

ICU MEDICAL INC/DE
Form DEF 14A
April 04, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

ICU MEDICAL, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

ICU MEDICAL, INC.
951 Calle Amanecer
San Clemente, California 92673-6213

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be held May 16, 2016

The 2016 Annual Meeting of Stockholders ("Annual Meeting") of ICU Medical, Inc. (the "Company") will be held virtually, via live webcast at www.virtualshareholdermeeting.com/ICUI2016 on Monday, May 16, 2016 at 9:00 a.m., Pacific Daylight Time, for the following purposes:

1. To elect seven directors of the Company to serve for a term of one year or until their successors have been elected and qualified;
2. To ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2016;
3. To hold an advisory vote to approve our named executive officer compensation; and
4. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors has determined that only holders of Common Stock of record as of the close of business on March 24, 2016 will be entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment thereof.

You may attend the Annual Meeting virtually by visiting www.virtualshareholdermeeting.com/ICUI2016.

By Order of the Board of Directors
Scott E. Lamb, Secretary
San Clemente, CA
April 4, 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 16, 2016

The proxy statement and annual report to stockholders are available at <http://ir.icumed.com>.

YOUR VOTE IS IMPORTANT

Whether or not you expect to attend the Annual Meeting via live webcast, please vote as soon as possible to ensure your vote is counted at the meeting. Please complete, sign, date and return the enclosed proxy promptly or submit your proxy over the Internet or by telephone. If you are a stockholder of record and attend the virtual Annual Meeting, you may withdraw your proxy and vote in person via facsimile. You will find information on submitting your proxy over the Internet and by telephone and information about voting in person at the Annual Meeting on the reverse side of this notice.

THANK YOU FOR ACTING PROMPTLY

How do I submit my proxy?

You will have the opportunity to attend the virtual Annual Meeting and vote during the Annual Meeting if you choose. Whether or not you vote during the Annual Meeting, it is important that your shares be represented and voted. If you are a stockholder of record, you can give a proxy to have your shares voted at the Annual Meeting either:

by mailing the enclosed proxy card in the enclosed envelope;

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- electronically, using the Internet; or
- over the telephone by calling a toll-free number.

The Internet and telephone proxy submission procedures are set up for your convenience and are designed to verify your identity, to allow you to give voting instructions, and to confirm that those instructions have been properly recorded. If you are a stockholder of record and you would like to submit your proxy by telephone or by using the Internet, please refer to the specific instructions on the attachment to the enclosed proxy card. Alternatively, you may submit your proxy by mail by returning your signed proxy card in the enclosed envelope. If we receive your proxy by mail, electronically or by telephone before the Annual Meeting, we will vote your shares as you direct.

If you hold your shares in “street name,” you must give voting instructions in the manner prescribed by your broker or nominee. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

How can I vote my shares in person at the meeting?

If you are a stockholder of record, as opposed to voting by proxy you may vote your shares during the Annual Meeting by facsimile. The procedures for voting during the Annual Meeting are designed to verify your identity and allow you to vote. You should retain the attachment to the proxy card enclosed with this Proxy Statement on which your unique control number appears. You will need to write this control number on your ballot to verify your identity.

To vote during the meeting, visit www.virtualshareholdermeeting.com/ICUI2016 and cast your vote. Alternatively, you may request that a ballot be faxed to you by calling Investor Relations at (800) 824-7890 any time before 4:00 PM PDT on May 13, 2016. After you have marked your votes and recorded your control number on your ballot, you may fax the ballot to the Company at (949) 366-4264. Ballots must be received before the polls are closed during the Annual Meeting to be counted. We anticipate that the polls will be open from approximately 9:05 to 9:20 AM PDT on May 16, 2016.

Even if you currently plan to attend the Annual Meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the Annual Meeting. If you vote by proxy and then decide to attend the Annual Meeting, you will be able to vote during the Annual Meeting, even if you have previously submitted your proxy.

How can I request proxy materials?

To request a print or electronic copy of our Proxy Statement, Annual Report to Stockholders and proxy card, you may call our toll-free telephone number at (800) 824-7890; email us at ir@icumed.com or visit our web site at www.icumed.com.

Your vote is important. Thank you for voting.

ICU MEDICAL, INC.

951 Calle Amanecer
San Clemente, California 92673

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of ICU Medical, Inc. (the "Company") for use at the 2016 Annual Meeting of Stockholders (the "Annual Meeting"). The Annual Meeting is to be held virtually at www.virtualshareholdermeeting.com/ICUI2016, on Monday, May 16, 2016 at 9:00 a.m., Pacific Daylight Time, and at any adjournments thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders.

The approximate date of mailing of this Proxy Statement, the Annual Report to Stockholders and the proxy card is April 4, 2016. The principal executive offices of the Company are located at 951 Calle Amanecer, San Clemente, California 92673.

Attendance

The Annual Meeting will be held entirely virtually, as permitted by Delaware law. There will be no physical location at which stockholders may attend the Annual Meeting, but stockholders may attend and participate in the meeting electronically. Stockholders who participate in the virtual Annual Meeting will be deemed to be present in person and will be able to vote during the Annual Meeting at the times that the polls are open. Stockholders who wish to attend the meeting should go to www.virtualshareholdermeeting.com/ICUI2016, at least 10 minutes before the beginning of the meeting to register their attendance and complete the verification procedures to confirm that they were stockholders of record as of March 24, 2016, the record date. Stockholders of record will need to provide the control number on the attachment to the enclosed proxy card to verify their identity.

Beneficial owners whose stock is held for them in street name by their brokers or other nominees may also attend the meeting by going to www.virtualshareholdermeeting.com/ICUI2016, at least 10 minutes before the beginning of the meeting to register their attendance and complete the verification procedures to confirm that they were stockholders of record as the record date. Such beneficial owners may not vote at the meeting, and may only cause their shares to be voted by providing voting instructions to the persons who hold the beneficial owners' shares for them. Beneficial owners will need to provide the name of the broker or other nominee that holds their shares to gain access to the meeting.

