

ATRION CORP
Form DEF 14A
April 08, 2019

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

SCHEDULE 14A INFORMATION

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 under §240.14a-12

Atrion Corporation

(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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Total fee paid:

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:

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April 8, 2019

Dear Stockholder:

You are cordially invited to attend the 2019 annual meeting of stockholders of Atrion Corporation to be held on Tuesday, May 21, 2019 at 10:00 a.m., Central Time, at our offices in Allen, Texas. A notice of the annual meeting and the Company's proxy statement accompany this letter. The business to be conducted at the annual meeting is described in our proxy statement. We have also made a copy of our 2018 Annual Report to Stockholders available with our proxy statement.

We are furnishing our proxy materials to stockholders primarily over the Internet, as we have done in recent years. Accordingly, we have mailed to our stockholders a Notice of Internet Availability of Proxy Materials with instructions on how our proxy materials may be accessed and reviewed on the Internet and how votes may be cast. This method of distribution is more resource and cost efficient than mailing to all stockholders.

We hope that you will attend the meeting in person. However, it is important for your shares to be represented at the meeting whether or not you are personally present. Accordingly, please vote as soon as possible. To vote your shares, please refer to the instructions for voting in the Company's proxy statement or in the Notice of Internet Availability of Proxy Materials or proxy card.

Thank you for your ongoing support of, and investment in, the Company.

Sincerely,

David A. Battat
President and Chief Executive Officer

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ATRION CORPORATION

One Allentown Parkway

Allen, Texas 75002

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Atrion Corporation:

Notice is hereby given that the 2019 annual meeting of stockholders of Atrion Corporation (the “Company”) will be held on Tuesday, May 21, 2019, at 10:00 a.m., Central Time, at the Company’s offices, One Allentown Parkway, Allen, Texas 75002, for the following purposes:

1.

To elect one Class III director.

2.

To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year 2019.

3.

To approve, on an advisory basis, executive officer compensation.

4.

To transact such other business as may properly come before the meeting.

The Board of Directors fixed the close of business on March 22, 2019 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting and at any adjournment thereof.

By Order of the Board of Directors

Jeffery Strickland

Vice President and Chief Financial

Officer, Secretary and Treasurer

April 8, 2019

IMPORTANT

WE HOPE YOU WILL VOTE AS SOON AS POSSIBLE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. TO VOTE YOUR SHARES, PLEASE REFER TO THE INSTRUCTIONS FOR VOTING IN THE COMPANY’S PROXY STATEMENT OR IN THE NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS OR PROXY CARD.

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ATRION CORPORATION

One Allentown Parkway

Allen, Texas 75002

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

MAY 21, 2019

GENERAL INFORMATION

This proxy statement is being furnished to the stockholders of Atrion Corporation (sometimes referred to herein as “Atrion,” “we,” “us,” “our,” or the “Company”) in connection with the solicitation of proxies by our Board of Directors to be voted at the 2019 annual meeting of stockholders to be held at the Company’s offices, One Allentown Parkway, Allen, Texas 75002 on Tuesday, May 21, 2019 at 10:00 a.m., Central Time, and at any adjournment of such meeting. The notice of annual meeting, proxy statement and form of proxy and the Company’s 2018 Annual Report are first being made available to stockholders on or about April 8, 2019.

questions and answers about the proxy materials

and our annual meeting

Q:

What is the purpose of the annual meeting?

A:

At the annual meeting, our stockholders will consider and vote upon the following matters:

- election of one Class III director;
- ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year 2019; and
- approval, on an advisory basis, of executive officer compensation.

Our stockholders will also transact such other business as may properly come before the meeting.

Q:

Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

A:

The rules of the Securities and Exchange Commission, or SEC, allow us to provide our proxy materials to our stockholders over the Internet if they have not requested that printed materials be provided to them on an ongoing basis. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials, or Notice of Internet Availability, to our stockholders who have not previously requested that printed materials be provided to them on an ongoing basis. Instructions on how to access our proxy materials over the Internet or to request a printed copy by mail may be found in the Notice of Internet Availability. If you have previously elected to receive our proxy materials electronically, you will continue to receive these materials via e-mail unless you elect otherwise.

