MERIT MEDICAL SYSTEMS INC
Form 10-Q
August 06, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2009.

OR

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

Commission File Number 0-18592

MERIT MEDICAL SYSTEMS, INC.

(Exact name of Registrant as specified in its charter)

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

1600 West Merit Parkway, South Jordan, UT, 84095

(Address of Principal Executive Offices, including Zip Code)

(801) 253-1600

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes o No o

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

Large Accelerated Filer o	Accelerated Filer x
Non-Accelerated Filer o	Smaller Reporting Company o

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

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

Common Stock	**27,964,296**
Title or class	Number of Shares Outstanding at August 3, 2009

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MERIT MEDICAL SYSTEMS, INC.

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Part I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2009 AND DECEMBER 31, 2008

(In thousands - unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,873	$ 34,030
Trade receivables - net of allowances of $621 and $505, respectively	30,454	27,749
Employee receivables	139	126
Other receivables	460	818
Inventories	46,308	38,358
Prepaid expenses and other assets	1,959	985
Deferred income tax assets	2,781	2,782
Income tax refunds receivable	651	607
Total current assets	87,625	105,455
PROPERTY AND EQUIPMENT:		
Land and land improvements	7,992	7,992
Building	49,903	49,793
Manufacturing equipment	73,640	68,184
Furniture and fixtures	15,113	16,689
Leasehold improvements	9,906	9,868
Construction-in-progress	9,219	7,599
Total	165,773	160,125
Less accumulated depreciation	(58,260)	(56,186)
Property and equipment net	107,513	103,939
OTHER ASSETS:		
Other intangibles - net of accumulated amortization of $3,986 and $3,122, respectively	26,503	6,913
Goodwill	32,567	13,048
Other assets	2,730	2,325
Deferred income tax assets	36	23
Deposits	91	73

Total other assets		61,927		22,382
TOTAL ASSETS	$	257,065	$	231,776

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2009 AND DECEMBER 31, 2008

(In thousands - unaudited)

	June 30, 2009	December 31, 2008
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 14,304	$ 10,622
Other payables	7,000	
Accrued expenses	12,182	9,973
Advances from employees	428	211
Income taxes payable	2,161	366
Total current liabilities	36,075	21,172
DEFERRED INCOME TAX LIABILITIES	8,789	8,771
LIABILITIES RELATED TO UNRECOGNIZED TAX POSITIONS	2,818	2,818
DEFERRED COMPENSATION PAYABLE	2,736	2,348
DEFERRED CREDITS	1,931	1,994
OTHER LONG-TERM OBLIGATIONS	386	368
Total liabilities	52,735	37,471
STOCKHOLDERS EQUITY:		
Preferred stock 5,000 shares authorized as of June 30, 2009 and December 31, 2008; no shares issued		
Common stock no par value; 100,000 shares authorized; 27,943 and 28,093 shares issued at June 30, 2009 and December 31 2008, respectively	60,343	61,689
Retained earnings	144,052	132,674
Accumulated other comprehensive loss	(65)	(58)
Total stockholders equity	204,330	194,305
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 257,065	$ 231,776

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In thousands, except per common share - unaudited)

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
NET SALES	$ 64,837	$ 57,441	$ 123,208	$ 110,994
COST OF SALES	36,694	32,939	70,257	64,900
GROSS PROFIT	28,143	24,502	52,951	46,094
OPERATING EXPENSES:				
Selling, general, and administrative	16,287	12,839	31,116	25,911
Research and development	2,893	2,654	4,972	4,570
Total operating expenses	19,180	15,493	36,088	30,481
INCOME FROM OPERATIONS	8,963	9,009	16,863	15,613
OTHER INCOME (EXPENSE):				
Interest income	28	162	150	312
Other (expense) income	(6)	(16)	46	(21)
Other income - net	22	146	196	291
INCOME BEFORE INCOME TAXES	8,985	9,155	17,059	15,904
INCOME TAX EXPENSE	3,144	3,337	5,681	5,769
NET INCOME	$ 5,841	$ 5,818	$ 11,378	$ 10,135
EARNINGS PER COMMON SHARE:				
Basic	$ .21	$ .21	$ .41	$ .37
Diluted	$ .21	$ .21	$ .40	$ .36
AVERAGE COMMON SHARES:				
Basic	27,924	27,603	27,990	27,547
Diluted	28,427	28,325	28,487	28,311

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In thousands - unaudited)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 11,378	$ 10,135
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,710	5,113
Losses on sales and/or abandonment of property and equipment	201	209
Write-off of a certain patent and trademarks	72	77
Amortization of deferred credits	(63)	(53)
Purchase of trading investments	(221)	(180)
Net unrealized (gains)/losses on trading investments	(185)	90
Deferred income taxes		(1,277)
Stock-based compensation	575	337
Excess tax benefit attributable to appreciation of common stock options exercised	(422)	(310)
Changes in operating assets and liabilities net of effects from acquisitions:		
Trade receivables	(1,662)	1,664
Employee receivables	(11)	18
Other receivables	344	377
Inventories	(5,725)	(2,006)
Prepaid expenses and other assets	(731)	(347)
Income tax refund receivable	(41)	(38)
Deposits	(18)	
Trade payables	3,509	1,301
Accrued expenses	1,656	1,254
Advances from employees	210	66
Income taxes payable	2,212	411
Current liabilities related to unrecognized tax positions		(1,023)
Deferred compensation payable	388	144
Other long-term obligations	(1)	(49)
Total adjustments	5,797	5,778
Net cash provided by operating activities	17,175	15,913
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(8,358)	(7,931)
Patents and trademarks	(782)	(139)
Proceeds from the sale of property and equipment	15	25
Cash paid in acquisitions	(35,241)	(1,509)
Net cash used in investing activities	(44,366)	(9,554)