There is additional information about voting at the Annual Meeting on the opposite page. Stockholders may also obtain additional information about accessing and voting during the Annual Meeting by calling Investor Relations at (800) 824-7890.

Proxy Information

A stockholder giving a proxy may revoke it at any time before it is exercised by filing with the Secretary of the Company a written notice of revocation or a duly executed proxy bearing a later date. The powers of the proxy holders will be suspended if the person executing the proxy is present at the Annual Meeting electronically and elects to vote in person. Subject to such revocation or suspension, all shares represented by each properly executed proxy received by the Company will be voted in accordance with the instructions indicated thereon, and if instructions are not indicated, will be voted in favor of (i) the election of the nominees for director named in, or otherwise nominated as set forth in this Proxy Statement, (ii) the ratification of the selection of the independent registered public accounting firm, (iii) the approval, on an advisory basis, of our named executive officer compensation and (iv) in the discretion of the proxy holders, any other business that comes before the meeting. Currently, no matter is expected to be considered at the Annual Meeting other than the proposals set forth in the accompanying Notice of Annual Meeting of

Stockholders. However, if any other matters are properly brought before the Annual Meeting for action, it is intended that the shares of our Common Stock represented by proxies will be voted by the persons named as proxies on the proxy card in accordance with their discretion on such matters.

Record Date and Voting

As of March 24, 2016 the outstanding voting securities of the Company consisted of 16,009,610 shares of \$0.10 par value Common Stock. Each stockholder of record at the close of business on March 24, 2016 is entitled to one vote for each share held as of that date on each matter submitted to a vote of stockholders. The presence in person electronically or by proxy of holders of a majority of the issued and outstanding Common Stock will constitute a quorum for the transaction of such business as shall properly come before the meeting.

Assuming that a quorum is present, the votes required to approve the matters before the Annual Meeting are as follows:

Election of Directors: The election of directors will be decided by a plurality of the votes. The seven director nominees receiving the most votes will be elected. Abstentions and broker non-votes have no effect on this matter.

Ratification of Deloitte & Touche LLP as the Company's independent registered public accounting firm: Stockholder approval of this matter requires the affirmative vote of a majority of the outstanding shares of common stock of the Company entitled to vote thereon and present in person or by proxy. Abstentions and broker non-votes will therefore have the same effect as an "Against" vote with respect to this proposal.

Advisory Vote on our Named Executive Officer Compensation: Stockholder approval of this matter requires the affirmative vote of a majority of the outstanding shares of common stock of the Company entitled to vote thereon and present in person or by proxy. Abstentions will therefore have the same effect as an "Against" vote with respect to this proposal, but broker non-votes are not counted as votes cast affirmatively or negatively and will have no effect on the vote for these matters.

The term "broker non-votes" refers to shares held by a broker in street name that are present by proxy but are not voted pursuant to rules prohibiting brokers from voting on non-routine matters without instructions from the beneficial owner of the shares. Broker non-votes on non-routine matters are not counted as entitled to vote on a matter in determining the number of affirmative votes required for approval of the matter but are counted as present for quorum purposes. Of the proposals to be considered at the Annual Meeting, only the ratification of the selection of independent registered public accountants is considered to be a routine matter on which brokers may vote without instructions from beneficial owners. The approval of the election of directors and the advisory vote to approve named executive officer compensation are considered non-routine matters on which your brokers may not vote without instructions from beneficial owners.

Board Recommendations

The Board of Directors recommends that you vote:

FOR the election of the seven nominees for election to the Board of Directors to serve for a term of one year or until their successors have been elected and qualified;

FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the year ended December 31, 2016; and

FOR the approval, on an advisory basis, of our named executive officer compensation.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as to shares of Common Stock owned as of March 14, 2016, by (a) each director, (b) each named executive officer and (c) all directors and executive officers as a group. Unless otherwise indicated in the footnotes following the table, and subject to community property laws where applicable, the Company believes that the persons as to whom the information is given have sole voting and investment power over the shares listed as beneficially owned. The business address of the Company's directors and officers, the George A. Lopez, M.D. Second Family Limited Partnership and the Lopez Family Trust is 951 Calle Amanecer, San Clemente, California 92673.

Stock Ownership of Management

| | Shares of Common Stock Owned | Options Exercisable Within 60 Days | Total Shares Beneficially Owned | Percent of Outstanding Shares (1) | |
|--|------------------------------------|---|---------------------------------------|---|------|
| Joseph R. Saucedo | 1,936 | 48,784 | 50,720 | * | |
| Richard H. Sherman, M.D. | 68,407 | 30,534 | 98,941 | * | |
| Robert S. Swinney, M.D. | 17,758 | 48,784 | 66,542 | * | (2) |
| George A. Lopez, M.D. | 1,389,759 | 358,512 | 1,748,271 | 10.7 | %(3) |
| David C. Greenberg | 500 | — | 500 | * | (4) |
| Elisha W. Finney | — | — | — | — | |
| Vivek Jain | 55,765 | 364,011 | 419,776 | 2.6 | % |
| Scott E. Lamb | 4,381 | 166,992 | 171,373 | 1.1 | % |
| Alison D. Burcar | 832 | 50,921 | 51,753 | * | |
| Tom McCall | 429 | 19,198 | 19,627 | * | |
| Steven C. Riggs | 1,378 | 102,377 | 103,755 | * | |
| All directors and executive officers as a group (11 persons) | 1,541,145 | 1,190,113 | 2,731,258 | 15.9 | % |