Q:

How can I get electronic access to the proxy materials?

A:

The Notice of Internet Availability provides you with instructions regarding how you may access and review on the Internet our proxy materials for the annual meeting.

Q:

Who is entitled to vote at the annual meeting?

A:

Stockholders Entitled to Vote. Stockholders of record at the close of business on March 22, 2019, the record date for the meeting, will be entitled to notice of, and to vote at, the annual meeting and at any adjournment thereof. At the close of business on the record date, we had outstanding and entitled to vote 1,852,756 shares of common stock, our only voting securities. Holders of record of shares of common stock outstanding on the record date will be entitled to one vote for each share held of record on that date upon each matter presented to the stockholders to be voted upon at the meeting.

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Registered Stockholders. If your shares are registered directly in your name with our transfer agent, you are considered, with respect to those shares, the stockholder of record, and we are providing the Notice of Internet Availability to you directly. As the stockholder of record, you have the right to grant your voting proxy directly to the individuals listed on the proxy card or to a third party, or to vote in person at the annual meeting.

Beneficial Owners. If your shares are held in the name of a broker, bank, or other nominee, you are considered the beneficial owner of those shares and the broker, bank, or other nominee is the record holder. As the beneficial owner, you have the right to direct your broker, bank, or other nominee how to vote, and you are also invited to attend the annual meeting. However, because you are not the record holder, you may not vote these shares in person at the annual meeting unless you follow the record holder's procedures for obtaining a legal proxy.

Q:

Can I attend the annual meeting in person?

A:

You are invited to attend the annual meeting if you are a registered stockholder or a beneficial owner as of the record date. You must present a form of photo identification acceptable to us, such as a valid driver's license or passport, to enter the meeting. In addition, if your shares are held by your broker, bank, or other nominee, please bring your Notice of Internet Availability or other evidence of stock ownership as of the record date. The meeting will begin promptly at 10:00 a.m., Central Time. Check-in will begin at 9:30 a.m., Central Time. Please allow ample time for the check-in procedures.

Q:

How can I vote my shares?

A:

Registered Stockholders. Registered stockholders may vote (i) by attending the annual meeting, (ii) by following the instructions in your Notice of Internet Availability for voting by telephone or on the Internet at www.proxyvote.com or (iii) by signing, dating and mailing in a proxy card. Please note that the Internet and telephone voting facilities will close at 11:59 p.m., Eastern Time, on May 20, 2019.

Beneficial Owners. If you hold your shares through a broker, bank, or other nominee, that institution will instruct you as to how your shares may be voted by proxy, including whether telephone or Internet voting options are available. If you hold your shares through a broker, bank, or other nominee and would like to vote in person at the meeting, you must request a legal proxy from the broker, bank, or other nominee that holds your shares and present that proxy at the annual meeting to vote your shares.

Q:

If I sign, date and return a proxy, how will it be voted?

A:

Unless you revoke your proxy instructions, as described in the answer to the question immediately below, shares of common stock represented by your proxy will be voted at the annual meeting as you specify over the Internet, by telephone or on the proxy card. If you do not specify how to vote your shares, the shares represented by your proxy will be voted "FOR" the election as a director of the nominee of the Board of Directors named herein; "FOR" ratification of the appointment of Grant Thornton LLP as our independent registered public accounting firm for the year 2019; and "FOR" approval, on an advisory basis, of our executive officer compensation. In addition, in their discretion the persons designated as proxies will vote upon such other business as may properly come before the meeting.

Q:

Can I change my vote?

A:

You may change your vote at any time prior to the vote at the annual meeting. To revoke your proxy instructions and change your vote if you are a holder of record, you must (i) attend the annual meeting and vote your shares in person, (ii) advise our Secretary at our principal executive office in writing before the proxy holders vote your shares, (iii) deliver later dated and signed proxy instructions, or (iv) cast a new vote by the Internet or by telephone (not later than 11:59 p.m., Eastern Time, on May 20, 2019). If your shares are held by a broker, bank, or other nominee, you must request instructions as to how to revoke your proxy from the broker, bank, or other nominee that holds your shares.

