

MERIT MEDICAL SYSTEMS INC
Form DEF 14A
April 14, 2010

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

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

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 Pursuant to §240.14a-12

Merit Medical Systems, 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.
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 - (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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 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:

(4)

Date Filed:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 26, 2010

MERIT MEDICAL SYSTEMS, INC.

You are cordially invited to attend the Annual Meeting of Shareholders of Merit Medical Systems, Inc. (the Company), which will be held on Wednesday, May 26, 2010, at 3:00 p.m., at the Company's corporate offices at 1600 West Merit Parkway, South Jordan, Utah, 84095 (the Annual Meeting), for the following purposes:

- (1) To elect three directors of the Company, to serve until the Annual Meeting of the Company's Shareholders in 2013 and until their respective successors have been duly elected and qualified;
- (2) To consider and vote upon a proposal to ratify the appointment of Deloitte & Touché LLP as the independent registered public accounting firm of the Company for the year ending December 31, 2010; and
- (3) To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on April 6, 2010 as the record date for the determination of shareholders entitled to receive notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof.

IMPORTANT

Whether you plan to attend the Annual Meeting or not, we urge you to vote your shares as soon as possible. Please either sign and return the accompanying card in the postage-paid envelope or instruct us via the Internet as to how you would like your shares voted. This will ensure

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representation of your shares at the Annual Meeting if you are unable to attend. Instructions on how to vote your shares via the Internet are on the proxy card or voting instruction card.

By Order of the Board of Directors,

KENT W. STANGER
Chief Financial Officer, Secretary and Treasurer

April 14, 2010

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 26, 2010:

This Proxy Statement and the accompanying annual report to shareholders are available at: www.proxyvote.com

Among other things, this Proxy Statement contains information regarding:

- Date, time and location of the Annual Meeting;
- Matters being submitted to the shareholders; and
- Information concerning voting in person at the Annual Meeting.

METHOD FOR ELECTRONIC VIEWING, PRINTING OF THE PROXY MATERIALS:

The record date for the Annual Meeting is April 6, 2010. Shareholders of record on the record date will be entitled to notice and to vote, in person or by proxy, at the Annual Meeting and any adjournments or postponements thereof.

The Company has chosen the Internet as a method of providing access to its proxy materials, including its Annual Report, to each shareholder of record in a fast and efficient manner. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all shareholders.

Accordingly, on April 14, 2010, the Company will begin mailing Notices Regarding Internet Availability of Proxy Materials (the Notices), to all shareholders of record as of April 6, 2010, and post its proxy materials on the website referenced in the Notices (www.proxyvote.com).

As described in the Notices, all shareholders may choose to access the Company's proxy materials on the website referred to in the Notice or may request to receive a printed set of the Company's proxy materials. In addition, the Notices and websites provide information regarding how shareholders may request to receive proxy materials in printed form by either mail or sign-up electronically for e-mail delivery in the future. This proxy statement contains additional information regarding the proposals to be considered at the Annual Meeting, and shareholders are encouraged to read it in its entirety.

METHODS OF VOTING

The method of voting by proxy differs for shares registered directly in a shareholder's name, considered the shareholder of record, and shares held in street name, which means shares held of record by a trustee or in an account at a brokerage firm, bank, dealer, or other similar organization. If the shareholder holds shares as a record holder, the shareholder may either vote the shares by proxy on www.proxyvote.com, by means of the telephone or by mail by requesting a printed copy of this Proxy Statement and then voting by telephone or mail, or by attending the Annual Meeting and voting in person. If a shareholder requests a printed copy of this Proxy Statement, a proxy card (the Proxy) will also be mailed to the shareholder. If a shareholder votes his, her or its proxy by telephone, the Internet or by returning the Proxy to the Company before the Annual Meeting, the individuals designated in the Proxy will vote as the Proxy directs. If a shareholder votes by telephone or over the Internet, the shareholder does not need to return the Proxy. Telephone and Internet voting facilities for shareholders will be available 24 hours a day, and will close at 11:59 p.m., Eastern Time, on May 25, 2010.

If a shareholder holds shares of the Company's common stock in street name, the shareholder must either instruct his, her or its broker or nominee as to how to vote such shares or obtain a Proxy, executed by the broker or nominee, to be able to vote at the Annual Meeting.