* Represents less than 1% of our outstanding common stock

- (1) Based on total shares of common stock outstanding plus outstanding options to acquire common stock currently exercisable or exercisable within 60 days held by the beneficial owner whose percent of outstanding stock is calculated.
- (2) Does not include 1,125 shares owned by Dr. Swinney's wife as to which he has no voting or investment power and disclaims any beneficial ownership.
- (3) Includes 986,843 shares owned by the George A. Lopez, M.D. Second Family Limited Partnership (the "Partnership"), representing 6.2% of the total shares of common stock outstanding as of March 14, 2016. Dr. Lopez is the general partner of the Partnership and holds a 1% general partnership interest in the Partnership. As general partner, he has the power to vote and power to dispose of the 986,843 shares owned by the Partnership and may be deemed to be a beneficial owner of such shares. Trusts for the benefit of Dr. Lopez's children, the Christopher George Lopez Children's Trust and the Nicholas George Lopez Children's Trust, own a 99% limited partnership interest in the Partnership. Dr. Lopez is not a trustee of and has no interest in his children's Trusts. Except to the extent of the undivided one percent general partnership interest in the assets of the Partnership, Dr. Lopez disclaims any beneficial ownership of the shares owned by the Partnership.

Includes 4,002 shares owned by the Lopez Family Trust. Dr. Lopez is a trustee and beneficiary of the Lopez Family Trust. Includes 173,950 shares held by Dr. Lopez as Trustee of the Lopez Charitable Remainder Trust #1 for the benefit of Dr. Lopez.

(4) Includes 500 shares held by David C. Greenberg, TTEE David C. Greenberg, Declaration of Trust.

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5% or More Beneficial Ownership

| Name and Address of Beneficial Owner | Shares of Common Stock Owned | Percent of Outstanding Shares | |
|---|------------------------------|-------------------------------|----------|
| BlackRock Fund Advisors 55 East 52nd Street, New York, NY 10055 | 1,585,176 | 9.9 | % (1)(2) |
| The Vanguard Group, Inc. 100 Vanguard Blvd, Malvern, PA 19355 | 1,305,293 | 8.2 | % (1)(3) |
| Renaissance Technologies Holdings Corporation 800 Third Avenue, New York, NY 10022 | 812,800 | 5.1 | % (1)(4) |

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- Information included solely in reliance on information included in statements filed with the Securities and Exchange Commission ("SEC") pursuant to Section 13(d) or Section 13(g) of the Securities Act of 1934, as amended, by the indicated holder.
- (1) BlackRock, Inc. stated in its Schedule 13G/A filing with the SEC on January 26, 2016 that, of the 1,585,176 shares beneficially owned, it has sole voting power with respect to 1,541,043 shares and sole dispositive power with respect to all 1,585,176 shares.
 - (2) The Vanguard Group, Inc. stated in its Schedule 13G/A filing with the SEC on February 11, 2016 that, of the 1,305,293 shares beneficially owned, it has sole voting power with respect to 26,567 shares, shared voting power with respect to 1,100 shares, sole dispositive power with respect to 1,278,526 shares and shared dispositive power with respect to 26,767 shares.
 - (3) Renaissance Technologies Holdings Corporation stated in its Schedule 13G filing with the SEC on February 12, 2016 that, of the 812,800 shares beneficially owned, it has sole voting power with respect to 722,205 shares, it has sole dispositive power with respect to all 762,185 shares and shared dispositive power with respect to 50,615 shares.
 - (4)

EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes important information regarding the executive compensation program at ICU Medical, Inc. It details our compensation philosophy, objectives regarding the compensation of our named executive officers, our policies, and practices, and determinations related to executive compensation specific to 2015 and moving into 2016. The term “named executive officers” represents the five current executive officers in the compensation tables below: Vivek Jain, Chief Executive Officer (“CEO”) and Chairman of the Board; Scott E. Lamb, Treasurer and Chief Financial Officer (“CFO”); Steve C. Riggs, Vice President of Operations; Alison D. Burcar, Vice President & General Manager of Infusion Systems; and Tom McCall, Vice President & General Manager of Critical Care.

Fiscal year 2015 revenue was \$341.7 million. GAAP net income was \$45.0 million, or \$2.73 per diluted share. Our adjusted diluted earnings for fiscal year 2015 were \$3.96 per share. Also, Adjusted EBITDA was \$113.9 million for fiscal year 2015. Please see “Annex A” for a reconciliation of the non-GAAP measures, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for a more detailed description of our fiscal year 2015 financial results.

(in millions, except per share data)

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|----------------------------|---------|---------|---------|---------|---------|
| Total revenue | \$341.7 | \$309.3 | \$313.7 | \$316.9 | \$302.2 |
| Gross profit | \$180.8 | \$151.4 | \$154.7 | \$156.5 | \$142.4 |
| Operating income | \$68.6 | \$39.0 | \$51.9 | \$61.3 | \$65.2 |
| Net income | \$45.0 | \$26.3 | \$40.4 | \$41.3 | \$44.7 |
| Diluted earnings per share | \$2.73 | \$1.68 | \$2.65 | \$2.80 | \$3.15 |
| Operating cash flow | \$54.9 | \$60.6 | \$65.7 | \$66.3 | \$64.5 |

Financial performance was a key factor in the Management Incentive Plan (“MIP”) decisions and outcomes for the 2015 fiscal year. For 2015, payment of bonuses under the MIP was principally based on the over-achievement of the target linked to Adjusted EBITDA. The performance against the target levels for the 2015 MIP goals accounted for 100% of the named executive officers bonus pay for fiscal 2015.

Executive Compensation Policies and Practices

We endeavor to maintain sound governance standards consistent with our executive compensation policies and practices. The Compensation Committee evaluates our executive compensation program on a regular basis to ensure that it is consistent with our short-term and long-term goals given the dynamic nature of our business and the market in which we compete for executive talent. The following policies and practices were in effect during 2015:

Independent Compensation Committee. The Compensation Committee is comprised solely of independent directors.