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Q:

What happens if I decide to attend the annual meeting but I have already voted or submitted a proxy covering my shares?

A:

You may attend the meeting and vote in person even if you have already voted or submitted a proxy. However, please be aware that attendance at the annual meeting will not, by itself, revoke a proxy. If a broker, bank, or other nominee holds your shares and you wish to attend the annual meeting and vote in person, you must obtain a legal proxy from the record holder of the shares giving you the right to vote the shares.

Q:

What is a quorum?

A:

A majority of our outstanding shares entitled to vote at the annual meeting as of the record date must be present in person or represented by proxy to have a quorum. Abstentions and broker non-votes will be counted as present and represented at the annual meeting for purposes of determining a quorum.

Q:

What if I am a beneficial owner and do not give the nominee voting instructions?

A:

If your broker, bank, or other nominee holds your shares in its name and does not receive voting instructions from you, your broker, bank, or other nominee has discretion to vote these shares on certain routine matters but cannot vote on non-routine matters. The proposal to ratify the appointment of Grant Thornton LLP is a routine matter, and your broker, bank, or other nominee is permitted to vote your shares even if you do not provide your broker, bank, or other nominee voting instructions. Elections of directors and advisory voting to approve executive officer compensation are not deemed to be routine matters. Accordingly, your broker, bank, or other nominee is not entitled to vote your shares on those matters unless voting instructions are received from you.

Q:

What votes are necessary to elect directors and approve the other items of business at the annual meeting?

A:

Our Bylaws provide for a majority voting standard for uncontested director elections. Because the number of nominees properly nominated for election at the annual meeting is equal to the number of directors to be elected, the election of directors is an uncontested election. Therefore, at the annual meeting a director is to be elected by the affirmative vote of the majority of the votes cast (meaning that the number of votes cast "FOR" a nominee must exceed the number of votes cast "AGAINST" such nominee). Abstentions and broker non-votes will have no effect on the election of directors. Ratification of the appointment of Grant Thornton LLP and approval, on an advisory basis, of our executive officer compensation each requires the affirmative vote of a majority of the shares present, in person or by proxy, at the meeting and entitled to vote thereon. Abstentions will have the same effect as a negative vote, and broker non-votes will have no effect, on the proposal to ratify the appointment of Grant Thornton LLP and on the proposal to approve, on an advisory basis, our executive officer compensation.

Q:

Where can I find the voting results for the annual meeting?

A:

The voting results will be published in a current report on Form 8-K that will be filed with the SEC within four business days after the annual meeting. The Form 8-K will also be available on our website at www.atrioncorp.com.

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Item 1

ELECTION OF DIRECTORS

Our Board of Directors is divided into three classes: Class I, Class II, and Class III. One Class III director is to be elected at the annual meeting, to serve until the annual meeting of stockholders to be held in 2022 and until the election and qualification of his successor. The nominee for election as a Class III director named below and all of the directors continuing in office after the annual meeting are currently members of our Board and such nominee and all of such directors continuing in office were previously elected by our stockholders. Unless otherwise directed, the persons named as proxies intend to vote all proxies FOR the election of the nominee named below. If such nominee, who has indicated his willingness to serve as director if elected, is not a candidate when the election occurs, proxies may be voted for the election of a substitute nominee proposed by the Board of Directors or the Board may reduce the number of directors to be elected.

The following information is furnished with respect to our Board of Directors' nominee for election as a director and each director whose term will continue after the annual meeting:

Name, Age, Service as a Director of the Company,

Principal Occupation, Positions and Offices, Other Directorships, and Business Experience

Nominee for Election as a Director

Class III - Term Ending in 2022

John P. Stupp, Jr.