- **Voting by Mail.** If a shareholder chooses to vote by mail, simply mark the enclosed Proxy and complete, sign, date and mail it in the postage-paid envelope provided. The Proxy must be completed, signed and dated by the shareholder or the shareholder's authorized representative.
 - **Voting by Telephone.** Shareholders of record can vote by phone by following the instructions on the Proxy or
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by calling toll-free at 1-800-690-6903. Voice prompts will instruct shareholders to vote their shares and confirm that their vote has been properly recorded. If the shares are registered in street name, you can vote by telephone when you receive your materials by mail using the toll-free phone number located on your Proxy. A large number of banks and brokerage firms are participating in the Broadridge Investor Communications Solutions, Inc. (Broadridge) online program. This program provides eligible shareholders the opportunity to vote via the internet or by telephone. If your bank or brokerage firm is participating in Broadridge s program, your voting form will provide instructions.

- **Voting over the Internet.** Registered shareholders can vote on the Internet by following the instructions included in the Notices and accessing the Internet at www.proxyvote.com. As with telephone voting, shareholders can confirm that their votes have been properly recorded.

- **Voting in Person at the Annual Meeting.** If a shareholder plans to attend the Annual Meeting and vote in person, the Company will provide a ballot at the Annual Meeting. Shareholders of record have the right to vote in person at the Annual Meeting. If a shareholder holds shares in street name and the shareholder wishes to vote at the Annual Meeting, the shareholder will need to bring to the Annual Meeting a legal proxy from the broker or other nominee authorizing the shareholder to vote those shares.

The Company provides Internet proxy voting to allow shareholders to vote their shares on-line, with procedures designed to ensure the authenticity and correctness of proxy vote instructions. However, please be aware that shareholders must bear any costs associated with their Internet access, such as usage charges from Internet access providers and telephone companies.

If a shareholder receives multiple Notices, the shareholder s shares are registered in more than one name or are registered in different accounts. Shareholders should follow the voting instructions on each Notice to ensure that all of their shares are voted.

MERIT MEDICAL SYSTEMS, INC.

1600 West Merit Parkway

South Jordan, Utah 84095

PROXY STATEMENT

Annual Meeting of Shareholders

May 26, 2010

SOLICITATION OF PROXIES

This Proxy Statement is being furnished to the shareholders of Merit Medical Systems, Inc., a Utah corporation (the "Company"), in connection with the solicitation by the Board of Directors of the Company of proxies from holders of outstanding shares of the Company's common stock, no par value (the "Common Stock"), for use at the Annual Meeting of Shareholders of the Company to be held on Wednesday, May 26, 2010, at 3:00 p.m., at the Company's corporate offices at 1600 West Merit Parkway, South Jordan, Utah, and at any adjournment or postponement thereof (the "Annual Meeting"). This Proxy Statement, the Notice of Annual Meeting of Shareholders and the accompanying form of proxy are first being mailed or made available to shareholders of the Company on or about April 14, 2010.

The Company will bear all costs and expenses relating to the solicitation of proxies, including the costs of preparing, printing and mailing to shareholders this Proxy Statement and accompanying materials, as well as the expense of making this Proxy Statement and accompanying materials available on the Internet. In addition to the solicitation of proxies by use of the mail and the Internet, the directors, officers and employees of the Company, without receiving additional compensation, may solicit proxies personally or by telephone, electronic mail or facsimile. Arrangements will be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of the shares of Common Stock held by those persons, and the Company will reimburse those brokerage firms, custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith.

VOTING

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The Board of Directors has fixed the close of business on April 6, 2010 as the record date for determination of shareholders entitled to receive notice of and to vote at the Annual Meeting (the Record Date). As of the Record Date, there were issued and outstanding 28,180,527 shares of Common Stock. The holders of record of the shares of Common Stock on the Record Date entitled to be voted at the Annual Meeting are entitled to cast one vote per share on each matter submitted to a vote at the Annual Meeting.

Proxies

Shares of Common Stock that are entitled to be voted at the Annual Meeting and are represented by properly executed proxies will be voted in accordance with the instructions on those proxies. If no instructions are indicated, those shares will be voted FOR the election of each of the three director nominees identified in this Proxy Statement, FOR the ratification of the appointment of Deloitte & Touché LLP (Deloitte) to serve as the Company's independent registered public accounting firm for the year ending December 31, 2010, and, in the discretion of the proxy holder, as to any other matters that may properly come before the Annual Meeting. The Company is not currently aware of any other matters to be presented at the Annual Meeting.

