties under Section 6.1; provided that ICU shall not be required to provide technical and product sales support specialists with respect to Surgicare Products. Hospira shall have Audit Rights to confirm compliance with this Section 6.2(a).

(b) Customer Service. ICU shall be responsible for customer service issues related to questions about the Specifications and technical support (non-medical) for the Products.

(c) Compliance with Laws. ICU shall conduct its activities hereunder in compliance with all applicable Laws.

ARTICLE 7 - JOINT PRODUCT DEVELOPMENT

7.1 Planning and Spending.

(a) Subject to Section 7.1(b) below, the Parties shall agree from time to time in writing during the Term to pursue certain product development priorities with the goal of developing New Joint Products and improvements to the Products. The initial product development priorities agreed to by the

Parties are set forth on Exhibit 7.1. Hospira and ICU shall agree in a timely manner on a specific product definition for each development priority. ICU shall

create a development plan in a timely manner for such defined product, which development plan shall include a detailed timetable and budget, and shall deliver such development plan to Hospira in writing for approval, which approval shall not be unreasonably withheld. The development plans, collectively, shall provide for spending by ICU of, and ICU shall actually spend, the amounts listed on Exhibit 7.1A for the time periods set forth on such exhibit, in the expense categories that are listed on Exhibit 7.1A (the "Development Spending"). If, at ICU's request, Hospira provides Hospira research and development personnel to assist in the development efforts, ICU shall reimburse Hospira with respect to such personnel during the period they provide such assistance as set forth in Exhibit 7.1A.

(b) If at any time during the initial five Contract Years the Parties are unable to agree on product development priorities and product definitions for the entire Development Spending, then the Development Spending shall be allocated as described on Exhibit 7.1A. ICU shall develop, execute and spend under a development plan for such Hospira-defined products as set forth in Section 7.1(a) with respect to mutually defined products.

7.2 Progress. ICU will use commercially reasonable efforts to execute the development plan approved by Hospira in accordance with Section 7.1(a) or (b) and will keep Hospira apprised of its progress, including providing Hospira with milestone achievement status and spending reports, as reasonably requested by Hospira. Hospira shall have Audit Rights with respect to the applicable financial records of ICU to confirm compliance with the spending requirements of Section 7.1(a) or (b).

7.3 New Joint Products. If ICU develops a New Joint Product, such New Joint Product shall be a "Product" under this Agreement and ICU shall manufacture, and Hospira shall purchase and actively market and sell, such New Joint Product, all in accordance with the terms of this Agreement.

7.4 Monitoring Equipment and Software. Hospira shall spend commercially reasonable amounts to maintain and enhance its Q2TM Plus monitoring equipment, software and related components; provided, to the extent that marketing the Q2TM Plus equipment is no longer commercially practicable, Hospira shall use commercially reasonable efforts to develop, acquire or obtain access to successor technology or technology that provides the ability to interface with Third Party patient monitors in order to provide customers with comparable functionality to the Q2TM Plus.

ARTICLE 8 - AGREEMENTS RELATING TO OTHER PRODUCTS

8.1 New Hospira Competitive Products. If Hospira develops or acquires any New Hospira Competitive Product, Hospira shall offer ICU the right to exclusively manufacture such New Hospira Competitive Product unless Hospira can manufacture such New Hospira Competitive Product itself at a Fully Burdened Manufacturing Cost, or have it manufactured by a Third Party at a price, in either case less than the price that ICU is willing to offer or match. Hospira shall provide written notice to ICU of the development of a New Hospira Competitive Product and the specifications, estimated market potential and such estimated cost or price for such New Hospira Competitive Product as soon as reasonably practicable, which shall be prior to the earlier of (i) any filing for Regulatory Approval for any such New Hospira Competitive Product or (ii) six months before the estimated first commercial sale of such New Hospira

Competitive Product if no Regulatory Approval is required. Hospira shall provide such notice as soon as reasonably practicable for an acquired New Hospira Competitive Product that is already on the market at time of acquisition. For a period of 60 days after ICU's receipt of Hospira's written notice, ICU shall

have the right to notify Hospira in writing of ICU's intent to manufacture such New Hospira Competitive Product in accordance with the terms set forth in this Section 8.1. Upon receipt by Hospira of such notice, such New Hospira Competitive Product shall become a "Product" for purposes of this Agreement. If ICU notifies Hospira that it is not interested in such New Hospira Competitive Product or fails to give Hospira timely notice of its interest, Hospira shall be free to manufacture the New Hospira Competitive Product itself or to grant rights to do so to a Third Party; provided that Hospira shall not enter into an agreement which grants any rights to such New Hospira Competitive Product to any Third Party, on terms which, taken as a whole, are more favorable to such Third Party than those available to ICU hereunder, without first offering such more favorable terms to ICU. If Hospira offers such terms to ICU pursuant to the immediately preceding sentence, then ICU's period to elect such more favorable terms shall be 30 days. All information regarding any New Hospira Competitive Product shall be Confidential Information. Notwithstanding anything herein to the contrary, Hospira shall not be required to offer to ICU the right to manufacture New Hospira Competitive Products that result from Hospira's acquisition of an ongoing business or a manufacturing plant or that are subject to a binding agreement with a Third Party at the time of the acquisition of the New Hospira Competitive Product, but Hospira shall grant manufacturing rights to ICU for such New Hospira Competitive Products if, and only if, it is commercially reasonable for Hospira to do so; provided, however, that if Hospira plans to transfer the manufacture of any New Hospira Competitive Product that results from its acquisition of a manufacturing facility from such acquired facility to a Third Party, Hospira shall negotiate in good faith with ICU for the manufacture of such New Hospira Competitive Product.

8.2 New ICU Competitive Products. If ICU develops or acquires any New ICU Competitive Product, ICU shall offer Hospira the right to exclusively market, sell and distribute such New ICU Competitive Product unless ICU can market, sell and distribute such New ICU Competitive Product itself, or have a Third Party market, sell, and distribute such products, in either case at better terms than Hospira is willing to offer or match. ICU shall provide written notice to Hospira of the development or acquisition of such New ICU Competitive Product and the specifications, estimated market potential and proposed pricing for such New ICU Competitive Product as soon as reasonably practicable, but in any event prior to the earlier of (i) any filing for Regulatory Approval for a New ICU Competitive Product, or (ii) six months before the estimated first commercial sale of a New ICU Competitive Product if no Regulatory Approval is required. For a period of 60 days after Hospira's receipt of ICU's written notice, Hospira shall have the right to notify ICU in writing of Hospira's intent to market such New ICU Competitive Product in accordance with ICU's proposed terms and under the terms of a new agreement. Upon consummation of a new agreement, such New ICU Competitive Product shall become a "Product" for purposes of this Agreement. If Hospira notifies ICU that it is not interested in such New ICU Competitive Product or fails to give ICU timely notice of its interest, or the Parties fail

to reach agreement after good faith negotiations, ICU shall be free to commercialize the New ICU Competitive Product itself or to grant rights to do so to a Third Party; provided that ICU shall not enter into an agreement which grants any rights to such New ICU Competitive Product to any Third Party, on terms which, taken as a whole, are more favorable to such Third Party than those available to Hospira hereunder, without first offering such more favorable terms to Hospira. If ICU offers such terms to Hospira pursuant to the immediately preceding sentence, then Hospira's period to elect such more favorable terms shall be 30 days. All information regarding any New ICU Competitive Product shall be Confidential Information. Notwithstanding anything herein to the contrary, (i) ICU shall not be required to negotiate with or make the offer to Hospira contemplated above with respect to New ICU Competitive Products that result from ICU's acquisition of an ongoing business that has a marketing and sales organization, but ICU shall grant exclusive marketing, sales, and distribution rights to Hospira for such New ICU Competitive Products if, and only if, it is commercially reasonable for ICU to do so and (ii) ICU shall not be required to negotiate with or make the offer to Hospira contemplated above with respect to any New ICU Competitive Product if such acquired New ICU Competitive Product is subject to a contractual arrangement with a Third Party at the time of the acquisition that prevents such granting of such rights until such time as the term of any such contractual arrangement expires.

8.3 Derivative Products. Either during the Term or thereafter, ICU shall not have the right, either directly or through Third Parties, to manufacture, sell, distribute or market ICU Derivative Products without the prior written consent of Hospira. Either during the Term or thereafter, Hospira shall not have the right, either directly or through Third Parties, to manufacture, sell, distribute or market Hospira Derivative Products without the prior written consent of ICU.

ARTICLE 9 - TRADEMARKS AND INTELLECTUAL PROPERTY

9.1 General. Each Party agrees to notify the other Party if it becomes aware of (i) any actual or potential Third Party infringement of the other Party's intellectual property rights (including patents, know-how and trademarks) relevant to the Products or (ii) any Third Party claim that ICU's manufacture and sale of the Products to Hospira hereunder or Hospira's sale of Products to customers infringes any Third Party intellectual property rights.

9.2 Intellectual Property License. Subject to the terms of this Agreement, Hospira hereby grants to ICU a limited, non-transferable, fully paid license (without the right to sublicense) to use all intellectual property rights (including patents, know-how, and trademarks) owned by Hospira that are necessary to manufacture the Products, solely for the purpose of manufacturing the Products in accordance with the terms of this Agreement. Except as otherwise contemplated by this Agreement, during the Term, Hospira shall not grant to any Third Party a new license to use such intellectual property rights for the manufacturing of products that are competitive with Products.