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In thousands - unaudited)

	Six Months Ended June 30,	
	2009	**2008**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	$ 385	$ 2,148
Additions to long-term debt	10,000	
Payment on long-term debt	(10,000)	
Payment of taxes related to an exchange of common stock	(254)	
Common stock repurchased and retired	(2,474)	
Excess tax benefits from stock-based compensation	422	310
Net cash (used in) provided by financing activities	(1,921)	2,458
EFFECT OF EXCHANGE RATES ON CASH	(45)	365
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(29,157)	9,182
CASH AND CASH EQUIVALENTS:		
Beginning of period	34,030	17,574
End of period	$ 4,873	$ 26,756
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Cash paid during the period for:		
Interest	$ 11	$ 5
Income taxes	$ 3,526	$ 7,609
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment purchases in accounts payable	$ 1,576	$ 1,877

During the six months ended June 30, 2009, 23,829 shares of the Company s common stock were surrendered in exchange for the Company s recording of payroll tax liabilities in the amount of approximately $254,000, related to the exercise of stock options. The shares were valued based upon the closing price of the Company s common stock on the surrender date.

During the six months ended June 30, 2009, 21,556 shares of the Company s common stock, with a value of approximately $230,000 were surrendered in exchange for the exercise of stock options.

See notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. **Basis of Presentation**. The interim consolidated financial statements of Merit Medical Systems, Inc. (Merit, we or us) for the three and six-month periods ended June 30, 2009 and 2008 are not audited. Our consolidated financial statements are prepared in accordance with the requirements for unaudited interim periods, and consequently, do not include all disclosures required to be made in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial position as of June 30, 2009, and our results of operations and cash flows for the three and six-month periods ended June 30, 2009 and 2008. The results of operations for the three and six-month periods ended June 30, 2009 are not necessarily indicative of the results for a full-year period. These interim consolidated financial statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission (the SEC).

Reclassifications. Subsequent to the issuance of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, we determined that changes to our deferred compensation plan balances should more properly be reflected as net cash provided by operating activities. Accordingly, we have reclassified such changes from investing activities and financing activities to operating activities. Our management has concluded that the error was not material to our consolidated financial statements, and accordingly the prior period presentation has been revised for 2008 by increasing net cash provided by operating activities by approximately $54,000, decreasing net cash used in investing activities by approximately $90,000 and decreasing net cash provided by financing activities by approximately $144,000.

2. **Inventories**. Inventories are stated at the lower of cost or market. Inventories at June 30, 2009 and December 31, 2008 consisted of the following (in thousands):

		June 30, 2009		December 31, 2008
Finished goods	$	20,924	$	17,818
Work-in-process		5,873		4,790
Raw materials		19,511		15,750
Total	$	46,308	$	38,358

3. **Reporting Comprehensive Income.** Comprehensive income for the three and six-month periods ended June 30, 2009 and 2008 consisted of net income and foreign currency translation adjustments. As of June 30, 2009 and December 31, 2008, the cumulative effect of such adjustments decreased stockholders equity by approximately $65,000 and approximately $58,000, respectively. Comprehensive income for the three and six-month periods ended June 30, 2009 and 2008 has been computed as follows (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2009		2008		2009		2008	
Net income	$	5,841	$	5,818	$	11,378	$	10,135

Foreign currency translation	62	(33)	(7)	156
Comprehensive income	$ 5,903	$ 5,785	$ 11,371	$ 10,291

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4. Stock-based Compensation. Stock-based compensation expense for the three and six-month periods ended June 30, 2009 and 2008 has been categorized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Cost of sales	$ 43	$ 35	$ 93	$ (3)
Research and development	14	10	27	10
Selling, general and administrative	220	194	455	330
Stock-based compensation	$ 277	$ 239	$ 575	$ 337

The excess income tax benefit created from the exercises of stock options was $50,000 and $422,000 for the three and six-month periods ended June 30, 2009, respectively, when compared to $47,000 and $310,000 for the three and six-month periods ended June 30, 2008, respectively. As of June 30, 2009, the total remaining unrecognized compensation cost related to non-vested stock options, net of forfeitures, was approximately $3.5 million and is expected to be recognized over a weighted average period of 3.54 years. During the six months ended June 30, 2009, there were no stock award grants and during the six months ended June 30, 2008, we granted 499,000 stock awards. We use the Black-Scholes methodology to value the stock compensation expense for options. In applying the Black-Scholes methodology to the option grants, we used the following assumptions:

	Six Months Ended June 30,	
	2009	2008
Risk-free interest rate	N/A	3.24-3.55%
Expected option life	N/A	4.2-6
Expected price volatility	N/A	38-41-66.00%

We estimate the average risk-free interest rate using the U.S. Treasury rate in effect as of the date of grant, based on the expected term of the stock option. We estimate the expected term of the stock options using the historical exercise behavior of employees. We estimate the expected price volatility using a weighted average of daily historical volatility of our stock price over the corresponding expected option life and implied volatility based on recent trends of the daily historical volatility.