A shareholder who has executed and returned a proxy may revoke it at any time prior to its exercise at the Annual Meeting by executing and returning a proxy bearing a later date by mail, by voting via the Internet, by filing with the

Secretary of the Company, at the address set forth above, a written notice of revocation bearing a later date than the proxy being revoked, or by voting the Common Stock covered thereby in person at the Annual Meeting. In order to revoke a proxy executed with respect to shares held in street name, the shareholder must contact the appropriate broker or nominee.

Vote Required

A majority of the issued and outstanding shares of Common Stock entitled to vote, properly represented in person or by proxy, is required for a quorum at the Annual Meeting. Abstentions and broker non-votes, which are indications by a broker that it does not have discretionary authority to vote on a particular matter, will be counted as represented for the purpose of determining the presence or absence of a quorum. Under the Utah Revised Business Corporations Act, once a quorum is established, shareholder approval with respect to a particular proposal is generally obtained when the votes cast in favor of the proposal exceed the votes cast against the proposal.

Holders of shares of Common Stock are entitled to one vote at the Annual Meeting for each share of Common Stock held of record on the Record Date. In the election of directors, shareholders will not be allowed to cumulate their votes. The three nominees receiving the highest number of votes will be elected. Approval of the proposal to ratify the appointment of Deloitte to serve as the independent registered public accounting firm of the Company for the year ending December 31, 2010 requires that the votes cast in favor of the proposal must exceed the votes cast against the proposal. Accordingly, abstentions and broker non-votes will not affect the outcome of the election of directors or the proposal to ratify the appointment of the Company's independent registered public accounting firm. Any other matter presented for approval by the shareholders at the Annual Meeting will generally be approved if the number of votes cast in favor of a matter exceeds the number of votes cast in opposition. With respect to any such matter, abstentions and broker non-votes are not likely to affect the outcome of a vote on such matter.

PROPOSAL NO. 1 ELECTION OF DIRECTORS

At the Annual Meeting, three directors of the Company are to be elected to serve until the annual meeting of the Company's shareholders in 2013 and until their successors are duly elected and qualified. If any of the nominees should be unavailable to serve, which is not now anticipated, the proxies solicited by this Proxy Statement will be voted for other persons as may be designated by the Board of Directors. The three nominees receiving the highest number of votes at the Annual Meeting will be elected.

Classification of Board of Directors

The Company's Articles of Incorporation, as amended, provide for the classification of the Board of Directors, also known as a staggered board. The directors of the Company are divided into three classes, with the directors in each class serving a three-year term. The classes are staggered, with the terms of one-third of the directors, as near as possible, expiring at each annual shareholders meeting. Based upon the existing classification of the Board of Directors, the terms of Rex C. Bean, Richard W. Edelman and Michael E. Stillabower, M.D. are scheduled to expire in connection with the Annual Meeting.

Nominees for Election as Directors

The Board of Directors and its Nominating and Corporate Governance Committee (the Nominating Committee) believe that each of the following nominees possesses the experience and qualifications that directors of the Company should possess, as described in detail below, and that the experience and qualifications of each nominee compliments the experience and qualifications of the other nominees. The experience and qualifications of each nominee, including information regarding the specific experience, qualifications, attributes and skills that led the Board of Directors and the Nominating Committee to conclude that he should be nominated to serve as a director of the Company at the present time, in light of the Company s business and structure, are set forth below:

Rex C. Bean, 80, has been a director of the Company since 1988. Mr. Bean retired from the U.S. Air Force in 1987 and is principally engaged in the management of private investments. Mr. Bean was awarded a Bachelor of Science degree in Electrical Engineering from Utah State University and performed graduate work in electrical engineering at Syracuse University. Mr. Bean contributes a unique perspective to the Board of Directors, having served as a director of the Company since its early stages. Mr. Bean s education and training in electrical engineering have served the Company

extremely well, as he has participated in the development and evaluation of many of the Company's products during more than 20 years of service as a director. Mr. Bean, who is an independent director, understands the Company's operations and culture in depth, and is diligent in his efforts to preserve the Company's guiding principles and values, notwithstanding the tremendous growth and expansion the Company has experienced during his service.