Mr. Stupp, age 69, has been a director since 1985. He has served as President since March 2004, and as Chief Executive Officer since March 2014, of Stupp Bros., Inc., a diversified holding company. From April 1995 until March 2004, he served as Executive Vice President and Chief Operating Officer of Stupp Bros., Inc., and since August 1995 he has also served as Chief Executive Officer of Stupp Corporation, a division of Stupp Bros., Inc. Through its subsidiaries, Stupp Bros., Inc. fabricates steel highway and railroad bridges, produces pipe for natural gas and oil transmission pipelines, and offers general, steel, and industrial construction services. Mr. Stupp serves as a director of Stupp Bros., Inc. Mr. Stupp holds a Bachelor of Science degree in Business and Economics from Lehigh University. He serves as a director of Spire Inc., and is a member of its compensation and corporate governance committees. Mr. Stupp's substantial experience as President of Stupp Bros., Inc., as Chief Executive Officer of Stupp Corporation, and as a director of public companies and non-profit organizations, as well as his long-term relationship with the Company, provides our Board of Directors valuable financial and operational expertise.

Directors Continuing in Office

Class I - Term Ending in 2020

Emile A Battat

Mr. Battat, age 81, has been a director since 1987 and has served as Chairman of the Board of the Company since January 1998 and as Chairman of Halkey-Roberts Corporation, or Halkey-Roberts, one of our subsidiaries, since October 1998. He has served as our executive Chairman since May 2011. Mr. Battat served as Chief Executive Officer of the Company from October 1998 until May 2011, as President of the Company from October 1998 until May 2007 and as Chairman or President of each of the Company's subsidiaries, other than Halkey-Roberts, from October 1998 until May 2011. Mr. Battat holds Bachelor of Science and Master of Science degrees in Mechanical Engineering from Massachusetts Institute of Technology and a Master of Business Administration degree from Harvard University. He is an associate member of Sigma Xi, a scientific honor society. Mr. Battat's many years of executive-level experience at other companies, his education and training and his in-depth knowledge of the Company's operations and finances gained through his 31 years as a director and 13 years as our Chief Executive Officer enable him to provide our Board with strong and capable leadership.

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Ronald N. Spaulding

Mr. Spaulding, age 55, has been a director since February 2006 and has been a private investor since 2008. Prior to May 2008, Mr. Spaulding was the President of Worldwide Commercial Operations of Abbott Vascular and a Vice President and corporate officer of Abbott Laboratories, which he joined in April 2006 upon its acquisition of Guidant Corporation's vascular intervention assets. Between 2005 and April 2006, Mr. Spaulding served as the President of International Operations of Guidant Corporation, a medical device manufacturer, and also served on the Guidant Management Committee from 2002 until 2005. From 2003 to 2005, he was the President of Europe, Middle East, Africa and Canada of Guidant Corporation. From 2000 to 2003, Mr. Spaulding served as President of Guidant Corporation's cardiac surgery business. Mr. Spaulding holds a Master's degree in Biomedical Engineering and a Bachelor of Science degree in Mechanical Engineering from the University of Miami. Mr. Spaulding's over 21 years of healthcare experience, including service as an officer of publicly-held companies with medical device operations, his knowledge of regulatory and operational matters affecting the development and marketing of medical devices, and his educational background enable Mr. Spaulding to bring a valuable and unique perspective to our Board.

Class II - Term Ending in 2021

Preston G. Athey

Mr. Athey, age 69, has been a director since March 2017 and a private investor since his retirement in January 2017 from T. Rowe Price Associates, Inc., a subsidiary of T. Rowe Price Group, Inc., a global investment management firm. Mr. Athey was employed by T. Rowe Price Associates, Inc. from 1978 until January 2017, serving from 1981 until January 2017 as a Vice President, and from 1991 until 2014 as President and Portfolio Manager of T. Rowe Price Small-Cap Value Fund. He is a Certified Investment Counselor and also holds the Chartered Financial Analyst designation. Mr. Athey received a Bachelor of Arts degree from Yale University and a Master of Business Administration degree from Stanford University. Mr. Athey's many years of experience as a securities analyst and equity portfolio manager and his keen interest in good corporate governance enable him to provide the Board of Directors with valuable financial and governance insight.

Hugh J. Morgan, Jr.