9.3 Jointly Developed Intellectual Property. ICU and Hospira mutually acknowledge that personnel employed by both ICU and Hospira may collaborate in an effort to improve and develop Products, whether or not such effort is funded by Development Spending. Accordingly, ICU and Hospira agree that in the event improvements to Products arise (whether patentable or not) as a result of such

collaboration and such improvements were not developed independently by either Party as evidenced by the written records of the inventing Party, the ownership rights of both Parties in and to any such improvements shall be shared equally by the Parties in the case of non-patentable improvements. In the case of patentable improvements, patent applications or patents covering such jointly developed improvements shall be governed by patent laws of the United States. If either Party wishes to pursue patent protection for jointly developed intellectual property, the Party wishing to obtain any such patent protection in a particular country shall provide the other Party with at least 30 days prior written notice thereof and discuss in good faith with the other Party the appropriate patent filing and prosecution strategy. Except as otherwise agreed in writing by the Parties, the filing Party shall bear the entire cost of filing, prosecution, issuance and maintenance of such patent in such country using counsel of its own choice; provided, however, that if both Parties agree in writing to jointly file any such patent, with respect to all such matters involving such patent, each Party shall bear one-half (1/2) of such costs and shall also mutually agree upon the counsel designated to handle such matters. The Parties hereby grant to each other a limited, non-transferable, fully paid license (without the right to sublicense, except as necessary for Hospira to market and sell the Products) to use all intellectual property subject to this Section 9.3 solely in connection with the manufacture of the Products in accordance with the terms of this Agreement. During the Term, neither Party shall utilize any jointly developed intellectual property for the manufacture, use, or sale of any product that is not a Product; provided that if either Party wishes to use any improvements subject to this Section 9.3 to develop or manufacture products other than the Products, then the Parties shall negotiate in good faith to provide commercially reasonable compensation to the other Party.

9.4 Independent Intellectual Property. Any improvements related to the Products (whether such improvements are patentable or not) developed by a Party independently, with or without any of the Development Spending, shall be owned by that Party and made available during the Term to the other Party solely for the manufacture and purchase of Products under this Agreement, as the case may be, at no additional cost beyond the Transfer Price for the applicable Product or the price agreed upon pursuant to Sections 8.1 and 8.2. The owner of such

independent intellectual property shall not be prohibited from exploiting such intellectual property apart from this Agreement, provided such exploitation does not otherwise violate the terms of this Agreement, including Sections 8.1, 8.2 and 8.3 hereof.

9.5 RESERVED

9.6 Trademarks.

(a) Grant of License. Subject to the terms and conditions of this Agreement, ICU hereby grants to Hospira a limited, non-exclusive, non-transferable, fully paid license (without the right to sublicense) to use the ICU Marks during the Term solely for the purposes of fulfilling its obligations under this Agreement and Hospira hereby grants to ICU a limited, non-exclusive, non-transferable, fully paid license (without the right to sublicense) to use the Hospira Marks during the Term solely for the purposes of fulfilling its obligations under this Agreement.

(b) Use of Marks. Except as expressly provided in this Section 9.6, Hospira shall not use the ICU Marks in any other manner without the prior written consent of ICU. Under no circumstances shall ICU use the Hospira Marks except to produce Products for sale to Hospira. Each Party shall retain all rights to its own intellectual property. All uses by Hospira and ICU of the other Party's trademarks shall be in full compliance with all applicable Laws.

(c) Hospira Ownership. ICU acknowledges and agrees that Hospira is the sole and exclusive owner of all right, title and interest in and to Hospira's trademarks. All goodwill associated with the Hospira trademarks shall inure to the benefit of Hospira. ICU shall notify Hospira in writing of any infringements or imitations by Third Parties of the Hospira trademarks of which ICU becomes aware.

(d) ICU Ownership. Hospira acknowledges and agrees that ICU is the sole and exclusive owner of all right, title and interest in and to the ICU trademarks. All goodwill associated with the ICU trademarks shall inure to the benefit of ICU. Hospira shall notify ICU in writing of any infringements or imitations by Third Parties of the ICU trademarks of which Hospira becomes aware.

ARTICLE 10 - CORPORATE REPRESENTATIONS AND WARRANTIES

10.1 Hospira Representations and Warranties. Hospira hereby represents and warrants to ICU, as of the date hereof, that:

(a) Hospira has full right, power and authority to enter into this Agreement and to perform its obligations under this Agreement;

(b) this Agreement has been duly executed by an authorized officer of Hospira and constitutes a legal, valid and binding obligation of Hospira, enforceable in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditor's rights generally and general equitable principles;

(c) no consents, authorizations or approvals which Hospira has not previously obtained are necessary for Hospira to enter into this Agreement and perform all of Hospira's obligations hereunder;

(d) this Agreement does not and will not conflict with or violate Hospira's corporate charter and by-laws;

(e) this Agreement does not and will not conflict with, violate, breach or constitute a default under any other Hospira contractual, statutory or regulatory obligation; and

(f) there is no claim, investigation, suit, action or proceeding pending or, to the knowledge of Hospira, expressly threatened, against Hospira before or by any governmental entity or Third Party that would impair the ability of Hospira to perform any obligation under this Agreement or prevent or materially delay or alter the consummation of any or all of the transactions

contemplated hereby.

10.2 ICU Representations and Warranties. ICU hereby represents and warrants to Hospira, as of the date hereof, that:

(a) ICU has full right, power and authority to enter into this Agreement and to perform its obligations under this Agreement;

(b) this Agreement has been duly executed by an authorized officer of ICU and constitutes a legal, valid and binding obligation of ICU, enforceable in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditor's rights generally and general equitable principles;

(c) no consents, authorizations or approvals which ICU has not previously obtained are necessary for ICU to enter into this Agreement and perform all of ICU's obligations hereunder;

(d) this Agreement does not and will not conflict with or violate ICU's corporate charter and by-laws;

(e) this Agreement does not and will not conflict with, violate, breach or constitute a default under any other ICU contractual, statutory or regulatory obligation; and

(f) there is no claim, investigation, suit, action or proceeding pending or, to the knowledge of ICU, expressly threatened, against ICU before or by any governmental entity or Third Party that would impair the ability of ICU to perform any obligation under this Agreement or prevent or materially delay or alter the consummation of any or all of the transactions contemplated hereby.

ARTICLE 11 - INDEMNIFICATION

11.1 Hospira's Indemnification of ICU. Hospira shall indemnify and hold ICU, its Affiliates, and all of their respective officers, directors, employees, agents and representatives, harmless from and against all losses, liabilities, costs and expenses (including reasonable attorney's fees) (collectively, "Liabilities") related to this Agreement and asserted by Third Parties to the extent such arise out of or are attributable to: (a) any negligent or wrongful act or omission on the part of Hospira, its employees or agents; (b) any product defect of a Transferred Product or Transferred Component manufactured at the Facility during the 180 days immediately following the Effective Date, but only to the extent that such defect arose directly from adherence to the design of, specifications for, or manufacturing processes and procedures for, a Product that was transferred or licensed by Hospira to ICU as of the Effective Date and was not otherwise due to the negligence or wrongful act or omission on the part of ICU, its Affiliates, or any of their respective officers, directors, employees, agents or representatives; provided that Hospira shall provide indemnification for (A) 100% of any Liabilities arising out of or attributable to the circumstances described in this clause (b) during the first 45 days immediately following the Effective Date, (B) 75% of any Liabilities arising out of or attributable to the circumstances described in this clause (b) during the period beginning on the 46th day immediately following the Effective Date and

ending on the 90th day immediately following the Effective Date, (C) 50% of any Liabilities arising out of or attributable to the circumstances described in this clause (b) during the period beginning on the 91st day immediately following the Effective Date and ending on the 150th day immediately following the Effective Date, and (D) 25% of any Liabilities arising out of or attributable to the circumstances described in this clause (b) during the period beginning on the 151st day immediately following the Effective Date and ending on the 180th day immediately following the Effective Date; (c) any FDA-initiated audit, inspection or visit to the Facility prior to the Effective Date or during

the 180 days immediately following the Effective Date, but only to the extent that any such Liability was a direct result of (i) adherence to the quality systems for manufacture of Transferred Products and Transferred Components transferred or licensed by Hospira to ICU as of the Effective Date and was not otherwise due to the negligence or wrongful act or omission on the part of ICU, its Affiliates, or any of their respective officers directors, employees, agents and representatives or (ii) the manufacture of such Products by Hospira prior to the Effective Date; provided that Hospira shall provide indemnification for (A) 100% of any Liabilities arising out of or attributable to the circumstances described in this clause (c) during the first 45 days immediately following the Effective Date, (B) 75% of any Liabilities arising out of or attributable to the circumstances described in this clause (c) during the period beginning on the 46th day immediately following the Effective Date and ending on the 90th day immediately following the Effective Date, (C) 50% of any Liabilities arising out of or attributable to the circumstances described in this clause (c) during the period beginning on the 91st day immediately following the Effective Date and ending on the 150th day immediately following the Effective Date, and (D) 25% of any Liabilities arising out of or attributable to the circumstances described in this clause (c) during the period beginning on the 151st day immediately following the Effective Date and ending on the 180th day immediately following the Effective Date; (d) any alleged infringement of any Third Party intellectual property right resulting from the manufacture, use, sale or importation of the Transferred Products, Transferred Components or New Hospira Competitive Products, unless such infringement is caused by a manufacturing process utilized by ICU after the Effective Date that is different from the manufacturing process utilized by Hospira as of the Effective Date, or is otherwise caused by a change requested by ICU pursuant to Sections 3.1(a) or (b) hereof; (e) any alleged infringement of any Third Party intellectual property right resulting from the manufacture, use, sale, offer for sale or importation of a New ICU Competitive Product or New Joint Product, if such infringement is related to a change to the Specifications requested by Hospira pursuant to Section 3.1(a) hereof and is not otherwise caused by the wrongful act or omission of ICU; or (f) any breach of any of Hospira's representations, warranties, covenants or obligations under this Agreement. As the indemnified Party, ICU shall use commercially reasonable efforts to limit the liabilities for which it is being indemnified hereunder.