Richard W. Edelman, 69, has been a director of the Company since 1988. From 2000 to the present, Mr. Edelman has served as a Managing Director and Senior Vice President of SMH Capital Inc., an investment banking firm (SMH). From 2000 to 2006, he was the Managing Director and Manager of SMH's Dallas branch. From 1998 to 2000, he was a Senior Vice President and Branch Manager of Southwest Securities, Inc., a stock brokerage firm headquartered in Dallas, Texas. From 1996 to 1998, he was Managing Director of Rodman & Renshaw, Inc., a stock brokerage firm. From 1987 to 1996, he was employed by Southwest Securities, Inc. as a Senior Vice President and securities analyst. Prior to joining Southwest Securities, Inc. in 1987, Mr. Edelman was a securities analyst and Vice President for Schneider, Bernet and Hickman, a Dallas, Texas securities firm. Mr. Edelman obtained a Master of Business Administration degree from Columbia University in 1966. The Board of Directors nominated Mr. Edelman for election to serve as a director, in part, because of the depth of his financial training and experience, his analytical acumen and his extensive history as a director of the Company. Mr. Edelman possesses a keen ability to review and understand financial information, both with respect to the Company and with respect to potential business partners and acquisition candidates. His financial training and experience have been extremely valuable to the Board of Directors in his service as the Chairman of the Audit Committee and his qualification as a financial expert. As an independent director, Mr. Edelman has demonstrated his ability to ask difficult questions and encourage the Company's implementation of strong financial practices.

Michael E. Stillabower, M.D., 66, has been a director of the Company since 1996. Dr. Stillabower has been a physician in private practice in Wilmington, Delaware since 1980. In 1999, Dr. Stillabower was appointed Director, Cardiovascular Research, of Christiana Care Health Systems. From 1988 to 1999, he was Chief of Cardiology at the Medical Center of Delaware, where he had held a number of appointments including Director, Coronary Care Unit, from 1984 to 1988. In May 1995 he was appointed Clinical Associate Professor of Medicine, Jefferson Medical College in Philadelphia, Pennsylvania, where he obtained his M.D. degree in 1976. He is an elected Fellow of the American College of Cardiology and a member of other professional associations and is actively engaged in cardiology research, instruction and publication of related papers and abstracts. Dr. Stillabower's nomination reflects the Board of Directors' recognition of his recognized expertise in the medical profession, his valuable role in developing and evaluating existing and proposed Company products and his understanding of the medical community and the markets for the Company's products. Dr. Stillabower contributes more than 30 years of specialized training and experience in cardiology and related fields to the Board of Directors, and has actively participated in the development and commercialization of many of the Company's products. He has used the Company's products in cardiac procedures, and provides valuable insights from a practitioner's viewpoint. Dr. Stillabower is an independent director.

The Board of Directors recommends that shareholders vote FOR each of the foregoing nominees to serve as a director of the Company.

Directors Whose Terms of Office Continue

The experience and qualifications of each continuing director of the Company, including information regarding the specific experience, qualifications, attributes and skills that led the Board of Directors and the Nominating Committee to conclude that he should serve as a director of the Company at the present time, in light of the Company's business and structure, are set forth below:

James J. Ellis, 76, has been a director of the Company since November 1995. He has been Managing Partner of Ellis Rosier and Associates, an insurance and investment firm, since 1992. Mr. Ellis served as General Manager of MONY Financial Services, Dallas, Texas, from 1979 until his retirement in 1992. He also serves as a director of Jack Henry & Associates, Inc., a publicly-traded company engaged in the sales and service of software for the banking industry. Mr. Ellis received a Bachelor degree of Business and Public Administration from the University of

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Missouri in 1956. Mr. Ellis' term as a director expires in 2011. The Board of Directors recognizes the breadth and depth of Mr. Ellis' considerable business and financial expertise. Mr. Ellis brings to the Board of Directors valuable experience serving as a director of other public companies, which enhances his contributions to the activities of the Board of Directors, including his service as the Chairman of the Compensation Committee. Mr. Ellis has applied his extensive financial acumen to encourage disciplined financial management in the Company's operations. Mr. Ellis' finance and investment skills, together with his experience in the areas of corporate governance and compliance, have been increasingly valuable to the deliberations of the Board of

Directors, as the Company has explored and pursued various growth and expansion opportunities. Mr. Ellis is an independent director.