Mr. Morgan, age 90, has been a director since 1988 and a private investor since 2003. He served as Chairman of the Board of National Bank of Commerce of Birmingham from 1990 until 2003. Prior to that time, Mr. Morgan spent over 26 years at Southern Natural Gas Company and 14 years at Sonat Inc., its parent company, after its formation in 1973. At the time of his retirement in 1987, Mr. Morgan was serving as the Chairman of the Board of Southern Natural Gas Company and as Vice Chairman of the Board of Sonat Inc. Mr. Morgan holds a Bachelor of Arts degree from Princeton University and is a graduate of the Vanderbilt University Law School and the Advanced Management Program at Harvard Business School. Mr. Morgan's legal and business background, including his substantial experience as a senior officer and director of Sonat Inc. and its subsidiary Southern Natural Gas Company, and his long-term service as a director of the Company enable him to provide our Board valuable insight into corporate operations and governance and financial matters.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF ITS
NOMINEE, JOHN P. STUPP, JR.

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Corporate Governance

Board Leadership and Independence

We separate the roles of Chairman of the Board and Chief Executive Officer. Our Board believes that this leadership structure is in the best interests of the Company and our stockholders and that it fosters innovative, responsive and strong leadership for the Company. This leadership structure permits Mr. Emile Battat, who has had many years of experience with the Company, to continue to play a key role as Chairman and thereby provide leadership to the Company's Board of Directors as well as work with our Chief Executive Officer, Mr. David Battat, in the evaluation, planning, and implementation of corporate strategy and in operational and financial matters. In addition to his participation in strategic and financial matters, Mr. David Battat focuses on operational matters, including the day-to-day management of our business.

Under the listing rules of The Nasdaq Stock Market LLC, or Nasdaq, a majority of the members of our Board of Directors must qualify as "independent directors," as determined by our Board. In making the determination whether our directors are independent, our Board applies the requirements for director independence set forth in the Nasdaq listing rules. After considering the relationship of each director with the Company, our Board has determined that Messrs. Athey, Morgan, Spaulding, and Stupp are independent directors within the meaning of those rules and that our Chairman, Mr. Emile Battat, is not an independent director. Our Audit, Compensation, and Corporate Governance Committees are comprised solely of independent directors. Our independent directors meet regularly in executive sessions without management present. Mr. Spaulding, who is currently the Chair of the Corporate Governance Committee, is serving as our lead director and as such is responsible for calling, establishing agendas for, and moderating the Board of Directors' executive sessions.

Our Board is committed to regular evaluations of itself and its committees to measure ongoing effectiveness. Every other year, directors are asked to complete a written evaluation of the Board and the committees on which they serve. To protect anonymity and the integrity of the evaluation process, our outside counsel compiles responses to these evaluations and presents a report thereon to the Board of Directors. Following such report, the Board discusses the evaluations and determines if any follow-up actions are appropriate.

Meetings

Our Board of Directors held five meetings during 2018. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board and (ii) the total number of meetings of all committees on which he served that were held in 2018 during the time he served as a director or as a member of such committees.

Nominating Process

Because we have a relatively small number of directors, our Board of Directors has determined, and has adopted a resolution providing, that nominees for election to the Board will be selected by a majority vote of the directors meeting the Nasdaq independence requirements. Accordingly, our Board does not have a separate nominating committee or a nominating committee charter. In accordance with resolutions adopted by the Board, in selecting nominees for election as directors our Board, with the assistance of our Corporate Governance Committee, will review and evaluate candidates submitted by directors and management and by our stockholders. Stockholders who would like to suggest qualified candidates for selection by our independent directors as nominees of our Board of Directors should provide written notification thereof to the Secretary of the Company at our principal executive offices and include the candidates' qualifications. In considering possible nominees, our independent directors are to take into account the following: (i) each director should be an individual of the highest character and integrity; (ii) each director should have substantial experience that is relevant to our Company; (iii) each director should have sufficient time available to devote to the affairs of the Company; and (iv) each director should represent the best interest of all of our stockholders. Our Board believes that having directors with diverse backgrounds, business experience, and skills is in our best interest. Under our nominating process, when we are seeking new candidates for our Board, we consider the needs of the Company, taking into account the

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skills and attributes of our current directors, and then seek to identify those individuals who meet those needs and select the most suitable candidates based on merit, including diversity of experience and skills, regardless of a candidate's gender, race, religion, or ethnicity. We believe that our Board of Directors must be able to assess a candidate's qualities and competencies as a whole rather than emphasizing any one of these factors. Our current directors have diverse industry backgrounds, including substantial experience in medical device, industrial, engineering, financial, and energy companies, and diverse skills. All possible nominees are to be reviewed in the same manner, regardless of whether they have been submitted by stockholders, directors, or management.