11.2 ICU's Indemnification of Hospira. ICU shall indemnify and hold Hospira, its Affiliates, and all of their respective officers, directors, employees, agents and representatives, harmless from and against all Liabilities related to this Agreement and asserted by Third Parties to the extent such arise out of or are attributable to: (a) any negligent or wrongful act or omission on the part of ICU, its employees or agents; (b) any alleged infringement of any Third Party intellectual property right resulting from the manufacture, use,

sale, offer for sale or importation of a New ICU Competitive Product or New Joint Product, unless such infringement is caused by a change to the Specifications requested by Hospira pursuant to Section 3.1(a) hereof and is not otherwise caused by the wrongful act or omission of ICU; (c) any alleged infringement of any Third Party intellectual property right resulting from the manufacture, use, sale, offer for sale or importation of the Transferred Products, Transferred Components or New Hospira Competitive Products, if such infringement is caused by a change requested by ICU pursuant to Section 3.1(a) or (b) hereof; (d) any breach of any of ICU's representations, warranties, covenants or obligations under this Agreement; or (e) other than as indemnified for by Hospira pursuant to Section 11.1(b) or (c) above, the manufacture of the Products or the use of or lack of safety or efficacy of any Product. As the indemnified Party, Hospira shall use commercially reasonable efforts to limit the liabilities for which it is being indemnified hereunder.

11.3 Notice and Defense. The Party seeking indemnification shall promptly notify the other Party of any Liabilities for which indemnification is sought. The indemnified Party shall cooperate fully with the indemnifying Party in the investigation and defense of any Liability and shall allow the indemnifying Party to control the defense of any such Liability with counsel reasonably satisfactory to the indemnified Party. No settlement or compromise shall be made without the prior written consent of the indemnifying Party, which consent shall not be unreasonably withheld.

11.4 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER

PARTY FOR INDIRECT, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES RESULTING FROM ANY BREACH OF THIS AGREEMENT, EVEN IF THE PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, AND EACH PARTY HEREBY WAIVES ON BEHALF OF ITSELF AND ITS AFFILIATES ANY CLAIM FOR SUCH DAMAGES, INCLUDING ANY CLAIM FOR PROPERTY DAMAGE OR LOST PROFITS, WHETHER ARISING IN CONTRACT OR TORT.

The foregoing limitations of liability shall not apply to (i) liability for breaches of confidentiality under Article 12, or (ii) a Party's indemnification obligations for claims brought by Third Parties.

11.5 Insurance.

(a) ICU will procure and maintain, at its own expense, for the Term of this Agreement, and for a period of time thereafter as set forth herein, the types of insurance specified below with carriers rated A(VII) or better with A. M. Best or the equivalent rating from Moody's or S&P:

(i) Commercial General Liability including premises operations, products and completed operations, blanket contractual liability, personal injury and advertising injury including fire legal liability for bodily injury and property damage in an amount not less than $1,000,000 per occurrence and $2,000,000 in the aggregate;

(ii) Excess Liability with a combined single limit in an amount of not less than $9,000,000 per occurrence, so that the combined total with the insurance described in clause (i) above is at least $10,000,000 in the aggregate; and

(iii) All Risk Property Insurance on a replacement cost basis for any Specified Components and other Hospira property while under the care, custody and control of ICU.

(b) Hospira and its subsidiaries, affiliates, directors, officers, employees and agents shall be an additional insured with respect to Commercial General Liability and Excess Liability coverages and a loss payee with respect to All Risk Property coverages. Prior to commencement of this Agreement, and annually thereafter, ICU shall furnish Hospira with certificates of insurance evidencing the insurance coverages stated above and shall require at least 30 days written notice to Hospira prior to any cancellation, non-renewal or material change in said coverage. ICU agrees that its insurance shall act as primary and noncontributory from any other valid and collectible insurance maintained by Hospira. In no way shall ICU's liability under this Agreement be limited to what is recovered by insurance.

ARTICLE 12 - CONFIDENTIALITY

12.1 Non-Disclosure. It is recognized by the Parties that during the Term the Parties may exchange Confidential Information. Hospira agrees that it shall not disclose Confidential Information received from ICU, and shall not use Confidential Information disclosed to it by ICU for Hospira's benefit (other than in the performance of its obligations hereunder) or for the benefit of any Third Party. ICU agrees that it shall not disclose Confidential Information received from Hospira, and shall not use Confidential Information disclosed to it by Hospira for ICU's benefit (other than in the performance of its obligations hereunder) or for the benefit of any Third Party. The obligations of the Parties relating to non-disclosure of Confidential Information shall expire five years after the termination of this Agreement.

12.2 Public Announcements.

(a) No press release related to this Agreement or the transactions contemplated herein, or other announcement to the customers or suppliers of Hospira, will be issued without the joint approval of Hospira and ICU, except: (i) any public disclosure which Hospira or ICU in its good faith judgment believes is required by any Laws or by any stock exchange or national stock market on which its securities are listed (in which case the Party making the disclosure will use its commercially reasonable efforts to consult with the other Party prior to making any such disclosure); (ii) that Hospira may make such an announcement to its employees; and (iii) as provided in Section 12.2(b)

below.

(b) As soon as practical after the execution of this Agreement, the Parties will issue the joint press release set forth on Schedule 6.10(b) of the Asset Purchase Agreement. The Parties will use the question and answer document set forth on Schedule 6.10(b) of the Asset Purchase Agreement when making public statements related to this Agreement.

(c) The Parties acknowledge that ICU is required to describe this Agreement in, and provide copies of this Agreement with, various filings with the Securities and Exchange Commission. ICU agrees to use reasonable efforts to seek confidential treatment of any market competitive information contained in this Agreement.

12.3 Employee and Consultant Obligations. Each Party represents, warrants and covenants that, unless prohibited by or inconsistent with applicable Laws, all of its employees, officers, consultants and advisors who are supporting the performance of its obligations under this Agreement shall have executed agreements, or have existing obligations under law, requiring assignment to such Party of all intellectual property made during the course of and as the result of their association with such Party and obligating such employee, officer, consultant or advisor to maintain as confidential such Party's Confidential Information as well as any confidential information of a Third Party which such Party may receive. Each Party represents and warrants that to its knowledge, none of its employees who are or will be involved in the performance of obligations hereunder are, as a result of the nature of such obligations to be conducted by the Parties as set forth herein, in violation of any covenant in any contract with a Third Party relating to non-disclosure of proprietary information, non-competition or non-solicitation. Each Party represents and warrants that, to its knowledge, none of its employees are in breach of any agreement with any Third Party which would affect such Party's obligations under this Agreement.

ARTICLE 13 - TERM AND TERMINATION

13.1 Term. Unless earlier terminated, the Term shall commence on the Effective Date and shall expire on December 31, 2024 (the "Term").

13.2 RESERVED

13.3 Termination For Cause.

(a) Notice of Breach. A Party may terminate this Agreement by giving the other Party 60 days' prior written notice of such termination if such other Party: (i) appoints a receiver, executes an assignment for the benefit of creditors or files or otherwise becomes subject to bankruptcy or insolvency proceedings that are not discharged within 90 days; or (ii) materially breaches this Agreement and fails to cure such breach within 60 days of receiving notice thereof. In no event shall a Party's right to cure an alleged material breach be prejudiced by such Party's seeking dispute resolution under Section 14.4 as to whether a material breach has occurred. Any termination under this Section 13.3 shall be without prejudice to any other legal or equitable rights the terminating Party may have.

(b) Negotiation Period. Upon receipt of notice of termination for an uncured material breach pursuant to Section 13.3(a)(ii) above, the Parties shall engage in good faith negotiations between their respective CEOs (or their designees) during a period of 28 calendar days following receipt of the notice.

(c) Initiation of ADR Proceeding Regarding Termination. If the matter has not been resolved within such 28 calendar days, or if the Parties fail to meet within such 28 calendar days, the Party seeking termination may initiate an ADR proceeding (beginning with Paragraph 1 of Exhibit 14.4) with respect to whether the other Party has materially breached this Agreement and failed to timely cure such breach, entitling the non-breaching Party to termination pursuant to Section 13.3(a)(ii).

(d) Special Transaction. The Parties agree that upon a termination of this Agreement for Hospira's material breach, the Parties shall effect the Special Transaction unless Hospira can establish in the ADR proceeding that effecting the Special Transaction would be unfair under the circumstances. The Parties agree that the Special Transaction is not intended to be a penalty, but rather to be a fair means of terminating their relationship under this Agreement under the circumstances described above.

13.4 Termination by Mutual Agreement. The Parties may mutually agree in writing to terminate this Agreement.

13.5 Certain Effects of Termination.

(a) Delivery of Previously Ordered Products. Upon any termination of this Agreement by ICU, Hospira shall, at its option, be entitled to have delivered the Products ordered prior to such termination pursuant to outstanding Purchase Orders, or to cancel such outstanding Purchase Orders.

(b) Inventory. Upon any termination of this Agreement, Hospira may continue to sell the Products manufactured by ICU under the terms and conditions of this Agreement until any inventory of Products owned by Hospira has been sold. ICU shall destroy all material in its inventory reflecting Hospira's trademarks.

(c) Confidential Information. Upon any termination of this Agreement, each Party shall cease using all Confidential Information of the other Party. Upon either Party's request, the other Party shall destroy or return to its owner all written and tangible Confidential Information; provided, however, that each Party may keep one copy of such Confidential Information for archival and compliance purposes only.