Fred P. Lampropoulos, 60, has been Chairman of the Board, Chief Executive Officer (CEO) and President of the Company since its formation in July 1987. From 1983 to June 1987, Mr. Lampropoulos was Chairman of the Board and President of Utah Medical Products, Inc., a medical device manufacturer. He has been involved in and holds more than 100 patents on devices used in the diagnosis and therapeutic treatment of cardiovascular disease. He serves on several community and advisory boards and has been the recipient of numerous awards, including the 2003 Utah Governor's Medal for Science and Technology. Mr. Lampropoulos' term as a director expires in 2012. The Board of Directors believes the Company benefits immensely from Mr. Lampropoulos' experience as founder, Chief Executive Officer and President of the Company. He plays an invaluable role in communicating the expectations, advice, concerns and encouragement of the Board of Directors to the Company's employees. Mr. Lampropoulos has a deep knowledge and understanding of the Company, as well as the markets in which the Company's products compete. Mr. Lampropoulos also performs a critical function as the Chairman of the Board, providing decisive leadership and direction to the activities and deliberations of the Board of Directors. The Board of Directors also believes Mr. Lampropoulos' drive and determination are significant factors in the Company's growth and development, and continue to be tremendous assets to the Company and its shareholders.

Franklin J. Miller, M.D., 69, has been a director of the Company since 2005, and served as a consultant to the Company, assisting in product testing and development, from 1997 through March 2005. Dr. Miller retired as a Professor of Radiology and Surgery from the University of Utah Department of Radiology in 2005, where he was the Director of Interventional Radiology from 1976 through 2001. In January 2002, Dr. Miller was appointed as Clinical Professor of Radiology at the University of California, San Diego, where he began the Hereditary Hemorrhagic Telangiectasia Clinic, one of only eight such clinics in the United States. Dr. Miller has served on advisory boards to several medical device companies and has been on the editorial and review boards for numerous medical journals. He is a graduate of Temple University Medical School, and served his resident and fellowship physician training at Johns Hopkins Hospital. Dr. Miller's term as a director expires in 2012. Dr. Miller contributes a valuable set of skills, training and experiences to the deliberations of the Board of Directors. Prior to joining the Board of Directors, Dr. Miller was actively engaged as a consultant in the Company's product testing and development activities. During his service as a director, Dr. Miller has continued to provide critical advice regarding the Company's product development strategy, and plays a significant role in the Company's evaluation of acquisition and other growth opportunities. Based, in part, on his extensive medical training and his experience with various medical devices, Dr. Miller provides the Board of Directors valuable insight regarding the needs and preferences of the medical professionals who use the Company's products. Dr. Miller is an independent director.

Kent W. Stanger, 55, has been Chief Financial Officer, Secretary, Treasurer and a director of the Company since 1987. Prior to joining the Company, Mr. Stanger was the controller for Utah Medical Products, Inc., a medical device manufacturer, from 1985 to August 1987. Prior to 1985, he was the corporate controller for Laser Corporation, American Laser and Modulaire Industries, Inc., and was a practicing certified public accountant from 1979 through 1982 with Hansen, Barnett and Maxwell, a Utah accounting firm. Mr. Stanger received a Bachelor of Arts degree in accounting from Weber State University in 1978. Mr. Stanger's term as a director expires in 2011. Mr. Stanger was a founder of the Company and, through more than 20 years of service as the principal financial manager of the Company, has developed a broad understanding of the Company's business and operations, as well as the markets in which the Company competes. The Board of Directors values Mr. Stanger's accounting and financial management skills, and benefits greatly from his participation in the deliberation of the Board of Directors, as well as his ability to implement the strategic objectives identified by the Board of Directors. Along with Mr. Lampropoulos, Mr. Stanger plays an important role in communicating the expectations, advice, concerns and encouragement of the Board of Directors to the Company's employees.

CORPORATE GOVERNANCE

Committees of the Board

The Board of Directors has standing Audit, Compensation, and Nominating and Corporate Governance Committees. The Company believes each of the directors serving on the Audit, Compensation and Nominating and Corporate Governance Committees is an independent director for purposes of the Marketplace Rules of The Nasdaq Stock Market, on which the Common Stock is currently quoted, and that each of the directors serving on the Compensation Committee is an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). During the year ended December 31, 2009, the Board of Directors held 13 meetings. No director attended fewer than 75% of the total number of meetings of the Board of Directors and of any committee on which he served.

Audit Committee. The Audit Committee meets to review and discuss the Company's accounting practices and procedures with the Company's management and independent public accountants, and to review the quarterly and annual financial statements of the Company. The Audit Committee assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the Company's accounting, auditing and reporting practices. The Audit Committee's primary duties include reviewing the scope and adequacy of the Company's internal accounting and financial controls; reviewing the independence of the Company's independent registered public accounting firm; approving the scope of the audit activities of the Company's independent registered public accounting firm; approving the fees of the Company's independent registered public accounting firm; approving any non-audit related services; reviewing the audit results; reviewing the objectivity and effectiveness of the Company's internal audit function; and reviewing the Company's financial reporting activities and the accounting standards and principles followed. The Audit Committee Report appears on Page 29 below.