Voting Standards for the Election of Directors

Our Bylaws provide for a majority voting standard for the election of directors in an uncontested election, which is an election in which the number of nominees equals the number of directors to be elected. A director nominee will be elected if the votes cast for such nominee exceeds the number of votes cast against such nominee. In the event of a contested election, which is an election in which the number of nominees exceeds the number of directors to be elected, the directors are to be elected by the vote of a plurality of the stock present in person or represented by proxy at a meeting of stockholders and entitled to vote on the election of directors. The Bylaws further provide that no incumbent director is to be a nominee for reelection as director in an uncontested election who has not agreed to tender, prior to the meeting of stockholders at which he or she is to be reelected as a director, an irrevocable resignation that will be effective upon the failure of such director to receive a majority of the votes cast with respect to that director's reelection at such meeting of stockholders and the earlier of five business days after the date on which the voting results of such meeting are determined and the date an individual is selected by the Board of Directors to fill the office held by such director. Additionally, under our Bylaws any incumbent director who fails to receive the requisite vote for reelection in an uncontested election is not to be appointed or elected as a director by the Board for at least one year after the meeting at which such individual fails to be reelected.

The Board's Role in Risk Oversight

The Board of Directors has the responsibility for overseeing the Company's exposure to risk. Directly and through its committees, the Board of Directors reviews our material risk exposures, including operational risks, investment risks, financial risks, and compensation risks. Our Board and its committees meet with management when necessary in performing these oversight functions.

Committees

Our Board has four standing committees: the Executive Committee, the Corporate Governance Committee, the Compensation Committee, and the Audit Committee.

The Executive Committee is currently comprised of Messrs. Emile Battat and Morgan.

The Board has determined that the members of our Corporate Governance Committee, Compensation Committee, and Audit Committee must meet the independence requirements of the Nasdaq listing rules for directors and that the Audit Committee members must also meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended, not have participated in the preparation of the financial statements of the Company or any current subsidiary during the past three years, and be able to read and understand fundamental financial statements. The Nasdaq listing rules also require that, in determining the independence of any director who will serve on our Compensation Committee, our Board must consider all factors specifically relevant to determining whether such director has a relationship to the Company that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including the source of compensation of such director and whether such director is affiliated with the Company, a Company subsidiary, or an affiliate of a Company subsidiary.

Our Corporate Governance Committee, which is currently comprised of Messrs. Athey, Morgan, and Spaulding, assists in the evaluation of possible nominees for election to the Board of Directors as requested by the Board, reviews annually and advises the Board with respect to the compensation of directors,

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administers the Company's stock ownership guidelines, and recommends to the Board (i) the number of directors to be fixed in connection with each annual meeting of our stockholders, (ii) the directors to be appointed to each of the committees of the Board, after considering the recommendation of our Chairman of the Board, (iii) corporate governance guidelines if the Corporate Governance Committee deems them appropriate for the Company, and (iv) proposed changes to the charter of the Corporate Governance Committee. In making recommendations to the Board as to director compensation, our Corporate Governance Committee considers our directors' responsibilities and time devoted by them in fulfilling their duties as directors, the skills required, and market data on director compensation and takes into account recommendations made by Mr. Emile Battat. Except for Mr. Emile Battat, who is Chairman of our Board, our executive officers are not involved in determining or recommending the amount or form of director compensation. Our Board of Directors has adopted a written charter for the Corporate Governance Committee, a copy of which is available on our website at www.atrioncorp.com. The Corporate Governance Committee met two times in 2018.