(d) Manufacturing Documentation and Intellectual Property Upon Non-Breach Termination (Hospira's Rights). Upon the expiration of this Agreement under Section 13.1, or by mutual agreement of the Parties under Section 13.4, except to the extent necessary to comply with clause (a) above, (i) ICU shall have no further rights to any intellectual property rights owned solely by Hospira, (ii) ICU shall transfer to Hospira, and have no further rights to, all manufacturing processes, documentation, specifications, know-how, intellectual property and Regulatory Approvals necessary for the manufacture and sale of the Transferred Products, Transferred Components and New Hospira Competitive Products, and (iii) ICU shall provide a copy to Hospira of all manufacturing processes, documentation, specifications, know-how, intellectual property and Regulatory Approvals for the New Joint Products to enable Hospira to manufacture and sell such New Joint Products and, if there is intellectual property solely owned by ICU that is necessary to manufacture or sell New Joint Products, then ICU shall grant to Hospira a license to use all of its intellectual property rights that are necessary to manufacture and sell the New Joint Products on commercially reasonable terms to be negotiated in good faith by the Parties; provided that ICU shall not be required to grant licenses or transfer the items described in clauses (ii) and (iii) above that relate to ICU proprietary components or products, but shall sell such components or products to Hospira on commercially reasonable terms.

(e) Manufacturing Documentation and Intellectual Property Upon Non-Breach Termination (ICU's Rights). Upon the expiration of this Agreement under Section 13.1 or termination by mutual agreement of the Parties under Section 13.4, if there is intellectual property solely owned by Hospira that is necessary to manufacture or sell New Joint Products, then Hospira shall grant to ICU a license to use all of its intellectual property rights that are necessary to manufacture and sell the New Joint Products on commercially reasonable terms to be negotiated in good faith by the Parties.

(f) Manufacturing Documentation and Intellectual Property Upon Material Breach Termination (Hospira's Rights). In the event that this Agreement is terminated by Hospira for material breach under Section 13.3 (a) above, except to the extent necessary to comply with clause (a) above, (i) ICU shall

have no further rights to any intellectual property rights owned solely by Hospira, (ii) ICU shall transfer to Hospira, and have no further rights to, all manufacturing processes, documentation, specifications, know-how, intellectual property and Regulatory Approvals necessary for the manufacture and sale of the Transferred Products, Transferred Components and New Hospira Competitive Products, and (iii) ICU shall provide a copy to Hospira of all manufacturing processes, documentation, specifications, know-how, intellectual property and Regulatory Approvals for the New Joint Products to enable Hospira to manufacture and sell such New Joint Products and, if there is intellectual property solely owned by ICU that is necessary to manufacture or sell New Joint Products, then ICU shall grant to Hospira a non-exclusive, royalty-free license to use all of its intellectual property rights that are necessary to manufacture and sell the New Joint Products; provided that ICU shall not be required to grant licenses or transfer the items described in clauses (ii) and (iii) above that relate to ICU proprietary components or products, but shall sell such components or products to Hospira on terms that are commercially reasonable under the circumstances.

(g) Trademarks. Upon expiration or termination of this Agreement, except to the extent necessary to comply with clause (a) above, ICU shall immediately discontinue its use of the Hospira trademarks, and Hospira shall discontinue its use of the ICU trademarks once all inventory of Products has been sold.

(h) Survival. The following Articles or Sections shall survive the termination or earlier expiration of this Agreement: Article 1 (Definitions), Article 9 (Trademarks and Intellectual Property), Article 11 (Indemnification), Article 12 (Confidentiality), Section 8.3 (Derivative Products), Section 13.3(d) (Special Transaction), Section 13.5 (Certain Effects of Termination), Section 14.3 (Notices), Section 14.4 (Dispute Resolution), Section 14.6 (Governing Law) and Section 14.8 (Assignment).

ARTICLE 14 - MISCELLANEOUS

14.1 Force Majeure. Subject to Hospira's rights under Section 3.2(c) (i), (ii) and (iii) (Failure to Supply) any delay in the performance of any of the duties or obligations of either Party hereto (except the payment of money) shall not be considered a breach of this Agreement and the time required for performance shall be extended for a period equal to the period of such delay;

provided that such delay has been caused by or is the result of any acts of God, acts of public enemy, insurrections, riots, embargoes, labor disputes, including strikes, lockouts, job actions, or boycotts, fires, explosions, earthquakes, floods, shortages of energy, order by any governmental agency or instrumentality, or other unforeseeable causes beyond the control and without the fault or negligence of the Party so affected. The Party so affected shall give prompt notice to the other Party of such cause, and its expected duration. In such event, the Parties shall meet promptly to determine an equitable solution to the effects of any such event, and the Party claiming the force majeure event shall thereafter take whatever reasonable steps are necessary to relieve the effect of such cause as rapidly as possible.

14.2 Independent Contractors. The Parties hereto are independent contractors. Nothing contained in this Agreement shall be construed to constitute a Party as a partner, agent or joint venturer with the other Party or as a participant in a joint or common undertaking with the other Party. Each Party shall be individually responsible for its own obligations and liabilities as herein provided. Neither Party shall be under the control or shall be deemed to control the other Party. Neither Party shall be the agent of or have the right or power to bind the other Party without such Party's express written consent, except as may be expressly provided in this Agreement.

14.3 Notices. All notices hereunder shall be delivered personally; by registered or certified mail, postage prepaid; by facsimile with a confirmation copy sent by registered or certified mail, postage prepaid; or by overnight courier service, to the following addresses of the respective Parties:

If to Hospira: Hospira, Inc.
Building H1; Department 0960
275 N. Field Drive

Lake Forest, IL 60045-2579

Attention: Chief Executive Officer
Facsimile No.: (224) 212-3262

With a copy to: Hospira, Inc.
Building H1; Department NLEG
275 N. Field Drive
Lake Forest, IL 60045-2579

Attention: General Counsel
Facsimile No.: (224) 212-2088

If to ICU: ICU Medical, Inc.
951 Calle Amanecer
San Clemente, California 92673

Attention: Chief Financial Officer
Facsimile No.: 949-366-8368 and (949) 366-4264

With a copy to: Heller Ehrman White & McAuliffe
601 South Figueroa Street
40th Floor
Los Angeles, California 90017

Attention: Stephen E. Newton
Facsimile No.: (213) 614-1868

Notices shall be effective upon receipt if personally delivered or delivered by facsimile, on the third Business Day following the date of mailing or on the first Business Day following deposit with an overnight courier service. A Party may change its address listed above by notice to the other Party.

14.4 Dispute Resolution. The Parties recognize that bona fide disputes may arise which relate to the Parties' rights and obligations under this Agreement. The Parties agree that any such dispute shall be resolved by Alternative Dispute Resolution ("ADR") in accordance with the procedures set forth on Exhibit 14.4.

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

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

14.7 Entire Agreement. This Agreement, including the Exhibits and Schedules, embodies the entire agreement and understanding between the Parties pertaining to the subject matter hereof, and supersedes all prior agreements, understandings, negotiations, representations and discussions, whether verbal or written, of the Parties, pertaining to that subject matter. There are no promises, terms, conditions or obligations of the Parties pertaining to that subject matter other than as contained in this Agreement. Notwithstanding the foregoing, the Parties acknowledge that they have entered into other agreements pertaining to other subject matters, including the Asset Purchase Agreement and the Transaction Documents (as defined in the Asset Purchase Agreement). All Schedules and Exhibits to this Agreement constitute an integral part of this Agreement as if fully written herein.

14.8 Assignment.

(a) Neither Party shall assign this Agreement or any part hereof without the prior written consent of the other Party; provided, however, that (i) Hospira may assign this Agreement in whole or in part without consent of ICU to a wholly-owned subsidiary of Hospira; provided that any such assignment shall not release Hospira from its obligations hereunder; (ii) Hospira may assign this Agreement, in whole or in part, without such consent in connection with the assignment, transfer, sale or spin-off to a Third Party of substantially its entire business to which this Agreement pertains, the sale of a product line, or

in the event of its merger or consolidation with another company; (iii) ICU may assign this Agreement in whole or in part without such consent to a wholly-owned subsidiary of ICU; provided that any such assignment shall not release ICU from its obligations; and (iv) ICU may assign this Agreement without such consent in connection with its merger or consolidation with another company or the assignment, sale, transfer or spin-off to a Third Party of all or substantially all of its assets. No assignment shall relieve any Party of responsibility for the performance of any accrued obligation which such Party then has hereunder.

(b) In the event of a Hospira Change of Control Event, Hospira or its successor shall devote sales, marketing and promotion personnel to its sales and marketing responsibilities hereunder as provided in Exhibit 14.8. If Hospira or its successor fails to fulfill its obligation under this Section 14.8(b), such failure shall be considered a material breach of this Agreement. If such material breach, or any other material breach of this Agreement following a Hospira Change of Control Event, is not cured after expiration of the applicable notice and cure period under Article 13 (Term and Termination), ICU shall be entitled to non-exclusive rights to market and sell the Products with all of the rights provided in Section 6.1. If ICU elects to terminate this Agreement as a result of such material breach, ICU shall (i) be entitled to non-exclusive rights to market and sell the Products with all of the rights provided in Section 6.1 and (ii) be entitled to exercise all of its legal rights and remedies at law and equity against such successor as a result of the successor's material breach, including rights pursuant to Section 13.5 hereof.

(c) In the event of an ICU Change of Control Event, ICU or its successor shall devote field-based technical and product sales support specialists to assist Hospira with its duties under Section 6.1 as provided on Exhibit 14.8; provided that, ICU shall not be required to provide technical and product sales support specialists with respect to Surgicare Products. Hospira shall have Audit Rights to confirm compliance with this Section 14.8(c).

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

14.10 Parties in Interest. Nothing in this Agreement, expressed or implied, is intended to confer on any Person or entity other than Hospira and ICU any right or remedy under or by reason of this Agreement.

14.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together will constitute a single agreement.