Deloitte currently serves as the Company's independent registered public accounting firm. The current members of the Audit Committee are Richard W. Edelman (Chairman), James J. Ellis and Rex C. Bean, each of whom is an independent director for purposes of the Marketplace Rules of The Nasdaq Global Select Market. The Board of Directors has determined that Richard W. Edelman, who serves as the Chairman of the Audit Committee, is an audit committee financial expert as defined in Item 407(d) of Regulation S-K under the Securities Exchange Act of 1934, as amended. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available on the Company's Internet website, www.merit.com. The Audit Committee met five times during 2009.

Compensation Committee. The Compensation Committee is responsible for overseeing, reviewing and approving executive compensation and benefit programs of the Company. The members of the Compensation Committee are James J. Ellis (Chairman), Rex C. Bean and Franklin J. Miller. Each of the members of the Compensation Committee is a non-employee director who qualifies as (i) an independent director for purposes of the Marketplace Rules of The Nasdaq Global Select Market, (ii) a non-employee director under Rule 16b-3 of the Securities Exchange Act of 1934 and (iii) an outside director under Section 162(m) of the Internal Revenue Code.

The Board of Directors has adopted a written Compensation Committee Charter, a copy of which is available on the Company's Internet website, www.merit.com. Additional information regarding the functions, procedures and authority of the Compensation Committee is provided in the Compensation Discussion and Analysis beginning on page 9 below. The Compensation Committee Report appears on page 15 below. The Compensation Committee met three during 2009; however, the members of the Compensation Committee met informally and discussed compensation issues affecting the Company at other times throughout the year as well.

Nominating and Corporate Governance Committee. The Nominating Committee is responsible for overseeing the nomination of the Company's directors. The Nominating Committee selects, evaluates and recommends to the full Board of Directors qualified candidates for election to the Board of Directors. The members of the Nominating Committee are Rex C. Bean (Chairman), James J. Ellis, and Michael E. Stillabower, M.D. The Nominating Committee met once in 2009. The Board of Directors has adopted a written charter for the Nominating Committee, a copy of which is available on the Company's Internet website, www.merit.com.

Nomination Process

The policy of the Nominating Committee is to consider properly-submitted shareholder recommendations for candidates to serve as directors of the Company. In evaluating those recommendations, the Nominating Committee seeks to achieve a balance of knowledge, experience and capability on the Board of Directors and to address the membership

criteria described below. Any shareholder wishing to recommend a candidate for consideration by the Nominating Committee should submit a recommendation in writing indicating the candidate's qualifications and other relevant biographical information and provide confirmation of the candidate's consent to serve as a director. This information should be addressed to Rashelle Perry, Chief Legal Officer of the Company, at 1600 West Merit Parkway, South Jordan, Utah 84095.

The Nominating Committee reviews the appropriate skills and characteristics required of directors in the context of the current composition of the Board of Directors. There is currently no set of specific minimum qualifications that must be met by a nominee recommended by the Nominating Committee, as different factors may assume greater or lesser significance at particular times and the needs of the Board of Directors may vary in light of its composition and the Nominating Committee's perceptions about future issues and needs. Among the factors the Nominating Committee typically considers are a candidate's independence, skills, integrity, policy-making experience, ability to work constructively with the Company's management and directors, capacity to evaluate strategy and reach sound conclusions, availability of time, awareness of the social, political and economic environment and diversity.

The Nominating Committee utilizes a variety of methods for identifying and evaluating director nominees. The Nominating Committee assesses the appropriate size of the Board of Directors, and whether any vacancies on the Board of Directors are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating Committee considers various potential candidates for director. Candidates may come to the attention of the Nominating Committee through various means, including current directors, professional search firms, shareholder recommendations or other referrals. Candidates are evaluated by the Nominating Committee, and may be considered at any point during the year. All director nominee recommendations which are properly submitted to the Nominating Committee are considered by the Nominating Committee prior to the issuance of the proxy statement for the next annual meeting of shareholders. Any materials provided to the Company by a shareholder in connection with the recommendation of a director candidate are forwarded to the Nominating Committee, which considers the recommended candidate in light of the director qualifications discussed above. To date, the Nominating Committee has not engaged a professional search firm to assist in identifying qualified candidates for service on the Board of Directors.