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5. Shares Used in Computing Net Income Per Share. The following table sets forth the computation of the number of shares used in calculating basic and diluted net income per share (in thousands):

	Three Months Net Income	Three Months Shares	Three Months Per Share Amount	Six Months Net Income	Six Months Shares	Six Months Per Share Amount
Ended June 30, 2009:						
Basic EPS	$ 5,841	27,924	$ 0.21	$ 11,378	27,990	$ 0.41
Effect of dilutive stock options and warrants		503			497	
Diluted EPS	$ 5,841	28,427	$ 0.21	$ 11,378	28,487	$ 0.40
Weighted-average shares under stock options excluded from the calculation of common stock equivalents as the impact was antidilutive		1,360			1,692	
Ended June 30, 2008:						
Basic EPS	$ 5,818	27,603	$ 0.21	$ 10,135	27,547	$ 0.37
Effect of dilutive stock options and warrants		722			764	
Diluted EPS	$ 5,818	28,325	$ 0.21	$ 10,135	28,311	$ 0.36
Weighted-average shares under stock options excluded from the calculation of common stock equivalents as the impact was antidilutive		1,083			1,045	

6. Acquisitions. On June 2, 2009, we entered into an asset purchase agreement with Hatch Medical, L.L.C., a Georgia limited liability corporation (Hatch), to purchase an EN Snare® foreign body retrieval system. We paid $14 million in June 2009 and have accrued an additional $7 million in other payables, which is payable on December 31, 2009. Our financial statements for the three and six months ended June 30, 2009 reflect royalty income subsequent to the acquisition date of approximately $143,000 and net income of approximately $43,000, related to the Hatch acquisition.

We are in the process of finalizing our valuation of tangible and intangible assets, and residual goodwill. The purchase price allocation will be completed no later than one year from the date of acquisition, and may change as more detailed analyses are completed and additional information about fair value of assets and liabilities becomes available. The purchase price was preliminarily allocated as follows (in thousands):

Assets Acquired	
Intangibles	
Developed technology	8,100
Customer list	590
Non-compete	240
Trademark	650
Goodwill	11,420

Total assets acquried		21,000
Liabilities Assumed		None
Net assets acquired	$	21,000

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We intend to amortize developed technology over 11 years, customer lists on an accelerated basis over seven months, a non-compete covenant over seven years and a trademark over fifteen years.

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

On March 9, 2009, we entered into an asset purchase agreement with Alveolus, Inc., a North Carolina corporation (Alveolus), to purchase their non-vascular interventional stents used for esophageal, tracheobronchial, and biliary stenting procedures. We paid Alveolus $19.1 million in March 2009. The gross amount of trade receivables we acquired from Alveolus is approximately $1.0 million, of which $49,000 is expected to be uncollectible. Our consolidated financial statements for the three and six-month periods ended June 30, 2009 reflect sales subsequent to the acquisition date of approximately $1.8 million and $2.3 million, respectively, and a net loss of approximately $780,000 and $1.0 million (includes approximately $220,000 net of tax in legal and accounting costs incurred in the first quarter of 2009), respectively, related to our Alveolus acquisition. We are in the process of finalizing our valuation of certain tangible and intangible assets, and residual goodwill. Slight changes were made to the assets acquired and liabilities assumed during the three-month period ended June 30, 2009, but we do not believe those changes are material to our financial statements. We intend to complete the purchase price allocation no later than one year from the date of acquisition, and that allocation may change as more detailed analyses are completed and additional information about fair value of assets and liabilities becomes available. The purchase price was preliminarily allocated as follows (in thousands):

Assets Acquired		
Inventories	$	2,010
Trade receivable		974
Other assets		241
Property and equipment		547
Intangibles		
Developed technology		5,700
Trademarks		1,400
Customer lists		1,100
In-process research and development		400
Goodwill		7,759
Total assets acquired		20,131
Liabilities Assumed		
Accounts payable		467
Other liabilities		572
Total liabilities assumed		1,039
Net assets acquired	$	19,092

We intend to amortize developed technology and trademarks over 15 years and customer lists on an accelerated basis over 7 years. We intend to amortize in-process research and development over 15 years, which will begin once the product is successfully launched in the market. The acquired trademarks are scheduled to renew in 4.03 years (based on a weighted-average, from June 30, 2009 until the trademark renewal date). While U.S. trademarks can be renewed indefinitely, we currently estimate that we will generate cash flow from the acquired trademarks for 15 years.

On March 3, 2009, we paid $500,000 to GMA Company, Ltd (GMA) representing the final payment due on our distribution agreement. The total amount paid to GMA under this agreement was approximately $2.0 million and was allocated as a distribution agreement and we anticipate that it will be amortized over an estimated life of 11 years.