14.12 Amendments and Waiver. This Agreement may be amended, modified or supplemented only by a writing executed by each of the Parties. Any Party may in writing waive any provision of this Agreement to the extent such provision is for the benefit of the waiving Party. No action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by that Party of its or any other Party's

compliance with any representations or warranties or with any provisions of this Agreement. No waiver by any Party of a breach of any provision of this Agreement shall be construed as a waiver of any subsequent or different breach, and no forbearance by a Party to seek a remedy for noncompliance or breach by another Party shall be construed as a waiver of any right or remedy with respect to such noncompliance or breach.

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

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their duly authorized representatives on the date first above written.

ICU MEDICAL, INC.

By: /s/ George A. Lopez, M.D.

Name: George A. Lopez, M.D.
Title: President & CEO

HOSPIRA, INC.

By: /s/ Christopher B. Begley

Name: Christopher B. Begley
Title: Chief Executive Officer

(Signature Page to Manufacturing Commercialization and Development Agreement)

[LOGO] ICU Medical, Inc.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made and entered into as of this first day of January 2005, by and between ICU Medical, Inc., a Delaware corporation ("Employer"), and George A. Lopez ("Employee").

RECITALS

A. Employer is engaged in the business of developing and manufacturing safe medical connectors.

B. Employer desires to continue to employ Employee, and Employee desires to continue to be employed, on the terms and conditions set forth in this Agreement.

C. Prior to or contemporaneously with the date of this Agreement, Employee and the Company have entered into an Indemnification Agreement and a Confidentiality and Inventions Agreement.

AGREEMENT

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

1. TERMS OF AGREEMENT

1.1 Initial Term The initial term of this agreement shall begin on January 1, 2005 and shall continue until December 31, 2005 unless it is terminated earlier pursuant to Section 5.

1.2 Renewal Terms Notwithstanding Section 1.1, this Agreement shall be extended and continue in effect, subject to Section 5, until the earlier of (i) the execution by Employer and Employee of an amendment extending this Agreement or a new employment agreement or (ii) March 31, 2006 if, but only if, at December 31, 2005 each of the following is true:

a. This Agreement has not been terminated pursuant to Section 5 and Employer has not notified Employee of a termination pursuant to Section 5;

b. Neither Employer not Employee has notified the other of its or his intention not to extend or renew this Agreement; and

c. The parties have not yet executed an amendment extending this Agreement or a new employment agreement.

Neither this Agreement nor the employment of Employee will in any event continue beyond March 31, 2006 unless Employer and Employee execute an amendment extending this Agreement or a new employment agreement by such date.

2. EMPLOYMENT

2.1 Employment of Employee. Employer hereby hires Employee as President and Chief Executive Officer. Employee hereby accepts such employment on the terms and conditions of this Agreement.

2.2 Position and Duties. Employee shall serve, as President and Chief Executive Officer of Employer and shall have the general powers and duties of management usually vested in that office in a corporation and such other powers and duties as may be prescribed by the Board of Directors or the Bylaws of Employer. In this position, Employee will report directly to, and be subject to the supervision of the Board of Directors.

2.3 Standard of Performance. Employee agrees that s/he will at all times faithfully and industriously and to the best of his/her ability, experience and talents perform all of the duties that may be required of and from him/her pursuant to the terms of this Agreement. Such duties shall be

performed at such place or places as the interests, needs, business and opportunities of Employer shall require or render advisable.

2.4 Exclusive Service. Employee shall devote all of his/her business energies and abilities and all of his/her productive time to the performance of his/her duties under this Agreement (reasonable absences during holidays and vacations excepted), and shall not, without the prior written consent of Employer, render to others any service of any kind (whether or not for compensation) that, in the opinion of Employer, would materially interfere with the performance of his/her duties under this Agreement.

Employee shall not, without the prior written consent of Employer, maintain any affiliation with, whether as an agent, consultant, employee, officer, director, trustee or otherwise, nor shall s/he directly or indirectly render any services of an advisory nature or otherwise to, or participate or engage in, any other business activity.

3. COMPENSATION

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

3.2 Base Salary. Employer shall pay to Employee a base salary of $ 500,000 annually in equal installments payable no less frequently than semi-monthly.

3.3 Incentive Bonus Compensation. Employee shall be eligible to receive a bonus equal to $550,000 which is equal to one-hundred ten (110%) percent of the base salary, as set forth in section 3.2. Terms and conditions of payment of this bonus shall be determined by the Compensation Committee, Board of Directors of Employer.

3.4 Fringe Benefits. Subject to Section 3.6 and upon satisfaction of the applicable eligibility requirements, Employee shall be entitled to all fringe benefits which Employer may make generally available from time to time for its executive employees. Such benefits shall include without limitation those available, if any, under any group insurance, profit sharing, pension or retirement plans or sick leave policy.

3.5 Vacation and Holiday. Employee shall be entitled to vacations and holidays in accordance with Employer's policies in effect from time to time and published in the Employer's Employee Handbook. Employee is entitled to additional vacation time entirely at the sole discretion of employee.

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

3.7 Disability Severance Benefits. Should Employee's employment hereunder be terminated by reason of his/her total disability, Employer shall pay Employee, within 30 days of termination, a lump sum severance payment equal to 50% of the base salary in Section 3.2, and regularly accrued salary for any pay periods worked by the employee, but not paid. Total disability means Employee is unable to perform his/her duties for a consecutive period of six months due to bodily injury or sickness, including mental or nervous disorder, as determined by a physician selected by Employer, and while disabled s/he does not engage in any employment for wage or profit.

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

4. REIMBURSEMENT OF EXPENSES

Employer shall pay to or reimburse Employee for those travel, promotional and similar expenditures incurred by Employee which Employer determines are reasonably necessary for the proper discharge of Employee's duties under this Agreement and for which Employee submits appropriate receipts

and indicates the amount, date, location and business character, provided that the nature and general amount of such expenditures is either in accordance with the Company's policies announced from time to time or approved in advance.

5. TERMINATION

5.1 Termination Date. The date on which this Agreement terminates shall be the "Termination Date." After the Termination Date, Employee shall not be employed by Employer, Employer shall promptly pay to Employee any compensation under this Agreement accrued but unpaid as of that date, and Employee shall not be entitled to any compensation from Employer for the performance by Employee after that date of any obligations of Employee to Employer under this Agreement.

5.2 Termination Without Cause. Without cause, Employer may terminate this Agreement at any time for any reason, or no reason (including without limitation the Employee's disability as a result of any physical or mental condition that Employer determines will prevent Employee from performing the essential functions of the job, with or without reasonable accommodation) by giving Employee 60 days written notice. If requested by Employer to do so, Employee shall continue to perform his/her duties under this Agreement during such 60 day period. This Agreement shall automatically and without further action of Employer terminate on the death of Employee.

5.3 Termination For Cause. Employer may terminate this Agreement at any time without prior notice for "cause" or in the event that Employee does not cure a breach of any provision of this Agreement within five days after Employer delivers demand to Employee to cure such breach. For this purpose, "cause" shall include, without limitation, (i) Employee's insubordination, meaning the willful failure to conform to or conduct himself/herself in accordance with the policies and standards of Employer or the refusal to perform the duties assigned pursuant to Section 2 or assigned by the Board of Directors; (ii) the dishonesty of Employee; (iii) Employee's conviction for a felony or for fraud, embezzlement or any other act of moral turpitude; (iv) any willful violation by Employee of laws or regulations applicable to Employer's business; or (v) Employee's gross negligence or willful misconduct in the performance of his/her duties under this Agreement which would adversely affect the business or reputation of Employer. A termination by Employee at any time after the occurrence of an event which would constitute cause for termination by Employer shall be considered a termination by Employer for cause.

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

6. NONCOMPETITION

6.1 Noncompetition During Employment. During the term of this Agreement, Employee shall not, without the prior written consent of Employer, directly or indirectly render services of a business, professional, or commercial nature to any person or firm, whether for compensation or otherwise, or engage in any activity directly or indirectly or as an officer, director, employee, consultant, or holder of more than one (1%) percent of the capital stock of any other corporation. Otherwise, Employee may make personal

investments in any other business so long as these investments do not require him/her to participate in the operation of the companies in which s/he invests.

6.2 Non-solicitation. Employee acknowledges that s/he will have access at the highest level to, and the opportunity to acquire knowledge of, valuable, confidential and proprietary information relating to the business of the Company and, accordingly, in order to preserve the value of such information for the Company, Employee covenants and agrees as follows:

(a) Employee shall not, during the term of this Agreement and for a period of one year following the termination of this Agreement for any reason, without the prior written consent of the Company, directly or indirectly offer employment to, or engage the services of, persons who were employed in the Company during the 12 month period preceding such termination date.

(b) The Employee shall not, during the term of this Agreement and for a period of one year following termination of this Agreement for any reason, solicit, for himself or others, any person or entity which was a customer of the Company on such termination date.

7. OTHER PROVISIONS

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

7.2 Injunctive Relief. Employee acknowledges that the services to be rendered under this Agreement and the items described in Sections 5.4, 6 and 7 are of a special, unique and extraordinary character, that it would be difficult or impossible to replace such services or to compensate Employer in money damages for a breach of this Agreement. Accordingly, Employee agrees and consents that if s/he violates any of the provisions of this Agreement,

Employer, in addition to any other rights and remedies available under this Agreement or otherwise, shall be entitled to temporary and permanent injunctive relief, without the necessity of proving actual damages and without the necessity of posting any bond or other undertaking in connection therewith.

7.3 Attorneys' Fees. The prevailing party in any suit, arbitration or other proceeding brought to enforce any provisions of this Agreement, shall be entitled to recover all costs and expenses of the proceeding and investigation (not limited to court costs), including attorneys' fees at the hourly rates usually charged by that party's attorneys.