Board Diversity

In identifying nominees, the Nominating Committee does not have a formal policy regarding the consideration of gender, race, sexual preference, religion and other traits typically associated with the term diversity. As described in *Nomination Process* above, the Nominating Committee considers it important that the Board of Directors be composed of directors with a diverse range of experience, areas of expertise and skills, but has not adopted any formal policy regarding diversity with respect to director nominees.

Board Leadership Structure and Role in Risk Oversight

Mr. Fred P. Lampropoulos currently serves as the Chairman of the Board and Chief Executive Officer of the Company. The Board of Directors and the Nominating Committee believe that the traditional practice of combining the roles of chairman of the board and chief executive officer currently provides the preferred form of leadership for the Company. Given Mr. Lampropoulos' vast experience since founding the Company in 1987, his involvement as an inventor and holder of more than 100 patents on diagnostic and therapeutic devices, the respect which he has earned from the Company's employees, business partners and shareholders, and his proven leadership skills, the Board of Directors believes the best interests of the Company's shareholders are met by Mr. Lampropoulos' continued service in both capacities. The Board of Directors believes Mr. Lampropoulos' fulfillment of both responsibilities encourages clear accountability and effective decision-making, and provides strong leadership for the Company's employees and other stakeholders.

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Given the outstanding experience and qualifications the Company's independent directors contribute to the deliberations and activities of the Board of Directors, the Company has implemented a number of practices designed to encourage effective corporate governance. These practices include:

- the requirement that at least a majority of the Company's directors meet the standards of independence applicable to the Company; and
- regular executive sessions of the Board of Directors and its committees, which are typically held in conjunction with each regularly scheduled Board of Directors and committee meeting and include

individual sessions with representatives of the Company's independent registered public accounting firm, internal auditors and legal counsel.

The Board of Directors believes no single leadership model is appropriate for all companies at all times. The Board of Directors recognizes that, depending on the circumstances, other leadership models, such as a separate, independent chairman of the board, may be appropriate. Based upon the Company's future needs and resources, the Board of Directors may determine to modify the existing leadership structure in the future.

The Board of Directors is actively involved in assessing and managing risks that could affect the Company. One of the roles of the Board of Directors is to periodically assess the processes utilized by management with respect to risk assessment and risk management, including identification by management of the principal risks of the Company's business, and the implementation by management of appropriate systems to deal with such risks. The Board of Directors fulfills these responsibilities either directly, through delegation to committees of the Board of Directors, or, as appropriate, through delegation to individual directors.

When the Board of Directors determines to delegate any risk management oversight responsibilities, typically such delegation is made to the standing committees of the Board of Directors. The Audit Committee is generally responsible for oversight of risks such as those relating to the quality and integrity of the Company's financial reports, the independence and qualifications of the Company's independent auditor, and the Company's compliance with disclosure and financial reporting requirements. The Nominating Committee is generally responsible for oversight of risks addressed through the identification and recommendation of individuals qualified to become directors of the Company, director and management succession planning and development and implementation of corporate governance principles. The Compensation Committee is generally responsible for oversight of risks such as those relating to employment policies and the Company's compensation and benefits systems. These committees exercise their oversight responsibilities through regular reports from officers of the Corporation responsible for each of these risk areas, including the Company's Chief Legal Officer and internal auditor, regular meetings to discuss and analyze such risks, and, when necessary, consultation with outside advisors.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics (the Code of Conduct), which is applicable to all employees, including its principal executive officer, principal financial officer and principal accounting officer, and is supplemented by additional provisions applicable to the CEO and the Company's senior financial and accounting officers. The Code of Conduct is posted on the Company's Internet website, www.merit.com. All directors, officers and employees of the Company are required to act ethically at all times and in accordance with the principles and policies set forth in the Code of Conduct.

Among other principles and policies, the Code of Conduct sets forth the Company's position that a conflict of interest exists when a person's private interest interferes in any way with the interests of the Company. The Code of Conduct recognizes that a conflict of interest occurs when the Company enters into a transaction in which an employee, officer, or director, or someone related to or affiliated with an employee, officer, or director, has a significant personal interest. The Code of Conduct also recognizes that a conflict of interest arises when an employee, officer or director of the Company receives an improper benefit as a result of the person's position with the Company, and prohibits any form of loan or credit to directors or officers of the Company or their family members.