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On February 19, 2009, we entered into an asset purchase and supply agreement with Biosearch Medical Products, Inc., a New Jersey corporation (Biosearch), to purchase a bipolar coagulation probe and grafted biliary stents. We paid $1.1 million in February 2009 and paid an additional $500,000 in June 2009. Our financial statements for the three and six-month periods ended June 30, 2009 reflect sales subsequent to the acquisition date of approximately $366,000 and $499,000, respectively, and net income of approximately $60,000 and $90,000, respectively, related to the Biosearch acquisition.

We are in the process of finalizing our valuation of tangible and intangible assets, and residual goodwill. We intend to complete the purchase price allocation no later than one year from the date of acquisition, and may change that allocation as more detailed analyses are completed and additional information about fair value of assets and liabilities becomes available. The purchase price was preliminarily allocated as follows (in thousands):

Assets Acquired		
Inventories	$	214
Propery and equipment		31
Intangibles		
Developed technology		380
Customer lists		660
Non-compete		25
Goodwill		290
Total assets acquried		1,600
Liabilities Assumed		None
Net assets acquired	$	1,600

We intend to amortize developed technology over 15 years, customer lists on an accelerated basis over eight years, and a non-compete covenant over seven years.

The following table summarizes our unaudited consolidated result of operations for the three and six-month periods ended June 30, 2009 and 2008, as well as the unaudited pro forma consolidated results of operations as though the Hatch, Alveolus and Biosearch acquisitions had occurred on January 1, 2008:

	Three Months Ended June 30, 2009				Three Months Ended June 30, 2008			
	As Reported		Pro Forma		As Reported		Pro Forma	
Sales	$	64,837	$	65,091	$	57,441	$	60,270
Net income		5,841		5,912		5,818		4,980
Earnings per common share:								
Basic	$	.21	$	.21	$	.21	$	.18
Diluted	$	.21	$	.21	$	.21	$	.18

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008

	As Reported	Pro Forma	As Reported	Pro Forma
Sales	$ 123,208	$ 125,660	$ 110,994	$ 116,875
Net income	11,378	11,318	10,135	8,977
Earnings per common share:				
Basic	$ .41	$ .40	$ .37	$ .33
Diluted	$ .40	$ .40	$ .36	$ .32

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The unaudited pro forma condensed consolidated income statements are for informational purposes only and should not be considered indicative of actual results that would have been achieved if Alveolus, Biosearch and Hatch had been acquired the beginning of 2008, or results that may be obtained in any future period.

On January 29, 2008, we entered into an asset purchase and supply agreement with Micrus Endovascular Corporation, a Delaware corporation, to purchase three catheter platforms for $3.0 million dollars. We paid $1.5 million in January 2008 and an additional $1.5 million in December of 2008. We also paid $12,300 in acquisition costs. The purchase price was allocated to inventories for $143,939, customer lists for $270,000, developed technology for $330,000, and goodwill for approximately $2.3 million. We are currently amortizing customer lists on an accelerated basis over fourteen years, and developed technology over fifteen years.

7. Recent Accounting Pronouncements. In June 2009, the Financial Accounting Standards Board (FASB) issued Statement No. 168, the *FASB Accounting Standards Codification* (Codification). Codification will become the source of authoritative U.S. General Accepted Accounting Principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Once the Codification is in effect, all of its content will carry the same level of authority. The Codification becomes effective for interim and annual periods ending after September 15, 2009. We will apply the Codification in the third quarter of fiscal 2009. The adoption of the Codification will not have an effect on our financial position and results of operations. However, because the Codification completely replaces existing standards, it will affect the way U.S. GAAP is referenced within the consolidated financial statements and accounting policies.

In May 2009, the FASB issued Statement No. 165, *Subsequent Events*, which provides guidance on the assessment of subsequent events. This statement defines the period after the balance sheet date during which we should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, and the required disclosures for such events. The statement is effective for interim or annual reporting periods ending after June 15, 2009. We adopted this statement in the second quarter of 2009. We have performed an evaluation of subsequent events through August 6, 2009, which is the date the financial statements were issued.

In April 2009, the FASB staff issued Staff Position (FSP) No. FAS 107-1 and Accounting Principles Board (APB) 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP No. FAS 107-1 and APB 28-1, respectively). FSP No. 107-1 amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. FSP 107-1 also amends APB Opinion No. 28*, Interim Financial Reporting*, to require these disclosures in all interim financial statements. The adoption of this pronouncement did not have a material impact on our consolidated financial statements six months ended June 30, 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). Companies applying this method will have to identify the acquirer, determine the acquisition date and purchase price and recognize at their acquisition-date fair values of the identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree. In the case of a bargain purchase, the acquirer is required to reevaluate the measurements of the recognized assets and liabilities at the acquisition date and recognize a gain on that date if an excess remains. We adopted the provisions of SFAS No. 141(R) on January 1, 2009; however, the effect of adoption on our consolidated financial statements will depend upon the nature of any acquisitions completed after adoption. We expensed costs related to the acquisitions of Alveolus, Biosearch and Hatch of approximately $374,000 during the six months ended June 30, 2009, which would have been capitalized under SFAS No. 141.