The Compensation Committee, which is currently comprised of Messrs. Athey, Morgan, Spaulding, and Stupp, makes recommendations to the Board of Directors as to the remuneration of our executive officers, administers the Amended and Restated Atrion Corporation 2006 Equity Incentive Plan, or 2006 Equity Plan, our Nonqualified Deferred Compensation Plan, or NQDC Plan, the Atrion Corporation Non-Employee Director Stock Purchase Plan, or Non-Employee Director Stock Purchase Plan, and the Atrion Corporation Deferred Compensation Plan for Non-Employee Directors, or Non-Employee Director Deferred Compensation Plan, and makes recommendations to our Board with respect to annual cash incentive bonuses for our executive officers who participate in the Atrion Corporation Short-Term Incentive Compensation Plan, or Short-Term Incentive Plan. The primary processes and procedures for the consideration and determination of executive compensation, the roles of our executive officers in determining or recommending the amount and form of executive officer compensation, the extent of delegation of authority, and the role of compensation consultants in determining or recommending executive officer compensation are discussed in "Compensation Discussion and Analysis" beginning on page 12 of this proxy statement. Our Board of Directors has adopted a written charter for the Compensation Committee, a copy of which is available on our website at www.atrioncorp.com. The Compensation Committee met three times in 2018.

Mercer, an outside compensation consultant, has been engaged from time to time at the request of the Compensation Committee to provide information as to the compensation of executive chairmen, chief executive officers, chief operating officers, chief financial officers, and directors of various companies, including certain companies in the medical products and devices industry. For further information regarding the services provided by Mercer, see "Compensation Discussion and Analysis" beginning on page 12 of this proxy statement.

Our Audit Committee, the current members of which are Messrs. Athey, Morgan, Spaulding, and Stupp, appoints, determines the compensation for, and oversees the work of the Company's independent auditors, assists the Board in its oversight of our accounting and financial reporting principles and policies and internal audit controls and procedures, and oversees related persons transactions. The Audit Committee reviews and assesses, at least annually, the Audit Committee Charter and is to recommend any changes in the Audit Committee Charter to the Board of Directors. Our Board has determined that each member of the Audit Committee meets the independence rules and other criteria for Audit Committee membership set forth above and that Mr. Stupp qualifies as an audit committee financial expert. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available on our website at www.atrioncorp.com. Our Audit Committee met four times in 2018.

Stockholder Communications to the Board of Directors

Any stockholder wishing to communicate with our Board of Directors about any matter should send the communication, in written form, to Emile A Battat, Chairman, at our principal office in Allen, Texas. Mr. Emile Battat will promptly send the communication to the other members of the Board.

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Attendance at Stockholders Meetings

The Board has a policy encouraging each director to attend, if practicable, our annual meetings of stockholders. All of the directors who were serving at the time of the 2018 annual meeting attended that meeting.

Code of Ethics

Our Board has adopted a Code of Business Conduct that applies to our employees, including our executive officers, and to the members of our Board of Directors.

Stock Ownership Guidelines for Directors

We have stock ownership guidelines that apply to our directors, executive officers, and designated officers of the Company and its subsidiaries. Each non-employee director is required to own shares of our common stock with a market value of at least \$150,000 within three years of the date of election to the Board of Directors, except that non-employee directors who elect to receive at least 25% of the cash portion of their annual cash retainers in shares of our common stock under the Non-Employee Director Stock Purchase Plan or in stock units under the Non-Employee Director Deferred Compensation Plan and continue such election annually are permitted five years to meet the guidelines. Stock ownership that counts toward these guidelines is described in “Stock Ownership Guidelines for Officers” on page 17 of this proxy statement.

Social Responsibility and Sustainability

Sustainability is rooted in the Company’s respect for the environment, for our communities, for our customers, and for our employees because saving lives is the purpose of almost everything we make. We have long managed our business in a way that promotes all of these goals. As our performance over the last 21 years demonstrates, we have done so in a manner that has also rewarded our stockholders.

For example, because we make products for medical and other applications, quality is critical to us and our end-users. As a result, we have never given in to the temptation of offshoring in places with questionable ethical practices but low-cost labor. Instead, we have always owned and operated all of our manufacturing facilities in the United States to ensure our products are high quality. We constantly improve our quality levels by investing in the latest technologies, which also has the effect of increasing efficiency and reducing our electricity usage. At our largest facility, from 2012 to 2017 the amount of major production equipment increased by 33%, yet electricity consumption per unit of production decreased by 15%. We also have redesigned major product lines to reduce the amount of material they require by 20% to 40%. Our facilities source a significant majority of their raw materials domestically, allowing us to more easily manage the quality of our supply chain as well as to reduce its carbon footprint.