The Code of Conduct obligates employees, officers and directors to promptly disclose conflicts of interest to a supervisor, management, or the Board of Directors. Any directors who have a conflicting interest in a potential conflicting interest transaction may not participate in the review of that transaction by the Board of Directors. Any waiver of the Code of Conduct may be made only by the Board of Directors and is required to be promptly disclosed as required by law or the regulations of any exchange on which the Company's securities are traded, including the Nasdaq

Global Select Market.

Whistleblower Hotline

As contemplated by the Code of Conduct, the Company has established a whistleblower hotline that enables Company employees, vendors, customers, and shareholders, as well as other interested parties, to submit confidential and anonymous reports of suspected or actual violations of the Code of Conduct. The Company's whistleblower hotline may be accessed by telephone at (877) 874-8416 or online at www.silentwhistle.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires the Company's executive officers and directors to file with the Securities and Exchange Commission (the Commission) initial reports of ownership and reports of changes in ownership of the Common Stock and other securities that are derivative of the Common Stock. Executive officers and directors are required by Commission regulations to furnish the Company with copies of all Section 16(a) reports they file. Based solely upon a review of the copies of those forms and written representations from the Company's executive officers and directors, the Company believes that all Section 16(a) reports required to be filed by the Company's officers and directors during the year ended December 31, 2009 were filed.

Shareholder Communication with the Board of Directors

The Board of Directors will receive communications from shareholders. All communications, except those related to shareholder proposals that are discussed below under the heading Proposals of Shareholders, must be sent to the Chairman of the Board of Directors at the Company's executive offices at 1600 West Merit Parkway, South Jordan, Utah 84095. Communications submitted to the Board of Directors (other than communications received through the Company's whistleblower hotline, which are reviewed and addressed by the Audit Committee) are reported to the other directors of the Company at the next regular meeting of the Board of Directors. All members of the Board of Directors are strongly encouraged to attend the Company's annual meetings of shareholders. All members of the Board of Directors were present at the 2009 Annual Meeting of the Company's Shareholders.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are James J. Ellis (Chairman), Rex C. Bean and Franklin J. Miller. None of the members of the committee is currently, or has formerly been, an officer or employee of the Company or any of its subsidiaries. The Company had no relationship during 2009 requiring disclosure under Item 404 of Regulation S-K with respect to any of the persons who served on the Compensation Committee during 2009.

EXECUTIVE OFFICERS

In addition to Mr. Lampropoulos and Mr. Stanger, whose biographies are included previously in this Proxy Statement as directors of the Company, certain information is furnished with respect to the following executive officers of the Company:

Martin R. Stephens, 56, joined the Company in 2004 and currently serves as the Company's Executive Vice President of Sales and Marketing. Prior to his appointment, Mr. Stephens previously served as the Company's Executive Vice President of Sales from 2004 to 2009 and as Vice President of Business Development in 2004. Prior to joining the Company, Mr. Stephens was employed at Zions Utah Bancorporation, Salt Lake City, Utah, where he has served as Vice President of Sales, from 1989 to 2003. From 1988 to 2004, Mr. Stephens served as an elected Representative in the Utah House of Representatives and served as Speaker of the House from 1998 to 2004. Mr. Stephens earned a Bachelor of Business Administration from Weber State University.

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Arlin D. Nelson, 69, joined the Company in 1988 and currently serves as the Company's Chief Operating Officer. Prior to his appointment as Chief Operating Officer, Mr. Nelson worked for the Company as Vice President of the Company's Research and Development Department from 2004 to 2006 and as Manufacturing and Research & Development Engineer from 1988 to 2004. Prior to joining the Company, Mr. Nelson served as the Vice President of Operations of Intermountain Packing, Inc. from 1985 to 1987 and served as Co-Founder and Vice President of Operations of Willow Technology, Inc. from 1979 to 1984.

Rashelle Perry, 44, joined the Company in 2001, and currently serves as the Company's Chief Legal Officer. Prior to joining the Company, Ms. Perry served as General Counsel for Promedix.com, Salt Lake City, Utah and Corporate Counsel for Unishippers Association, Inc., Salt Lake City, Utah. Ms. Perry also worked for Novel, Inc. in Orem, Utah and for the law firm of Parsons, Davies, Kinghorn and Peters in LLC, Salt Lake City, Utah. Ms. Perry earned an Honors Bachelor of Arts degree from the University of Utah in 1989 and a Juris Doctorate degree from the University of Utah in 1992.