8. Income Taxes. Our overall effective tax rate for the three months ended June 30, 2009 and 2008 was 35.0% and 36.5%, respectively. Our overall effective tax rate for the six months ended June 30, 2009 and 2008 was 33.3% and 36.3%. The decrease in the effective income tax rate for the three and six months ended June 30, 2009, when compared to the prior year period, was primarily related to the profitability of our Irish operations which are taxed at a lower tax rate than our U.S. and other foreign operations.

9. Fair Value Measurements. The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. A fair value hierarchy is used to prioritize the quality

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and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market

The following table provides our financial assets and liabilities carried at fair value measured on a recurring basis as of June 30, 2009 (in thousands):

Description	Total Fair Value at June 30, 2009	Fair Value Measurements Using Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Deferred compensation assets (1)	$ 2,730		$ 2,730	

(1) The deferred compensation investments are held in a Rabbi trust under an insurance-based deferred compensation plan. The investments of the Rabbi trust are valued based upon unit values multiplied by the number of units held. The unit value is based upon the investment s net asset value adjusted for some administrative fees.

During the six months ended June 30, 2009, we had a write-off of approximately $72,000 related to the measurement of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

The carrying amount of cash and equivalents, receivables and trade payables approximates fair value.

10. Goodwill and Intangible Assets. The changes in the carrying amount of goodwill for the six months ended June 30, 2009 are as follows (in thousands):

Goodwill balance at December 31, 2008	$ 13,048
Additions as the result of acquistions	19,519
Goodwill balance at June 30, 2009	$ 32,567

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During the six months ended June 30, 2009, we paid $50,000 to Lightek Corporation related to their achieving certain sales level in our agreement dated July 17, 2007. This amount was included as part of goodwill.

Intangible assets at June 30, 2009 and December 31, 2008, consisted of the following (in thousands):

	June 30, 2009			December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Covenant not to compete	$ 315	$ (18)	$ 297	$ 50	$ (18)	$ 32
Customer lists	4,755	(1,405)	3,350	2,465	(1,073)	1,392
Developed technology	15,969	(297)	15,672	1,730	(119)	1,611
Distribution agreement	2,401	(259)	2,142	1,901	(178)	1,723
In-process research and development *	400		400			
License agreements	403	(346)	57	403	(242)	161
Patents	3,414	(1,118)	2,296	2,704	(1,019)	1,685
Royalty agreements	267	(186)	81	267	(159)	108
Trademark	2,565	(357)	2,208	515	(314)	201
Total	$ 30,489	$ (3,986)	$ 26,503	$ 10,035	$ (3,122)	$ 6,913

* In-process research and development was capitalized as per the adoption of SFAS No. 141(R), in connection with our acquisition of Alveolus. Our in process research and development intangible is currently not subject to amortization but amortization will commence upon the related product launch.

The aggregate amortization expense for the six months ended June 30, 2009 was approximately $864,000.

Estimated amortization expense for the intangible assets for the next five years consisted of the following (in thousands):

Remaining 2009	$ 1,586
2010	2,599
2011	2,236
2012	2,039
2013	1,986

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

Disclosure Regarding Forward-Looking Statements

This Report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements in this Report, other than statements of historical fact, are forward-looking statements for purposes of these provisions, including any projections of earnings, revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All forward-looking statements included in this Report are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any forward-looking statement. In some cases, forward-looking statements can be identified by the use of terminology such as may, will, expects, plans, anticipates, intends, believes, estimates, potential, or continue, or the negative comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that any such expectations or any forward-looking statement will prove to be correct. Our actual results will vary, and may vary materially, from those projected or assumed in the forward-looking statements. Our financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, unanticipated consequences of Merit s recent or future acquisitions; challenges associated with Merit s efforts to pursue new market opportunities, including opportunities in the gastroenterology and pulmonary markets; infringement of Merit s technology or the assertion that Merit s technology infringes the rights of other parties; product recalls and product liability claims; downturn of the national economy and its effect on Merit s revenues, collections and supplier relations; termination of supplier relationships, or failure of suppliers to perform; inability to successfully manage growth through acquisitions; delays in obtaining regulatory approvals, or the failure to maintain such approvals; concentration of Merit s revenues among a few products and procedures; development of new products and technology that could render Merit s products obsolete; market acceptance of new products; introduction of products in a timely fashion; price and product competition; availability of labor and materials; cost increases; and fluctuations in and obsolescence of inventory; volatility of the market price of Merit s common stock; foreign currency fluctuations; changes in key personnel; work stoppage or transportation risks; modification or limitation of governmental or private insurance reimbursement procedures; changes in health care markets related to health care reform initiatives; and other factors referred to in our press releases and reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2008. All subsequent forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Additional factors that may have a direct bearing on our operating results are discussed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008.

Overview

For the quarter ended June 30, 2009, we reported record revenues of $64.8 million, up 13% from the three months ended June 30, 2008 of $57.4 million. Revenues for the six months ended June 30, 2009 were a record $123.2 million, compared with $111.0 million for the first six months of 2008, a gain of 11%.