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

7.5 Entire Agreement. This Agreement is the only agreement and understanding between the parties pertaining to the subject matter of this Agreement, and supersedes all prior agreements, summaries of agreements, descriptions of compensation packages, discussions, negotiations, understandings, representations or warranties, whether verbal or written, between the parties pertaining to such subject matter. Notwithstanding the foregoing, the parties intend to be bound by the terms of the Indemnification Agreement and the Confidentiality and Inventions Agreement, which govern the relationship of the parties with respect to subject matter of those respective agreements.

7.6 Governing Law. The validity, construction and performance

of this Agreement shall be governed by the laws, without regard to the laws as to choice or conflict of laws, of the State of California.

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

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

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

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

(a) If to Employer, to the principal office of Employer in the State of California, marked "Attention: President"; or

(b) If to Employee, to the most recent address for Employee appearing in Employer's records.

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

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

ICU MEDICAL, INC.

By

---------- ----------
Michael T. Kovalchik, III, MD date
Chairman, Compensation Committee

EMPLOYEE

By

---------- ----------
George A. Lopez, M.D. date
President and C.E.O.

[LOGO] ICU Medical, Inc.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT is made and entered into as of this first day of _____, by and between ICU Medical, Inc., a Delaware corporation ("Employer"), and _____ ("Employee").

RECITALS

A. Employer is engaged in the business of developing and manufacturing safe medical connectors.

B. Employer desires to continue to employ Employee, and Employee desires to continue to be employed, on the terms and conditions set forth in this Agreement.

C. Prior to or contemporaneously with the date of this Agreement, Employee and the Company have entered into an Indemnification Agreement and a Confidentiality and Inventions Agreement.

AGREEMENT

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

1. TERMS OF AGREEMENT

1.1 Initial Term The initial term of this agreement shall begin on _____ and shall continue until _____ unless it is terminated earlier pursuant to Section 5.

1.2 Renewal Terms Notwithstanding Section 1.1, this Agreement shall be extended and continue in effect, subject to Section 5, until the earlier of (i) the execution by Employer and Employee of an amendment extending this Agreement or a new employment agreement or (ii) _____ if, but only if, at _____ each of the following is true:

a. This Agreement has not been terminated pursuant to Section 5 and Employer has not notified Employee of a termination pursuant to Section 5;

b. Neither Employer nor Employee has notified the other of its or his intention not to extend or renew this Agreement; and

c. The parties have not yet executed an amendment extending this Agreement or a new employment agreement.

Neither this Agreement nor the employment of Employee will in any event continue beyond _____ unless Employer and Employee execute an amendment extending this Agreement or a new employment agreement by such date.

2. EMPLOYMENT

2.1 Employment of Employee. Employer hereby hires Employee as Vice President of Operations. Employee hereby accepts such employment on the terms and conditions of this Agreement.

2.2 Position and Duties. Employee shall serve as Vice President of Operations of Employer and shall have the general powers and duties of management usually vested in that office in a corporation and such other powers and duties as may be prescribed by the Board of Directors or the Bylaws of Employer. In this position, Employee will report directly to, and be subject to the supervision of the President and Chief Executive Officer.

2.3 Standard of Performance. Employee agrees that s/he will at all times faithfully and industriously and to the best of his/her ability, experience and talents perform all of the duties that may be required of and from him/her pursuant to the terms of this Agreement. Such duties shall be

performed at such place or places as the interests, needs, business and opportunities of Employer shall require or render advisable.

2.4 Exclusive Service. Employee shall devote all of his/her business energies and abilities and all of his/her productive time to the performance of his/her duties under this Agreement (reasonable absences during holidays and vacations excepted), and shall not, without the prior written consent of Employer, render to others any service of any kind (whether or not for compensation) that, in the opinion of Employer, would materially interfere with the performance of his/her duties under this Agreement.

Employee shall not, without the prior written consent of Employer, maintain any affiliation with, whether as an agent, consultant, employee, officer, director, trustee or otherwise, nor shall s/he directly or indirectly render any services of an advisory nature or otherwise to, or participate or engage in, any other business activity.

3. COMPENSATION

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

3.2 Base Salary. Employer shall pay to Employee a base salary of $_____ semi-annually in equal installments payable no less frequently than semi-monthly.

3.3 Incentive Bonus Compensation. Employee shall be eligible to receive a bonus equal to $_____ which is equal to _____ (__%) percent of the base salary, as set forth in section 3.2. Payment of this bonus shall be determined by successful completion of specific performance goals (see ADDENDUM TO EMPLOYMENT AGREEMENT _____).

3.4 Fringe Benefits. Subject to Section 3.6 and upon satisfaction of the applicable eligibility requirements, Employee shall be entitled to all fringe benefits which Employer may make generally available from time to time for its executive employees. Such benefits shall include without limitation those available, if any, under any group insurance, profit sharing, pension or retirement plans or sick leave policy.

3.5 Vacation and Holiday. Employee shall be entitled to vacations and holidays in accordance with Employer's policies in effect from time to time and published in the Employer's Employee Handbook.

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

3.7 Disability Severance Benefits. Should Employee's employment hereunder be terminated by reason of his/her total disability, Employer shall pay Employee, within 30 days of termination, a lump sum severance payment equal to 50% of the base salary in Section 3.2, in addition to accrued vacation and regularly accrued salary for any pay periods worked by the employee, but not paid. Total disability means Employee is unable to perform his/her duties for a consecutive period of six months due to bodily injury or sickness, including mental or nervous disorder, as determined by a physician selected by Employer, and while disabled s/he does not engage in any employment for wage or profit.

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

4. REIMBURSEMENT OF EXPENSES

Employer shall pay to or reimburse Employee for those travel, promotional and similar expenditures incurred by Employee which Employer determines are reasonably necessary for the proper discharge of Employee's duties under this Agreement and for which Employee submits appropriate receipts and indicates the amount, date, location and business character, provided that

the nature and general amount of such expenditures is either in accordance with the Company's policies announced from time to time or approved in advance.

5. TERMINATION

5.1 Termination Date. The date on which this Agreement terminates shall be the "Termination Date." After the Termination Date, Employee shall not be employed by Employer, Employer shall promptly pay to Employee any compensation under this Agreement accrued but unpaid as of that date, and Employee shall not be entitled to any compensation from Employer for the performance by Employee after that date of any obligations of Employee to Employer under this Agreement.

5.2 Termination Without Cause. Without cause, Employer may terminate this Agreement at any time for any reason, or no reason (including without limitation the Employee's disability as a result of any physical or mental condition that Employer determines will prevent Employee from performing the essential functions of the job, with or without reasonable accommodation) by giving Employee 60 days written notice. If requested by Employer to do so, Employee shall continue to perform his/her duties under this Agreement during such 60 day period. This Agreement shall automatically and without further action of Employer terminate on the death of Employee.

5.3 Termination For Cause. Employer may terminate this Agreement at any time without prior notice for "cause" or in the event that Employee does not cure a breach of any provision of this Agreement within five days after Employer delivers demand to Employee to cure such breach. For this purpose, "cause" shall include, without limitation, (i) Employee's insubordination, meaning the willful failure to conform to or conduct himself/herself in accordance with the policies and standards of Employer or the refusal to perform the duties assigned pursuant to Section 2 or assigned by the Board of Directors; (ii) the dishonesty of Employee; (iii) Employee's conviction for a felony or for fraud, embezzlement or any other act of moral turpitude; (iv) any willful violation by Employee of laws or regulations applicable to Employer's business; or (v) Employee's gross negligence or willful misconduct in the performance of his/her duties under this Agreement which would adversely affect the business or reputation of Employer. A termination by Employee at any time after the occurrence of an event which would constitute cause for termination by Employer shall be considered a termination by Employer for cause.

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

6. NONCOMPETITION

6.1 Noncompetition During Employment. During the term of this Agreement, Employee shall not, without the prior written consent of Employer, directly or indirectly render services of a business, professional, or commercial nature to any person or firm, whether for compensation or otherwise, or engage in any activity directly or indirectly or as an officer, director, employee, consultant, or holder of more than ___ (_%) percent of the capital stock of any other corporation. Otherwise, Employee may make personal investments in any other business so long as these investments do not require

him/her to participate in the operation of the companies in which s/he invests.

6.2 Non-solicitation. Employee acknowledges that s/he will have access at the highest level to, and the opportunity to acquire knowledge of, valuable, confidential and proprietary information relating to the business of the Company and, accordingly, in order to preserve the value of such information for the Company, Employee covenants and agrees as follows:

(a) Employee shall not, during the term of this Agreement and for a period of one year following the termination of this Agreement for any reason, without the prior written consent of the Company, directly or indirectly offer employment to, or engage the services of, persons who were employed in the Company during the 12 month period preceding such termination date.

(b) The Employee shall not, during the term of this Agreement and for a period of one year following termination of this Agreement for any reason, solicit, for himself or others, any person or entity which was a customer of the Company on such termination date.

7. OTHER PROVISIONS

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

7.2 Injunctive Relief. Employee acknowledges that the services to be rendered under this Agreement and the items described in Sections 5.4, 6 and 7 are of a special, unique and extraordinary character, that it would be difficult or impossible to replace such services or to compensate Employer in money damages for a breach of this Agreement. Accordingly, Employee agrees and consents that if s/he violates any of the provisions of this Agreement, Employer, in addition to any other rights and remedies available under this

Agreement or otherwise, shall be entitled to temporary and permanent injunctive relief, without the necessity of proving actual damages and without the necessity of posting any bond or other undertaking in connection therewith.

7.3 Attorneys' Fees. The prevailing party in any suit, arbitration or other proceeding brought to enforce any provisions of this Agreement, shall be entitled to recover all costs and expenses of the proceeding and investigation (not limited to court costs), including attorneys' fees at the hourly rates usually charged by that party's attorneys.