We recognize that different viewpoints multiply wisdom, which is why we believe diversity at all levels of our Company is critical. In addition to their business acumen, people of different backgrounds offer valuable perspectives about our workplace and the world around us. Our Board has always been a source of valuable insights and perspectives. Our first female director joined our Board in 2002. We look forward to again having a woman on our Board, and our next vacancy will be filled by a woman. Some institutions look to the board as the sole test of a company’s diversity, but we go beyond this. We are proud to employ people who are too often overlooked by corporate America. Over half of our employees did not finish high school or ended their formal education upon obtaining a high school diploma or G.E.D. Some of these employees come to us with few skills and with challenging personal circumstances. We proudly invest in their training and, in return, we see them become some of our best employees and managers. We believe that it is telling that 43% of our employees have been with us at least 10 years, while, according to the U.S. Department of Labor, as of January 2018 the median number of years that American workers had been with their current employers was 4.2 years. We also proudly employ older workers. We have several employees at all levels of the Company in their 70s and 80s, and they make important contributions to our success. We are committed to these goals, we understand their importance, and we will continue to strive to meet or exceed them going forward.

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Hedging of Risk of Stock Ownership

We have a policy strongly discouraging the hedging of the risk of ownership of our securities. Any employee wishing to enter into a hedging transaction must pre-clear the proposed transaction with the our compliance officer and must provide justification for the proposed transaction.

Director Compensation

Under our director compensation program, each non-employee director is paid an annual cash retainer of \$66,000 for his or her service as a director and is annually awarded fully-vested shares of our common stock under our 2006 Equity Plan having a market value on the date of the award of \$60,000. The equity awards are made each year immediately following our annual meeting of stockholders. In addition, the Chairmen of the Corporate Governance Committee and the Compensation Committee are each paid an annual cash retainer of \$6,000, and the Chairman of the Audit Committee is paid an annual cash retainer of \$12,000. Mr. Emile Battat, our Chairman and our only employee director, does not receive any compensation for his service as a director. We reimburse our directors for travel and out-of-pocket expenses incurred in connection with attending meetings of the Board.

Our Non-Employee Director Stock Purchase Plan provides non-employee directors with a convenient method of acquiring shares of our common stock. This plan allows non-employee directors to elect to receive fully-vested stock and restricted stock in lieu of some or all of their cash fees. The foregone fees are converted into shares of fully-vested stock and restricted stock on the day the applicable cash fees otherwise would have been paid. The restricted stock vests in equal amounts on the first day of the second, third and fourth calendar quarters following receipt of the stock, provided the non-employee director is then serving as a member of our Board.

The Non-Employee Director Deferred Compensation Plan allows non-employee directors to defer all or part of their cash fees into stock units. A stock unit account is set up for each participating non-employee director. The stock unit account is credited with a number of stock units equal to the cash fees deferred by the non-employee director divided by the closing price of our common stock on the day preceding the date on which the deferred fees would have been paid. The stock units vest as follows: 25% vest on the date credited to the stock unit account and 25% vest on each of the April 1, July 1, and October 1 immediately following the date credited to the stock unit account, provided the non-employee director is then serving as a member of our Board. Each stock unit account is credited with additional whole or partial stock units reflecting dividends that would have been paid on the number of shares represented by that stock unit account. The stock units held in a non-employee director's stock unit account are distributed in the form of whole shares of common stock, with cash paid for fractional stock units, in the January following the year in which his or her service as a director ceases or in January of a particular year, as specified by the non-employee director in his or her deferred fee election form.

The annual cash retainers for non-employee directors who elect to participate in either the Non-Employee Director Stock Purchase Plan or the Non-Employee Director Deferred Compensation Plan or both are payable on the first business day of January of each year for the calendar year then beginning, in each case to the extent such election or elections apply.

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The following table sets forth summary information concerning the compensation of our non-employee directors for the year ended December 31, 2018:

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)	All Other Compensation (\$)	Total (\$)
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