Gross margins were 43.4% and 43.0% of sales for the three and six-month periods ended June 30, 2009, respectively, compared to 42.7% and 41.5% of sales for the three and six-month periods ended June 30, 2008, respectively. This improvement can be attributed primarily to lower average fixed overhead unit costs through increased productivity as fixed costs are shared over an increased number of units, reduction in material costs and a favorable Euro to U.S. dollar exchange rate which reduced our unit costs in our Irish operations. During 2009, we plan to implement new automation and manufacturing cost-saving improvements related to logistics and product labeling, and introduce new products through organic growth and acquisitions, which we believe will increase our average product margins.

Net income for the period ended June 30, 2009 was $5.8 million, or $0.21 per share, compared to $5.8 million, or $0.21 per share, for the comparable period of 2008. Net income for the six-month period ended June 30, 2009 was $11.4 million, up 12% to $0.40 per share, compared to $10.1 million, or $0.36 per share, for the comparable period of 2008. When compared to the prior year period, net income for the six months ended June 30, 2009 was

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primarily affected by higher sales and gross margins, and a lower effective income tax rate, all of which offset higher selling, general and administrative expenses and research and development expenses, primarily associated with our acquisitions of Alveolus and Biosearch in the first quarter of 2009, and the acquisition of Hatch in the second quarter of 2009.

Results of Operations

The following table sets forth certain operational data as a percentage of sales for the three and six-month periods ended June 30, 2009 and 2008:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Sales	100.0%	100.0%	100.0%	100.0%
Gross profit	43.4	42.7	43.0	41.5
Selling, general and administrative expenses	25.1	22.4	25.3	23.3
Research and development expenses	4.5	4.6	4.0	4.1
Income from operations	13.8	15.7	13.7	14.1
Other income	0.0	0.3	0.2	0.3
Net income	9.0	10.1	9.2	9.1

Sales. Sales for the three months ended June 30, 2009 increased by 13%, or approximately $7.4 million, compared to the same period of 2008. Sales for the six months ended June 30, 2009 increased by 11%, or approximately $12.2 million, compared to the same period of 2008. We report sales in five product categories. Listed below are the sales relating to these product categories for the three and six-month periods ended June 30, 2009 and 2008 (in thousands):

	Three Months Ended June 30, % Change	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, % Change	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Stand-alone devices	11%	$ 19,587	$ 17,573	10%	$ 37,021	$ 33,523
Custom kits and procedure trays	16%	19,280	16,610	13%	36,677	32,376
Inflation devices	(6)%	14,707	15,726	(5)%	28,994	30,647
Catheters	20%	9,070	7,532	23%	17,704	14,448
Gastroenterology devices		2,193			2,812	
Total	13%	$ 64,837	$ 57,441	11%	$ 123,208	$ 110,994

The sales growth of 13% for the second quarter of 2009, and the sales growth of 11% for the six month-period ended June 30, 2009, when compared to the comparable periods of 2008, was favorably affected by increased sales of custom kits and procedure trays, gastroenterology devices related to the recent acquisition of Alveolus during the first quarter of 2009, stand-alone devices (maps, needles and stopcocks), and catheters (particularly our Prelude® sheath product line, Mini access catheter product line, and Resolve® locking draining catheter line). These sales increases helped offset a decrease in sales of 1.9% related to the exchange rate between our foreign currencies (primarily the Euro) for the three and six months ended June 30, 2009 and the U.S. Dollar and a decrease in inflation device sales to an OEM customer of 2.0% and 1.6% respectively, for the three and six months ended June 30, 2009, when compared to the corresponding periods of 2008.

Gross Profit. Gross margins were 43.4% and 43.0% of sales for the three and six-month periods ended June 30, 2009, respectively, compared to 42.7% and 41.5% of sales for the three and six-month periods ended June 30, 2008, respectively. This improvement can be attributed primarily to lower average fixed overhead unit costs through increased productivity as fixed costs are shared over an increased number of units, reduction in material costs and a favorable Euro to U.S. Dollar exchange rate which reduced our unit costs in our Irish operations.

Operating Expenses. Selling, general and administrative expenses increased to 25.1% of sales for the three months ended June 30, 2009, compared with 22.4% of sales for the three months ended June 30, 2008. For the six months ended June 30, 2009, selling, general and administrative expenses increased to 25.3% compared with 23.3% of sales for the six months ended June 30, 2008. Selling, general and administrative expenses increased

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27% to $16.4 million for the three months ended June 30, 2009 from $12.8 million for the three months ended June 30, 2008. Selling, general and administrative expenses increased 20% to $31.1 million for the six months ended June 30, 2009 from $25.9 million for the six months ended June 30, 2008. These expense increases were primarily due to the increased expense associated with our operation of the business and assets we acquired from Alveolus, and the hiring of additional domestic and international sales representatives. Research and development expenses decreased to 4.5% of sales for the three months ended June 30, 2009, compared with 4.6% of sales for the three months ended June 30, 2008. Research and development expenses decreased to 4.0% of sales for the six months ended June 30, 2009, compared to 4.1% of sales for the six months ended June 30, 2008. Research and development expenses increased 9% to $2.9 million for the three months ended June 30, 2009 from $2.7 million for the three months ended June 30, 2008. For the six months ended June 30, 2009 research and development expenses increased 9% to $5.0 million from $4.6 million during the six months ended June 30, 2008. The increase in expenses related, in large part, to the Alveolus acquisition.