Independent Compensation Committee Advisor. The Compensation Committee engaged its own compensation consultant to assist with its 2015 compensation reviews. This consultant performed no other services for us.

Annual Executive Compensation Review. The Compensation Committee conducts an annual review and approval of our compensation strategy, including a review and determination of our compensation peer group used for comparative purposes and a review of our compensation-related risk profile to ensure that our compensation programs do not encourage excessive or inappropriate risk taking and that the level of risk that they do encourage is not reasonably likely to have a material adverse effect on us.

Executive Compensation Policies and Practices. Our compensation philosophy and related corporate governance policies and practices are complemented by several specific compensation practices that are designed to align our executive compensation with long-term stockholder interests, including the following:

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Compensation At-Risk. Our executive compensation program is designed so that a significant portion of compensation is “at risk” based on Company performance, as well as short-term cash and long-term equity incentives to align the interests of our executive officers and stockholders.

No Retirement Plans. We do not currently offer, nor do we have plans to provide, pension arrangements, retirement plans or nonqualified deferred compensation plans or arrangements to our executive officers. At this time, we maintain a defined contribution plan that is intended to satisfy the requirements of Sections 401(a) and 401(k) of the Internal Revenue Code (the “Code”), which is available to our executive officers on the same basis as our other full-time, salaried U.S. employees.

Limited Perquisites. We provide only minor perquisites or other personal benefits to our executive officers.

No Tax Reimbursements. We do not provide any tax reimbursement payments (including “gross-ups”) on any perquisites or other personal benefits.

No Post-Employment Tax Reimbursements. We do not provide any tax reimbursement payments (including “gross-ups”) on any severance or change-in-control payments or benefits.

Stock Ownership Guidelines. We maintain guidelines for the minimum ownership of shares of our common stock by our executive officers and the non-employee members of our Board of Directors.

Multi-Year Vesting Requirements. The equity awards granted to our executive officers vest over multi-year periods, consistent with current market practice and our retention objectives; and

Hedging and Pledging Prohibited. We prohibit our executive officers and the members of our Board of Directors from hedging or pledging our securities.

Executive Compensation Overview

Our executive compensation program is designed to align our named executive officers’ interests with those of our stockholders by establishing a direct and meaningful link between our business financial results and their compensation. Consistent with our pay for performance philosophy, our Compensation Committee approves annual goals for the named executive officers’ incentive compensation with the objective of increasing long-term stockholder value.

Since 2007, our Compensation Committee has engaged Compensia, a national compensation consulting firm, to assist each year in reviewing and making appropriate changes to our executive compensation guiding principles, to update our compensation peer group, to evaluate the competitiveness of our executive officers’ compensation, and to assist it in the course of its deliberations concerning executive compensation decisions. Compensia serves at the discretion of the Compensation Committee.

In determining total compensation of our named executive officers, the Compensation Committee of our Board of Directors considers many factors that include:

- the overall business and financial performance of the Company;
- the individual’s performance, experience and skills;
- the terms of employment agreements or other arrangements with the individual;
- competitive market data for similar positions based on the Company’s peer group;
- and
- voting results from the prior year’s advisory vote on the compensation of our named executive officers.

For 2015, the Compensation Committee approved an executive compensation program that included three elements: base salary, annual performance-based cash bonuses, and long-term based incentives. Our executive compensation objectives are:

- to provide competitive total pay opportunities that help attract, reward and retain leadership and key talent;
- to establish a direct and meaningful link between business financial results, individual/team performance and rewards;
- and
- to provide strong incentives to promote the profitability and growth of the Company, create long-term stockholder value and reward superior performance.

The Compensation Committee believes that a critical factor in ensuring the Company’s ability to attract, retain and motivate its executive officers is ensuring that their compensation is competitive with companies that it considers to be competitors. In determining the appropriate level and form of compensation, the Compensation Committee reviews market data relating to the cash and equity compensation of similarly-sized medical device and life sciences companies that is provided by Compensia. The market data also includes a specific set of peer companies comprised of publicly-held health care equipment and supply companies that generally met the following characteristics: positive revenue growth, annual revenues of 0.5-2.0 times our revenues and aggregate market values of 0.5-3.0 times our aggregate market value.

Compensia conducted a compensation analysis (which our Compensation Committee used as one reference point for setting our executive compensation levels), using the following peer companies:

| | | | |
|------------------|---------------------|-----------------------|----------------------|
| Abaxis | ArthroCare | Merit Medical Systems | Thoratec |
| Abiomed | Cantel Medical | Natus Medical | Volcano |
| Align Technology | Insulet | NxStage Medical | Wright Medical Group |
| Analogic | Masimo | RTI Biologics | |
| AngioDynamics | Meridian Bioscience | Symmetry Medical | |

All market data used for the comparative analysis, which includes the foregoing companies and supplemental survey data, comprises our peer group.

The Compensation Committee reviews and determines the compensation of all executive officers. See “Compensation Committee” elsewhere in this Proxy Statement. In setting compensation levels for executive officers, the Compensation Committee considers each element of compensation separately as well as the aggregate value of all elements of compensation for each individual. Amounts realized or realizable from awards under prior bonus or incentive plans, including stock options, do not significantly influence the pay setting process of current compensation levels. The significant compensation components are base salary, bonus pay and equity awards.