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

7.5 Entire Agreement. No discussions or comments made by the Employer's agents, personnel, staff, officers or attorneys concerning the subject matter of this Agreement evidence or imply any agreement other than the terms specifically included herein. No provision can be waived or modified by conduct or oral agreement either before or after execution of this Agreement. No representation, understanding, promise or condition shall be enforceable against any party unless it is contained in this Agreement, except as set forth in the Indemnification Agreement and Confidentiality and Inventions Agreement. If there is any conflict between the terms, conditions and provisions of this Agreement and those of any other agreement or instrument, the terms, conditions and provisions of this Agreement shall prevail. This Agreement is the only agreement and understanding between the parties pertaining to the subject matter of this Agreement, and supersedes all prior agreements, summaries of agreements,

descriptions of compensation packages, discussions, negotiations, understandings, representations or warranties, whether verbal or written, between the parties pertaining to such subject matter. Notwithstanding the foregoing, the parties intend to be bound by the terms of the Indemnification Agreement and the Confidentiality and Inventions Agreement, which govern the relationship of the parties with respect to subject matter of those respective agreements.

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

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

7.8 Amendment and Waiver. This Agreement may not be modified or amended except by a written agreement signed by the President/CEO of Employer, and Employee. Either party may in writing waive any provision of this Agreement to the extent such provision is for the benefit of the waiving party. No waiver by either party of a breach of any provision of this Agreement shall be construed as a waiver of any subsequent or different breach, and no forbearance by a party to seek a remedy for noncompliance or breach by the other party shall be construed as a waiver of any right or remedy with respect to such noncompliance or breach.

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

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

(a) If to Employer, to the principal office of Employer in the State of California, marked "Attention: President"; or

(b) If to Employee, to the most recent address for Employee appearing in Employer's records.

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

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

EMPLOYER
ICU MEDICAL, INC.

By
---------- ----------
(Name) date
(Title)

EMPLOYEE

By
---------- ----------
(Name) date

ICU MEDICAL, INC.

2005 LONG TERM RETENTION PLAN

1. Purpose of this Plan

The purpose of the ICU Medical, Inc. 2005 Long Term Retention Plan is to assist ICU Medical, Inc. in motivating and retaining key Employees by providing long term incentive compensation.

2. Definitions and Rules of Interpretation

2.1 Definitions. This Plan uses the following defined terms:

"Adjusted Bonus Amount" means the Bonus Amount as adjusted in accordance with Sections 6.1 or 6.2

"Administrator" means the Board or the Committee or Officer to whom the Board or the Committee delegates authority to administer this Plan.

"Affiliate" means a "parent" or "subsidiary" (as each is defined in Section 424 of the Code) of the Company and any other entity that the Board or Committee designates as an "Affiliate" for purposes of this Plan.

"Award Certificate" means a certificate in the form of Annex A to this Plan evidencing the award of an Incentive Bonus and stating the Bonus Amount, the Trigger Price and the date of the award.

"Board" means the board of directors of the Company.

"Bonus Amount" means the dollar amount of an Incentive Bonus initially determined by the Committee.

"CEO" means the Chief Executive Officer of the Company.

"Code" means the Internal Revenue Code of 1986.

"Committee" means a committee composed of Directors appointed in accordance with the Company's charter documents and Section 4.

"Company" means ICU Medical, Inc., a Delaware corporation.

"Director" means a member of the board of directors of the Company.

"Employee" means a regular employee of the Company or an Affiliate, including an officer, who is treated as an employee in the personnel records of the Company or an Affiliate, but not individuals who are classified by the Company or an Affiliate as: (i) leased from or otherwise employed by a third party, (ii) independent contractors, or (iii) intermittent or temporary workers. A Participant shall not cease to be an Employee due to transfers between locations of the Company, or between the Company and an Affiliate.

"Exchange Act" means the Securities Exchange Act of 1934.

"Incentive Bonus" means a cash payment made pursuant to this Plan to a Participant in an amount and at a time determined in accordance with the terms of this Plan.

"Participant" means an Employee to whom an Incentive Bonus has been awarded.

"Payment Date" means the date on which an Incentive Bonus becomes payable as provided in Section 7.1.

"Plan" means this 2005 Long Term Retention Plan of ICU Medical, Inc.

"Price Date" as defined in Section 11.5(a).

"Stock Price" means the price of equity securities of the Company determined under Section 11.5.

"Termination" means that the Participant has ceased to be, with or without any cause or reason, an Employee and shall be deemed to occur on the day after the last day on which the Participant was an Employee. An event that causes an Affiliate to cease being an Affiliate shall be treated as the "Termination" of that Affiliate's Employees and shall be deemed to occur on the day after such event.

"Trigger Price" means the Stock Price of the Company's common stock established by the Committee for purposes of determining an adjustment to the Bonus Amount of an Incentive Bonus pursuant to Section 6.1, as adjusted from time to time pursuant to Section 9.1.

2.2 Rules of Interpretation. Any reference to a "Section," without more, is to a Section of this Plan. Captions and titles are used for convenience in this Plan and shall not, by themselves, determine the meaning of this Plan. Except when otherwise indicated by the context, the singular includes the plural and vice versa. Any reference to a statute is also a reference to the applicable rules and regulations adopted under that statute. Any reference to a statute, rule or regulation, or to a section of a statute, rule or regulation, is a reference to that statute, rule, regulation, or section as amended from time to time, both before and after the effective date of this Plan and including any successor provisions.

3. Term of this Plan

This Plan shall be effective on the date it has been both adopted by the Board. This Plan has no set termination date. However, it may be terminated as provided in Section 10.1.

4. Administration

4.1 General

(a) The Board shall have ultimate responsibility for administering this Plan. The Board may delegate certain of its responsibilities to a Committee, which shall consist of at least three members of the Board, and either the Board or the Committee may delegate certain of their respective responsibilities to an Officer designated by the Board or Committee as the "Administrator." Where this Plan specifies that an action is to be taken or a determination made by the Board, only the Board may take that action or make that determination. Where this Plan specifies that an action is to be taken or a determination made by the Committee, only the Committee may take that action or make that determination. Where this Plan references the "Administrator," the action may be taken or determination made by the Board, the Committee or the Administrator. Moreover, all actions and determinations by any Administrator are subject to the provisions of this Plan.

(b) So long as the Company has a class of equity securities listed on The Nasdaq Stock Market, the Committee shall consist of Directors, each of whom is an "independent director" as defined in the Rules of The Nasdaq Stock Market; and so long as the Company has registered and outstanding a class of equity securities under Section 12 of the Exchange Act, the Committee shall consist of Directors, each of whom is a "Non-Employee Director" as defined in Rule 16b-3 under Section 16(b) of the Exchange Act and an "outside director" within the meaning of Section 162(m) of the Code.

4.2 Authority to Administer this Plan.

(a) Subject to the other provisions of this Plan, the Committee shall have the authority to:

(i) select the Participants who will receive Incentive Bonuses;

(ii) determine the Bonus Amount of each Incentive Bonus;

(iii) determine the Trigger Price for each Incentive Bonus; and

(iv) award Incentive Bonuses.

(b) Subject to the other provisions of this Plan, the Administrator shall have the authority to:

(i) issue Award Certificates to Participants;

(ii) interpret this Plan and any document related to this Plan;

(iii) correct any defect, remedy any omission, or reconcile any inconsistency in this Plan or any document related to this Plan;

(iv) adopt, amend, and revoke rules and regulations under this Plan;

(v) determine whether a transaction or event should be treated as a Change of Control; and

(vi) make all other determinations the Administrator deems necessary or advisable for the administration of this Plan.

4.3 Scope of Discretion. Subject to the last sentence of this Section 4.3, on all matters for which this Plan confers the authority, right or power on the Board, the Committee or other Administrator to make decisions, that body may make those decisions in its sole and absolute discretion. Moreover, but again subject to the last sentence of this Section 4.3, in making those decisions the Board, Committee or other Administrator need not treat all persons eligible to receive Incentive Bonuses or all Participants the same way. However, the discretion of the Board, Committee or other Administrator is subject to the specific provisions and specific limitations of this Plan, as well as all rights conferred on specific Participants pursuant to this Plan.

5. Persons Eligible to Receive Incentive Bonuses; Awards

5.1 Eligible Employees. Incentive Bonuses may be granted to, and only to, Employees determined by the Committee after advice from and consultation with the CEO to be key members of management of the Company entrusted with responsibilities that the Committee deems vital to the future success and growth of the Company.

5.2 Awards. The Committee shall determine, after advice from and consultation with the CEO, the Bonus Amount of each Incentive Bonus to be awarded to each Participant selected as provided in Section 5.1; provided, however, that the Committee shall determine the Bonus Amount of each Incentive Bonus awarded to the CEO without advice from or consultation with the CEO.

5.3 Trigger Price. The Committee shall determine the Trigger Price of each Incentive Bonus at the time that the Incentive Bonus is awarded.

5.4 Award Certificates. The Administrator shall issue an Award Certificate to each Participant for each Incentive Bonus. The Award Certificate, together with this Plan shall constitute a binding agreement between the Company and the Participant in accordance with the terms of the Award Certificate and this Plan. If there is any conflict between the terms of an Award Certificate and the terms of this Plan, the terms of this Plan shall prevail and control.

5.5 No Entitlement. Neither the fact that an Employee has been selected to receive an Incentive Bonus nor the fact that an Employee has previously received one or more Incentive Bonuses shall entitle the Employee to continued employment or to any additional award of an Incentive Bonus, and none of the Company, the Board, the Committee, the Administrator or any Officer shall have any obligation to award or cause to be awarded an Incentive Bonus to any Employee.