Other Income (Expense). Other income for the second quarter of 2009 was approximately $22,000, compared to other income of approximately $146,000 for the comparable period in 2008. Other income for the six months ended June 30, 2009 was approximately $196,000, compared to other income of approximately $291,000 for the corresponding period in 2008. The net change in other income for the three and six-month periods ended June 30, 2009, when compared to the comparable periods in 2008, was primarily the result of a decrease in interest income attributable to lower average cash balances, when compared to the corresponding periods in 2008.

Income Taxes. Our effective tax rate for the three months ended June 30, 2009 was 35.0%, compared to 36.5% for the corresponding period of 2008. For the six months ended June 30, 2009, our effective tax rate was 33.3%, compared to 36.3% for the comparable period in 2008. The decrease in the effective tax rate for the three and six-month periods ended June 30, 2009, when compared to the corresponding periods of 2008, was primarily related to the profitability of our Irish operations which are taxed at a lower tax rate than our U.S. and other foreign operations.

Income. During the second quarter of 2009, and the comparable period of 2008, we reported income from operations of approximately $9.0 million. For the six months ended June 30, 2009, we reported income from operations of $16.9 million, an increase of 8% from $15.6 million for the comparable period in 2008. When compared to the corresponding period of 2008, income from operations for the six-month period ended June 30, 2009, was positively affected by increased sales volumes and higher gross margins. These factors, along with a lower effective income tax rate, helped offset higher selling, general and administrative expenses and research and development expenses, primarily associated with our acquisition of Alveolus in the first quarter of 2009, and contributed to net income of $5.8 and $11.4 million for the three and six-month periods ended June 30, 2009, respectively, compared to net income of $5.8 million and $10.1 million for the same periods of 2008.

Liquidity and Capital Resources

Our working capital as of June 30, 2009 and December 31, 2008 was $51.6 million and $84.3 million, respectively. The decrease in working capital was primarily the result of a decrease in cash related to the Alveolus, Biosearch and Hatch acquisitions, for a total of $34.7 million and the repurchase of common stock for $2.5 million. As of June 30, 2009, we had a current ratio of 2.4 to 1.

On December 7, 2007, we entered into an unsecured loan agreement with Bank of America, whereby they agreed to provide us a line of credit in the amount of $30 million, expiring on December 7, 2010. During the quarter ended June 30, 2009, we borrowed on a temporary basis $10.0 million to close our Hatch acquisition. In addition, on December 8, 2007, we entered into an unsecured loan agreement with Zion s First National Bank, whereby they agreed to provide us with a line of credit in the amount of $1.0 million, expiring on December 1, 2009. We had $0 outstanding under our lines of credit at June 30, 2009. We generated cash from operations of $17.2 million for the six months ended June 30, 2009.

Historically, we have incurred significant expenses in connection with product development and introduction of new products. Substantial capital has also been required to finance the increase in our receivables and inventories associated with our increased sales. Our principal source of funding for these and other expenses has been cash generated from operations, sale of equity, cash from loans on equipment, and bank lines of credit. We currently believe that our present sources of liquidity and capital are adequate to fund our current operations and for the foreseeable future.

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Critical Accounting Policies

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

Inventory Obsolescence Reserve. Our management reviews on a regular basis inventory quantities on hand for unmarketable and/or slow-moving products that may expire prior to being sold. This review of inventory quantities for unmarketable and/or slow moving products is based on estimates of forecasted product demand prior to expiration lives. If market conditions become less favorable than those projected by our management, additional inventory write-downs may be required. We believe that the amount included in our obsolescence reserve has been a historically accurate estimate of the unmarketable and/or slow moving products that may expire prior to being sold.

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

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

Stock-Based Compensation. We account for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (SFAS 123(R)). Under the fair value recognition provisions of SFAS 123 (R), we measure share-based compensation cost at the grant date based on the value of the award and recognize the cost as an expense over the term of the vesting period. Judgment is required in estimating the amount of share-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

Income Taxes. We adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), effective January 1, 2007. Under FIN 48, tax positions shall initially be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions shall initially and subsequently be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authorities assuming full knowledge of the position and all relevant facts. Although we believe our provisions for FIN 48 unrecognized tax positions are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our income tax provisions and accruals. The tax law is subject to varied interpretations, and we have taken positions related to certain matters where the law is subject to interpretation. Such differences could have a material impact on our income tax provisions and operating results in the period(s) in which we make such determination.

Goodwill and Intangible Assets Impairment. We test our goodwill balances as of July 1, during the third quarter of each year for impairment, or whenever impairment indicators arise. We utilize several reporting units in evaluating goodwill for impairment. We assess the estimated fair value of reporting units based on discounted future cash flows. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, an impairment charge is recognized in an amount equal to the excess of the carrying amount of the reporting unit goodwill over implied fair value of that goodwill. This analysis requires significant judgments, including

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estimation of future cash flows and the length of time they will occur, which is based on internal forecasts, and a determination of a discount rate based on our weighted average cost of capital.