Primary Components of Our 2015 Executive Compensation Program

| Component | Form of compensation | Objectives and basis of compensation |
|--|---|---|
| Base Salary | Cash | <p>Compensation is competitively based, taking into account the officer’s responsibilities and experience.</p> <p>Base salary is reviewed by the Compensation Committee annually or when position responsibilities change.</p> <p>The MIP is intended to further align the interests of the executive officer with the objectives of the Company, which are based on what the Company believes will produce the best long-term return for the Company’s stockholders.</p> |
| MIP Awards | Cash | <p>The MIP is based on the achievement of target levels for financial measures determined at the start of the fiscal year.</p> <p>The MIP is a percentage of the executive officer’s base salary.</p> <p>The MIP is funded based on the percentage of the Company financial goal achieved at the fiscal year end.</p> |
| Performance and Time-Based Equity Awards | Performance Based Stock Options/ Time-Based Restricted Stock Unit Awards | <p>Stock options and RSU awards retain executive officers through long-term vesting and potential wealth accumulation.</p> <p>Stock options and RSU awards promote stockholder value creation.</p> <p>Stock options and RSU awards are intended to make compensation practices consistent with our peer group. Stock options and RSU awards are effective tools in better aligning equity compensation with Company performance.</p> |

We have entered into an employment agreement with Mr. Jain and retention agreements with each of our other named executive officers because our Compensation Committee believes that the occurrence, or potential occurrence, of a change in control would create uncertainty and disruption during a critical time for the Company. In addition, our Compensation Committee believes these agreements:

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- contribute to overall competitiveness of executive total compensation and enhance the Company's ability to attract/retain key executives;
- further align the interests of key executives with those of the Company's shareholders and promote objective evaluations of strategy alternatives by executives;
- motivate executives to drive business success independent of the possible occurrence of any change-of-control transaction and reduce distractions associated with the potential for a transaction or termination of employment;
- maximize shareholder value by retaining "key" personnel through deal close so that the Company is delivered in the condition bargained for by a potential acquirer;
- protect the Company in the event the transaction is not completed; and
- avoid "one-off" severance negotiations and encourage prompt, rational decisions around executive "viability" and continued employment.

Base Salaries

The Compensation Committee will review base salaries annually and when position responsibilities change during the year.

In reviewing the base salaries of our named executive officers, the Compensation Committee considered the market for similar positions based on the peer group and took into account individual performance in addition to terms of employment agreements and offer letters.

For 2015, the Compensation Committee determined base pay for the named executive officers would remain the same as the 2014 base salary rate. The following table presents each named executive officer's base salary for 2015:

| Name | Position | 2015 Base Salary Rate |
|------------------|---|-----------------------|
| Vivek Jain | Chief Executive Officer/ Chairman of the Board | \$650,000 |
| Scott E. Lamb | Chief Financial Officer | \$395,150 |
| Steven C. Riggs | Vice President of Operations | \$360,582 |
| Alison D. Burcar | Vice President and General Manager Infusion Systems | \$315,000 |
| Tom McCall | Vice President and General Manager of Critical Care | \$293,550 |

Performance-Based Bonuses

Our 2008 Performance-Based Incentive Plan (the "Performance-Based Incentive Plan") was approved by stockholders in 2008 and re-approved by stockholders in 2015. The Performance-Based Incentive Plan is intended to permit the grant of bonuses designed to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code (the "Code"). Pursuant to the terms of the plan, the Compensation Committee sets target bonus opportunities and selects performance measures and related target levels for each year. Bonus awards are based on our actual performance for the year based on the Company's achievement of the performance measure target levels.

For 2015, the cash bonus opportunities of our named executive officers were provided pursuant to the MIP, a component of the Performance-Based Incentive Plan. The following table presents the 2015 target bonus opportunities and the eligible MIP range as a percentage of total salary for each named executive officer.

| Named Executive Officer | % of salary target award | % of salary bonus range if performance targets are met | | |
|-------------------------|--------------------------|--|---------------------|---|
| | | Threshold performance | Stretch performance | |
| Vivek Jain | 100 | % 25 | % 150 | % |
| Scott E. Lamb | 60 | % 25 | % 150 | % |
| Steven C. Riggs | 60 | % 25 | % 150 | % |

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| | | | | |
|------------------|----|------|-------|---|
| Alison D. Burcar | 60 | % 25 | % 150 | % |
| Tom McCall | 60 | % 25 | % 150 | % |

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The 2015 corporate performance measures were based on achieving a predetermined Adjusted EBITDA target. Based on a review of economic conditions, the Compensation Committee set performance goals under the MIP based on achievement of the following financial target levels:

| | | | | | | |
|---|--------|--------|--------|--------|--------|--------|
| Adjusted EBITDA Performance (in millions) | \$77.5 | \$80.0 | \$82.5 | \$85.0 | \$87.5 | \$90.0 |
| MIP % Payout | 25% | 50% | 75% | 100% | 125% | 150% |

The following table presents target and stretch bonus payouts and the actual amounts earned under the MIP for each named executive officer for 2015 as approved by the Compensation Committee. Based on the Company's actual Adjusted EBITDA performance, the maximum potential funding was achieved. Each named executive officer, with the exception of Tom McCall, achieved the maximum potential bonus payout. The Compensation Committee reduced Mr. McCall's actual bonus reached to 90% of the maximum due to the performance of the Critical Care business.

| Named Executive Officer | Salary | Potential bonus payout of target at 100% | Potential additional stretch bonus payout | Potential maximum bonus payout | Actual bonus earned | Actual bonus earned % of salary |
|-------------------------|-----------|--|---|--------------------------------|---------------------|---------------------------------|
| Vivek Jain | \$650,000 | \$650,000 | \$325,000 | \$975,000 | \$975,000 | 150 % |
| Scott E. Lamb | \$395,150 | \$237,090 | \$118,545 | \$355,635 | \$355,635 | 90 % |
| Steven C. Riggs | \$360,582 | \$216,349 | \$108,175 | \$324,524 | \$324,524 | 90 % |
| Alison D. Burcar | \$315,000 | \$189,000 | \$94,500 | \$283,500 | \$283,500 | 90 % |
| Tom McCall | \$293,550 | \$176,130 | \$88,065 | \$264,195 | \$237,776 | 81 % |

Performance and Time-Based Equity Awards

We grant equity awards to our executive officers and certain employees to align their interest with the interest of our stockholders and to achieve our retention objectives. The use of equity awards further promotes our efforts to encourage the profitability and growth of the Company through the establishment of strong incentives.