6. Adjustment of Bonus Amounts

6.1 Trigger Price Adjustment. If, at any time between the award of an Incentive Bonus and its Payment Date, the Stock Price of the Company's Common

Stock equals or exceeds the Trigger Price of such Incentive Bonus then in effect for 10 consecutive trading days, the Bonus Amount of such Incentive Bonus shall be adjusted, and the Adjusted Bonus Amount shall be 150% of the original Bonus Amount, unless the Bonus Amount is adjusted based on market capitalization pursuant to Section 6.2 at any time on or before the Payment Date of such Incentive Bonus, in which case no adjustment shall be made to the Bonus Amount pursuant to this Section 6.1.

6.2 Market Capitalization Adjustment. If, at any time between the award of an Incentive Bonus and its Payment Date, the aggregate Stock Price of all of the Company's equity securities that are listed or traded on an established stock exchange or quotation system or quoted by a recognized securities dealer equals or exceeds $1 billion for 10 consecutive trading days, the Bonus Amount of such Incentive Bonus shall be adjusted, and the Adjusted Bonus Amount of such Incentive Bonus shall be 200% of such original Bonus Amount.

7. Payment of Incentive Bonuses

7.1 Payment Date. The Payment Date of each Incentive Bonus will be the first to occur of:

(a) the sixth anniversary of the award of the Incentive Bonus, subject to section 7.2(b); or

(b) the day that George A. Lopez ceases to be the CEO for any reason, except with respect to Incentive Bonuses awarded to George A. Lopez if he voluntarily terminates his employment or resigns the office of CEO.

7.2 Payment. The Bonus Amount or Adjusted Bonus Amount, as the case may be, of each Incentive Bonus shall be paid to the Participant to whom it was awarded not more than 10 days after the Payment Date, subject to Sections 7.3 (Withholdings) and 8.2 (Leave of Absence) and to the following conditions:

(a) The Participant was continuously employed by the Company or an Affiliate from the date of the award of the Incentive Bonus to the Payment date; and

(b) Payment of such Incentive Bonus has been approved:

(i) in the case of an Incentive Bonus to a Participant other than the CEO, by the CEO in his or her sole discretion, provided that if the Payment Date has occurred as a result of George A. Lopez ceasing to be the CEO as provided in Section 7.1(c), no such approval by a successor CEO shall be required for payment of an Incentive Bonus awarded before such Payment Date; or

(ii) in the case of an Incentive Bonus to the CEO, by the Committee in its sole discretion, provided that if the Payment Date has occurred as a result of George A. Lopez ceasing, other than voluntarily or for cause, to be the CEO as provided in Section 7.1(c), no such approval by the Committee shall be required for payment of an Incentive Bonus awarded before such Payment Date.

In exercising his or her discretion to approve payment of Incentive Bonuses as provided in clause (i) above, the CEO shall not be required to treat all Participants or all Incentive Bonuses in the same way.

7.3 Withholdings. All payments to Participants of Incentive Bonuses that become payable under this Section 7 will be net of all required federal, state and local income taxes and other required withholdings, including without limitation any tax imposed on a Participant and required to be withheld by Code Section 4999.

8. Employment Relationship

8.1 Termination. Nothing in this Plan or in any Incentive Bonus Certificate, and no Incentive Bonus or the fact that an Incentive Bonus will not be payable if a Termination occurs before the Payment Date, shall interfere with or limit the right of the Company or any Affiliate to terminate the employment

of any Participant at any time, whether with or without cause or reason, and with or without the payment of severance or any other compensation or payment.

8.2 Leave of Absence. A personal, military service or medical leave approved by the Administrator with employment guaranteed upon return shall not constitute a Termination, and an Incentive Bonus as to which a Payment Date has occurred during such approved leave of absence will be payable, subject to Section 7.2, without interest upon the Participant's return to work, disability becoming permanent or death.

9. Certain Transactions and Events

9.1 Changes in Capital Structure. In the event of any stock split, reverse stock split, recapitalization, combination or reclassification of stock, stock dividend, spin-off or similar change to the capital structure of the Company (not including a Change of Control), the Administrator shall make whatever adjustment it concludes is appropriate to the Trigger Price of each Incentive Bonus as to which the Payment Date had not occurred at or before the date of such event. The specific adjustment shall be determined by the Administrator in its sole and absolute discretion.

9.2 Dissolution. If the Company adopts a plan of dissolution, the Board may, in its sole and absolute discretion, cause Incentive Bonuses to be paid on completion of the dissolution. The Board need not adopt the same rules for each Incentive Bonus or each Participant.

10. Amendment or Termination of this Plan

10.1 Amendment and Termination. The Board may at any time amend, suspend or terminate this Plan.

10.2 Effect. No amendment, suspension or termination of this Plan, and no modification of any Incentive Bonus even in the absence of an amendment, suspension or termination of this Plan, shall impair any existing contractual rights of any Participant unless the affected Participant consents to the amendment, suspension, termination or modification. Termination of this Plan shall not affect the Administrator's ability to exercise the powers granted to it under this Plan with respect to Incentive Bonuses awarded before the termination.

11. Miscellaneous

11.1 No Assignment. A Participant may not assign, hypothecate or transfer any Incentive Bonus, Award Certificate, interests in or rights thereunder, or any interests in or rights under this Plan, and any attempt to do so shall be null and void and shall result in the immediate forfeiture of any right to payment of the Incentive Bonus.

11.2 Nonexclusivity of this Plan. This Plan shall not limit the power of the Company or any Affiliate to adopt other incentive arrangements including, for example, the grant or issuance of stock options, stock or other equity-based rights under other plans or independently of any plan.

11.3 Unfunded Plan. This Plan shall be unfunded. Although bookkeeping accounts may be established with respect to Incentive Bonuses, any such accounts will be used merely as a convenience. The Company shall not be required to segregate any assets on account of this Plan or the award or payment of Incentive Bonuses. The Company and the Administrator shall not be deemed to be a trustee of cash to be awarded under this Plan. Any obligations of the Company to any Participant shall be based solely upon contracts entered into under this Plan, such as Award Certificates. No such obligation shall be deemed to be secured by any pledge or other encumbrance on any assets of the Company. Neither the Company nor the Administrator shall be required to give any security or bond for the performance of any such obligation.

11.4 Governing Law. This Plan and all determinations made and actions taken under this Plan shall be governed by the substantive laws, but not the

choice of law rules, of the State of Delaware.

11.5 Determination of Stock Price. Stock Price shall be determined as follows:

(a) Listed Stock. If the equity securities of the Company are traded or quoted on any established stock exchange or quotation system, the Stock Price shall be the mean between the highest and lowest sales prices for the Shares as quoted on that stock exchange or system for the date the Stock Price is to be determined (the "Price Date") as reported in The Wall Street Journal or a similar publication. If no sales are reported as having occurred on the Price Date, the Stock Price shall be that mean closing sales price for the last preceding trading day on which sales of equity securities of the Company are reported as having occurred. If no sales are reported as having occurred during the ten trading days before the Price Date, the Stock Price shall be the mean between the highest and lowest closing bids for equity securities of the Company on the Price Date. If equity securities of the Company are listed on multiple exchanges or systems, the Stock Price shall be based on sales or bids on the primary exchange or system on which equity securities of the Company are traded or quoted.

(b) Securities Quoted by Securities Dealer. If equity securities of the Company are regularly quoted by a recognized securities dealer but selling prices are not reported on any established stock exchange or quoted on an established quotation system, the Stock Price shall be the mean between the high bid and low asked prices on the Price Date. If no prices are quoted for the Price Date, the Stock Price shall be the mean between the high bid and low asked prices on the last preceding trading day on which any bid and asked prices were quoted.

(c) No Established Market. If equity securities of the Company are not traded on any established stock exchange or quoted on an established quotation system and are not quoted by a recognized securities dealer, no Stock Price shall be deemed to exist.

11.6 Electronic Communications. Any Award Certificate, or other document required or permitted by this Plan may be delivered in writing or, to the extent determined by the Administrator, electronically. Signatures may also be electronic if permitted by the Administrator.

Adopted by the Board on: January 29, 2005

Effective date of this Plan: January 29, 2005

Annex A

ICU MEDICAL, INC.

AWARD CERTIFICATE

UNDER

2005 LONG TERM RETENTION PLAN

To _____
(Name of Participant)

ICU Medical, Inc. has awarded you an Incentive Bonus under its 2005 Long Term Retention Plan as follows:

Bonus Amount: $_____

Trigger Price: $_____ per share of ICU Medical, Inc. common stock

Date of Award: _____, 200_

Capitalized terms defined in the 2005 Long Term Retention Plan and used in

this Award Certificate have the meanings ascribed to them in the Plan. This Award Certificate is subject to and governed by the terms of the Plan, and if there is any conflict between the terms of this Award Certificate and the terms of the Plan, the terms of the Plan shall prevail and control.

Executed this ____ day of _____, 200_	Agreed and accepted this ____ day of _____, 200_
ICU Medical, Inc.	
By _____	_____
_____ (Name and Title)	_____ (Name of Participant)

Notice to Third Parties

The Participant may not assign, hypothecate or transfer any Incentive Bonus, Award Certificate, interests in or rights thereunder, or any interests in or rights under the Plan, and any attempt to do so shall be null and void and shall result in the immediate forfeiture of any right to payment of the Incentive Bonus. Payment of Incentive Bonuses is discretionary and not assured under the terms of the Plan.

Exhibit 31.1

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

I, the Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICU Medical, Inc.:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 registrant's board of directors:

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: May 6, 2005

/s/ George A. Lopez, M.D.

Chief Executive Officer

Exhibit 31.2

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

I, the Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ICU Medical, Inc.:

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 registrant's board of directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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: May 6, 2005

/s/ Francis J. O'Brien

Chief Financial Officer

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ICU Medical, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George A. Lopez, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ George A. Lopez, M.D.

George A. Lopez, M.D.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of ICU Medical, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Francis J. O'Brien, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Francis J. O'Brien

Francis J. O'Brien