We evaluate the recoverability of intangible assets whenever events or changes in circumstances indicate that its carrying amount may not be recoverable in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets.* This analysis requires similar significant judgments as those discussed above regarding goodwill, except for cash flows are based on an undiscounted cash flow to determine the fair value of the intangible. All of our intangible assets are subject to amortization.

ITEM 3. **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our principal market risk relates to changes in the value of the Euro and Great Britain Pound (GBP   ) relative to the value of the U.S. Dollar. We also have a limited market risk relating to the Swiss and Danish Kroner.   Our consolidated financial statements are denominated in, and our principal currency is, the U.S. Dollar. A portion of our revenues ($6.3 million, representing approximately 9.8% of aggregate revenues), for the quarter ended June 30, 2009 was attributable to sales that were denominated in foreign currencies. All other international sales were denominated in U.S. Dollars. Certain expenses are also denominated in foreign currencies, which partially offset risks associated with fluctuations of exchanges rates between foreign currencies on the one hand, and the U.S. Dollar on the other hand.   During the quarter ended June 30, 2009, the exchange rate between our foreign currencies against the U.S. Dollar resulted in a decrease of our gross revenues of approximately $1.2 million and an increase of 0.14% in gross profit.

On May 29, 2009, we forecasted a net exposure for June 30, 2009 representing the difference between Euro- and GBP-denominated receivables and Euro and GBP denominated payables of approximately 115,000 Euros and 268,000 GBPs, respectively. In order to partially offset such risks, on May 29, 2009, we entered into a 30-day forward contract for Euros and GBPs. We generally enter into similar economic transactions at various times during the year to partially offset exchange rate risks we bear throughout the year. During the quarter ended June 30, 2009, we recorded a net loss of approximately $6,000 on these transactions executed during the quarter ended June 30, 2009, in an effort to limit our exposure to exchange rate fluctuations between the Euro and GBP against the U.S. Dollar. We do not purchase or hold derivative financial instruments for speculative or trading purposes. The fair value of our open positions at June 30, 2009 was not material to our financial condition.

As of June 30, 2009, we had no variable rate debt. As long as we do not have variable rate debt, our interest expense would not be affected by changes in interest rates.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

An evaluation of the effectiveness of our disclosure controls and procedures as of June 30, 2009 was performed under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported as specified in the SEC s rules and forms.

(b) Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended June 30, 2009 that materially affected, or that we believe is reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to certain legal actions which we consider routine to our business activities. As of June 30, 2009, our management concluded, after consultation with legal counsel, that the ultimate outcome of such legal matters is not likely to have a material adverse effect on our financial position, liquidity or results of operations.

ITEM 1A. RISK FACTORS

In addition to other information set forth in this Report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2008, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 20, 2009 we held our 2009 Annual Meeting of Shareholders (the Annual Meeting) at which our shareholders considered and voted as follows on the items described below:

1. The shareholders considered whether to elect the following persons as directors, each to serve for a term of three years, as indicated below, or until his respective successor shall have been duly elected and shall qualify:

	Votes	
	Received	**Withheld**
Fred P. Lampropoulos	24,978,594	869,970
Franklin J Miller, M.D.	24,916,156	932,408

In addition to the directors elected at the Annual Meeting, the terms of Rex C. Bean, Richard W. Edelman, Michael E. Stillabower, M.D., Kent W. Stanger and James J. Ellis continue after the meeting. The terms of Messrs. Bean and Edelman, and Dr. Stillabower are scheduled to expire in 2010. The terms of Messrs. Stanger and Ellis are scheduled to expire in 2011.

2. Our shareholders also considered a proposal to amend the Merit Medical Systems, Inc. 2006 Long-Term Incentive Plan (the Incentive Plan) as amended, for the purpose of increasing the number of shares of our common stock authorized for the grant of awards under the Incentive Plan from 1,500,000 shares to 3,000,000 shares, modifying the Incentive Plan s definition of Change in Control to eliminate the discretionary ability of our Board of Directors to determine that certain non-specified events constitute a Change in Control, and reducing the stock transfer threshold for determination of a Change in Control under the Incentive Plan from 50% of the total voting power of our outstanding securities to 30% of the total voting power of our outstanding securities. There were 20,154,418 votes cast in favor of the proposal, 3,407,213 votes cast against the proposal and 163,669 votes abstained.

3. Our shareholders also considered a proposal to ratify the appointment by the Audit Committee of our Board of Directors of Deloitte & Touche, LLP as our auditors for the fiscal year ending December 31, 2009. There were 25,344,989 votes cast in favor of the proposal, 406,731 votes cast against the proposal, and 96,844 votes abstained.

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ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

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

MERIT MEDICAL SYSTEMS, INC.
REGISTRANT

Date:	August 6, 2009	/s/ Fred P. Lampropoulos FRED P. LAMPROPOULOS PRESIDENT AND CHIEF EXECUTIVE OFFICER
Date:	August 6, 2009	/s/ Kent W. Stanger KENT W. STANGER CHIEF FINANCIAL OFFICER