The following table presents the equity award grants to our named executive officers for 2015.

| Name | Restricted stock units | Performance stock option grants |
|------------------|------------------------|---------------------------------|
| Vivek Jain | 16,478 | 61,373 |
| Scott E. Lamb | 4,452 | 16,583 |
| Steven C. Riggs | 4,063 | 15,132 |
| Alison D. Burcar | 3,549 | 13,219 |
| Tom McCall | 1,985 | 7,392 |

Consistent with our overall pay philosophy, our Compensation Committee sized 2015 executive equity awards such that total executive pay levels fell in the competitive market range, as appropriate, after considering factors such as Company and individual performance, experience, longevity with the Company, internal pay parity considerations and unique requirements of the position. All named executive officer grants included the following provisions:

The performance stock options vest 1/3rd on each of the first, second, and third anniversaries of the option grant date. The vested shares shall become exercisable if, during a 4-year time window from the option grant date, the closing price of our common stock is equal to or more than 130% of the exercise price of \$88.76 per share for 30 consecutive trading days.

The restricted stock units ("RSUs") vest in equal annual increments over a three-year period.

Benefits

The Company does not provide pension or other post-retirement benefits, other than matching contributions under the Company's 401(k) retirement plan. The Company does not provide, except to the limited extent described in this discussion, any significant perquisites or other personal benefits to its officers.

Stock Ownership Guidelines

In 2011, we established stock ownership guidelines for our CEO and members of our Board of Directors. Our CEO has up to five years from the time of appointment to acquire and retain shares of our common stock that equal or exceed five times the CEO's annual salary. Our directors have up to five years from the adoption of the guidelines or within five years of joining the Board of Directors, if appointed or elected after 2011, to acquire and retain shares of our common stock that equal or exceed three times the director's annual base retainer. Shares beneficially owned by a director, directly or indirectly, such as shares held by an immediate family member living in the same household or shares in a trust, and vested restricted shares and shares represented by vested RSUs, count toward meeting the stock ownership guidelines. In 2014, we established stock ownership guidelines for our executive officers, other than the CEO. Our other executive officers have up to five years to acquire and retain shares of our common stock that equal the annual salary of the executive officer.

Anti-Pledging / Hedging Policies

All executive officers and directors are prohibited from engaging in any speculative transactions in Company securities, including share pledging, engaging in short sales, engaging in transactions in put options, call options or other derivative securities, or engaging in any other forms of hedging transactions.

Results of 2015 Stockholder Advisory Vote

Each year, the Compensation Committee considers the Say-On-Pay vote results from the prior Annual Meeting of Stockholders to assist in its evaluation of the compensation program for our named executive officers. In 2015, Institutional Shareholder Services, a proxy advisory firm ("ISS"), recommended that our stockholders vote against our Say-On-Pay proposal, which was not approved at our 2015 Annual Meeting of Stockholders, with approximately 27% of the votes cast in favor of the proposal. Even though the vote is only advisory in nature, management spoke with major stockholders to better understand their views and address any concerns going forward. In these discussions stockholders were generally supportive of, and did not express substantial disagreement with, the overall design of the Company's executive compensation program. The concerns from stockholders primarily focused on the sole use of appreciation in the Company's stock price as the metric for achievement of performance-based vesting for the 2014 performance stock option grants, versus other longer-term metrics. Upon consideration of the vote results, feedback from these stockholder discussions, and Compensia's post-vote analysis, the Compensation Committee made certain modifications to our executive compensation program for 2016, discussed below under "2016 Executive Compensation".

The Compensation Committee determines the compensation of our executive officers, including the named executive officers, during the first fiscal quarter of each year, and decided not to make mid-year changes to our compensation practices for 2015 after our 2015 Annual Meeting of Stockholders. Consequently, the compensation of the named executive officers disclosed in this Compensation Discussion & Analysis and related tables does not reflect certain modifications described below under "2016 Executive Compensation" that have taken effect commencing in 2016 and that will be addressed and disclosed in more detail in the definitive proxy statement to accompany the materials for our 2017 Annual Meeting of Stockholders.

Management continues to engage in dialogue with many of the Company's largest stockholders, and the Compensation Committee will continue to consider the results of the Company's Say-On-Pay votes when determining executive compensation.

2016 Executive Compensation

The Compensation Committee has continued to evaluate and refine our executive compensation program to further align our named executive officer's compensation opportunities with our business objectives, as well as to respond to insights gained from discussions with our stockholders. Highlights of our executive officer compensation for 2016 include as follows:

Shifted the performance-based equity metric from stock price performance to achievement of specified compound annual growth rates ("CAGR") in Adjusted EBITDA, subject to a 3-year cliff vesting, to strengthen the tie between compensation and the Company's performance over a longer time-period;

Utilized performance-based RSU awards for 50% of each executive's Long-Term Incentive ("LTI") award, in place of performance-based options used in prior years;

Reduced the multiplier used in calculating our CEO's LTI equity award from 4.5 to 3.0 of base salary; and

Held CEO salary and target bonus opportunity flat.

Base Salary

In January 2016, our Compensation Committee considered the compensation for our current named executive officers for the 2016 fiscal year. The Compensation Committee determined not to modify the base salary for all named executive officers.

Annual Cash Incentives

For 2016, the Compensation Committee approved the annual MIP for the executive management team, including our named executive officers. We feel it is critical to build a culture that emphasizes company success first, teamwork, accountability, and pay for performance. An important part of building this culture is developing a total compensation program that rewards the executive team members who achieve results that positively impact the organization.

The key component to our 2016 MIP is Company performance. We established a financial target at the beginning of the fiscal year. Funding of the MIP will be based on attainment of the financial target. In setting the Company-wide MIP performance goal for fiscal 2016, the Company determined that the goal would be based on performance to Adjusted EBITDA.

For fiscal 2016, our MIP has a funding range of 33%-175% payment based on the Company's performance to Adjusted EBITDA.

In addition to the above plan the Compensation Committee may, as they have from time-to-time, exercise discretion and recommend an additional cash bonus to one or more named executive officers based on the individual's excellent performance, and contributions to the Company's success and performance towards stated goals and objectives for the fiscal year. The additional bonuses when awarded reinforce our pay for performance philosophy.

The Compensation Committee reviewed the 2015 MIP targets as a percentage of base salary. The Compensation Committee approved the following MIP targets for the following named executive officers:

- Mr. Jain - No change in his target as a percentage of base pay; remains at 100%.
- Mr. Lamb - No change in his target as a percentage of base pay; remains at 60%.
- Mr. Riggs - No change in his target as a percentage of base pay; remains at 60%.
- Ms. Burcar - No change in her target as a percentage of base pay; remains at 60%.
- Mr. McCall - No change in his target as a percentage of base pay; remains at 60%.

The following table outlines the decisions of our Compensation Committee with respect to our current named executive officers annual base pay and MIP targets for the 2016 fiscal year.

| Name | Position | 2016 Base Salary | 2016 Target MIP % | 2016 Total Cash Compensation at Target |
|---------------|--|------------------|-------------------|--|
| Vivek Jain | Chief Executive Officer/ Chairman of the Board | \$650,000 | 100% | \$1,300,000 |
| Scott E. Lamb | Chief Financial Officer | \$395,150 | 60% | \$632,240 |

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| | | | | |
|------------------|---|-----------|-----|-----------|
| Steven C. Riggs | Vice President of Operations | \$360,582 | 60% | \$576,931 |
| Alison D. Burcar | Vice President and General Manager Infusion Systems | \$315,000 | 60% | \$504,000 |
| Tom McCall | Vice President and General Manager of Critical Care | \$293,550 | 60% | \$469,680 |

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Long Term Equity

In February 2016, our Compensation Committee reviewed and approved the fiscal 2016 annual LTI award, which included equity-based awards for our named executive officers. Our philosophy on Long Term Equity for our current named executive offices is built on our pay for performance philosophy.

The 2016 equity awards for Mr. Jain, Mr. Lamb, Mr. Riggs, Ms. Burcar and Mr. McCall include a 50/50 combination of time-based restricted stock units and performance-based restricted stock units. The time-based restricted stock units vest in equal annual increments over a three-year period. The performance-based restricted stock units cliff-vest on the third anniversary of the grant date only if the Company reaches predetermined CAGR in Adjusted EBITDA per share. The calculation of the Company's CAGR in Adjusted EBITDA per share must be determined no later than March 15, 2019 and will determine the number of restricted stock units that vest on the third anniversary.

| Name | Position | Total Target Award | Restricted Stock Units | Performance-Based Restricted Stock Units |
|------------------|---|--------------------|------------------------|--|
| Vivek Jain | Chief Executive Officer/ Chairman of the Board | \$1,950,000 | 11,276 | 11,276 |
| Scott E. Lamb | Chief Financial Officer | \$474,180 | 2,742 | 2,742 |
| Steven C. Riggs | Vice President of Operations | \$432,698 | 2,503 | 2,503 |
| Alison D. Burcar | Vice President and General Manager Infusion Systems | \$630,000 | 3,643 | 3,643 |
| Tom McCall | Vice President and General Manager of Critical Care | \$352,260 | 2,037 | 2,037 |

Compensation Policies and Practices and Risk Management

Our Compensation Committee considers potential risks when reviewing and approving the compensation programs for our executive officers and other employees. We have designed our compensation programs, including our incentive compensation plans, with specific features to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. The following elements have been incorporated in our programs available for our executive officers:

- A balanced mix of compensation components - The target compensation mix for our executive officers is composed of base salary, annual cash bonus incentives, and long-term equity awards.

- Performance factor - Our incentive compensation plan uses a Company-wide metric for all executive officers to establish funding of our MIP which encourages focus on the achievement of objectives for the overall benefit of the Company.

- Capped cash incentive awards - MIP awards are capped at 175% of target of the individual named executive officer.

- Multi-year vesting - Equity awards vest over multiple years requiring long-term commitment on the part of employees.

- Competitive positioning - The Compensation Committee has compared our executive compensation to our peers to ensure our compensation program is consistent with industry practice.

- Corporate governance programs - We have implemented corporate governance guidelines, a code of conduct and other corporate governance measures and internal controls.

The Compensation Committee also reviews the key design elements of our compensation programs in relation to industry practices, as well as the means by which any potential risks may be mitigated, such as through our internal controls and oversight by management and the Board of Directors. Based on this review, our Compensation Committee concluded that based on a combination of factors, our compensation policies and practices do not incentivize excessive risk-taking that could have a material adverse effect on our Company.

Summary Compensation Table

The following table shows all compensation awarded to, earned by or paid to each of our principal executive officer, principal financial officer and the next three most highly compensated executive officers in 2015 whose 2015 total compensation exceeded \$100,000. Bonus and non-equity incentive plan compensation in the table below are included in the year awarded rather than the year actually paid; a portion of certain amounts may be paid in the following year.

| Name and principal position | Year | Salary (\$) | Bonus (\$) (1) | Stock Awards (\$) (2) | Option Awards (\$) (3) | Non-equity incentive plan compensation (\$) (4) | All other compensation (\$) (5) | Total (\$) |
|--|------|-------------|-------------------|--------------------------|---------------------------|--|------------------------------------|------------|
| Vivek Jain, Chairman of the Board and Chief Executive Officer | 2015 | 650,000 | — | 1,462,587 | 1,462,519 | 975,000 | 948 | 4,551,054 |
| | 2014 | 574,162 | — | 4,000,013 | 11,898,739 | 910,000 | — | 17,382,914 |
| Scott E. Lamb, Treasurer and Chief Financial Officer | 2015 | 395,150 | — | 395,160 | 395,173 | 355,635 | 9,100 | 1,550,218 |
| | 2014 | 395,150 | — | — | 1,906,000 | 359,587 | 9,100 | 2,669,837 |
| Steven C. Riggs, Vice President of Operations (6) | 2015 | 383,622 | 23,000 | 104,029 | 489,902 | 48,336 | 8,925 | 1,057,814 |
| | 2014 | 360,582 | — | 360,632 | 360,596 | 324,524 | 9,100 | 1,415,434 |
| Alison D. Burcar, Vice President and General Manager of Infusion Systems | 2015 | 390,509 | — | — | 2,382,500 | 328,130 | 9,100 | 3,110,239 |
| | 2014 | 399,390 | — | 104,029 | 489,902 | 61,931 | 8,925 | 1,064,177 |
| Tom McCall, Vice President and General Manager of Critical Care | 2015 | 315,000 | — | 315,009 | 315,009 | 283,500 | 9,100 | 1,237,618 |
| | 2014 | 315,000 | — | — | 1,429,500 | 264,600 | 9,559 | 2,018,659 |
| | 2013 | 300,000 | 15,000 | 104,029 | 489,902 | 31,500 | 8,925 | 949,356 |
| | 2015 | 293,550 | — | 176,189 | 176,151 | 237,776 | 9,100 | 892,766 |
| | 2014 | 293,550 | 40,000 | — | 70,360 | 143,840 | 8,085 | 555,835 |

The 2014 bonus for Mr. McCall was for additional duties he assumed when he was promoted to Vice President and General Manager of Critical Care. The 2013 bonus for Mr. Lamb was an additional discretionary cash bonus approved by our Compensation Committee for his extraordinary efforts in a strategic transaction that ultimately did not proceed. The 2013 bonus for Ms. Burcar was an additional discretionary cash bonus approved by our Compensation Committee for her efforts in new product development. Mr. Lamb and Ms. Burcar voluntarily agreed not to accept any payment associated with their 2013 discretionary bonuses, as well as their 2013 performance bonuses.

The 2015 and 2014 stock awards represent the grant date fair value of time-based restricted stock granted in 2015 and 2014. The 2013 stock award represents the grant date fair value of performance-based restricted stock granted in the period. See Note 7 in our Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K for assumptions made in valuation of the time-based and performance-based restricted stock.

Represents the grant date fair value of stock options granted in the period. See Note 7 in our Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K for assumptions made in valuation of stock options.

The amounts for all named executive officers represent the achievement of each respective officer's fiscal year 2015, 2014 and 2013 performance and stretch performance goals, consistent with the terms of the Performance-Based Incentive Plan. Mr. Lamb, Mr. Riggs and Ms. Burcar voluntarily agreed not to accept any payment associated with their 2013 performance bonuses as well as their 2013 discretionary bonuses.

Other compensation in 2015, 2014 and 2013 is our match on the officer's 401(k) contributions.

Mr. Riggs served as Acting President and Chief Executive Officer from October 21, 2013 to February 13, 2014.

Grants of Plan-Based Awards for 2015

The following table presents awards in 2015 under the Company's various incentive award plans.

| Name | Grant date | Estimated possible payouts under non-equity incentive plan awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | Exercise or base price of option awards (\$/sh) | Grant date fair value of stock and option awards |
|------------------------------|------------|---|-------------|--------------|---|------------|-------------|---|--|
| | | Threshold (\$) | Target (\$) | Maximum (\$) | Threshold (#) | Target (#) | Maximum (#) | | |
| Vivek Jain | | | | | | | | | |
| Performance bonus (1) | | \$— | \$650,000 | \$975,000 | — | — | \$— | | |
| Performance stock option (2) | 02/11/15 | \$— | \$— | \$— | — | 61,373 | 61,373 | \$88.76 | \$1,462,519 |
| RSUs (3) | 02/11/15 | \$— | \$— | \$— | — | 16,478 | 16,478 | | \$1,462,587 |
| Scott E. Lamb | | | | | | | | | |
| Performance bonus (1) | | \$— | \$237,090 | \$355,635 | — | — | — | | |
| Performance stock option (2) | 02/11/15 | \$— | \$— | \$— | — | 16,583 | 16,583 | \$88.76 | \$395,173 |
| RSUs (3) | 02/11/15 | \$— | \$— | \$— | — | 4,452 | 4,452 | | \$395,160 |
| Steven C. Riggs | | | | | | | | | |
| Performance bonus (1) | | \$— | \$216,349 | \$324,524 | — | — | — | | |
| Performance stock option (2) | 02/11/15 | \$— | \$— | \$— | — | 15,132 | 15,132 | \$88.76 | \$360,596 |
| RSUs (3) | 02/11/15 | \$— | \$— | \$— | — | 4,063 | 4,063 | | \$360,632 |
| Alison D. Burcar | | | | | | | | | |
| Performance bonus (1) | | \$— | \$189,000 | \$283,500 | — | — | — | | |
| Performance stock option (2) | 02/11/15 | \$— | \$— | \$— | — | 13,219 | 13,219 | \$88.76 | \$315,009 |
| RSUs (3) | 02/11/15 | \$— | \$— | \$— | — | 3,549 | 3,549 | | \$315,009 |
| Tom McCall | | | | | | | | | |
| Performance bonus (1) | | \$— | | | | | | | |