

ATRION CORP
Form DEF 14A
April 07, 2010

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

Soliciting Material Under Rule
14a-12

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Definitive Proxy Statement

Definitive Additional Materials

Atrion Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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No fee required.

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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):

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

4) Date Filed:

Atrion Corporation
One Allentown Pkwy.
Allen, TX 75002-4211
Tel 972-390-9800

April 7, 2010

Dear Stockholder:

You are cordially invited to attend the 2010 annual meeting of stockholders of Atrion Corporation which will be held at our offices in Allen, Texas on Tuesday, May 18, 2010 at 10:00 a.m., Central Time. Details regarding admission to the meeting and the business to be conducted at the annual meeting are described in the Notice of Internet Availability of Proxy Materials you received in the mail and in the Company's proxy statement. A notice of the annual meeting and the Company's proxy statement accompany this letter. We have also made a copy of our 2009 Annual Report to Stockholders available with our proxy statement.

This year, in accordance with Securities and Exchange Commission rules, we have again elected to furnish proxy materials to our stockholders primarily on the Internet. We believe that this method of distribution will lower our costs and reduce the environmental impact of our annual meeting, as well as expedite your receipt of proxy materials.

We encourage you to attend the meeting in person. However, whether or not you plan to be personally present, we hope you will 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.

Sincerely,

Emile A. Battat
Chairman and Chief Executive Officer

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 annual meeting of stockholders of Atrion Corporation (the "Company") will be held at the Company's offices, One Allentown Parkway, Allen, Texas on Tuesday, May 18, 2010 at 10:00 a.m., Central Time, for the following purposes:

1. To elect two Class III directors.
2. To approve the Amended and Restated Atrion Corporation 2006 Equity Incentive Plan.
3. To ratify the appointment of Grant Thornton LLP as independent accountants to audit the Company's financial statements for the year 2010.
4. To transact such other business as may properly come before the meeting.

The Board of Directors fixed the close of business on March 31, 2010 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 7, 2010

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE HOPE YOU WILL 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.

ATRION CORPORATION

One Allentown Parkway
Allen, Texas 75002

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

MAY 18, 2010

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 annual meeting of stockholders to be held at the Company's offices, One Allentown Parkway, Allen, Texas on Tuesday, May 18, 2010 at 10:00 a.m., Central Time, and at any adjournment of such meeting. This notice of annual meeting, proxy statement and form of proxy and the Company's 2009 Annual Report are first being made available to stockholders on or about April 7, 2010.

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:

- the election of two Class III directors;
- a proposal to approve the Amended and Restated Atrion Corporation 2006 Equity Incentive Plan, or Amended 2006 Equity Plan; and
- a proposal to ratify the appointment of Grant Thornton LLP as independent accountants to audit the Company's financial statements for the year 2010.

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 this year instead of a full set of proxy materials?

A: The rules of the Securities and Exchange Commission, or SEC, allow us to provide access to our proxy materials primarily over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials, or Notice, to our stockholders. 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.

Q: How can I get electronic access to the proxy materials?

A: The Notice 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 31, 2010, 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 2,021,452 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 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 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 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 on your Notice 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 17, 2010.

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 bank, broker or other nominee that holds your shares and present that proxy at the annual meeting to vote your shares.

Q: If I sign a proxy, how will it be voted?

A: Unless you revoke your proxy instructions, as described below under "Can I change my vote?," 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 director of the nominees of the Board of Directors named herein; FOR approval of our Amended 2006 Equity Plan; and FOR ratification of the appointment of Grant Thornton LLP as independent accountants to audit our financial statements for the year 2010. In addition, in their discretion the persons designated as proxies will vote upon such other business as may properly come before the meeting, including voting for any adjournment of the meeting proposed by the Board of Directors.

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 Corporate 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 17, 2010). 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 bank, broker 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. Please be aware that attendance at the annual meeting will not, by itself, revoke a proxy. If a bank, broker 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: The annual meeting will be held if a majority of the shares of our common stock outstanding on the record date entitled to vote is represented in person or by proxy at the meeting, constituting 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 holds your shares in its name and does not receive voting instructions from you, your broker 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 is permitted to vote your shares even if you do not provide your broker voting instructions. The election of directors and the proposal to approve the Amended 2006 Equity Plan are not deemed to be routine matters. Accordingly, your broker is not entitled to vote your shares on those matters unless voting instructions are received from you.

Q: How are votes counted?

A: Directors will be elected at the annual meeting by a plurality of the votes cast by the stockholders present in person or by proxy and entitled to vote. Abstentions and broker non-votes will have no effect on the election of directors. Approval of our Amended 2006 Equity Plan and ratification of the appointment of Grant Thornton LLP each requires the affirmative vote of a majority of the shares present, in person or by proxy, at the meeting. Abstentions will have the same effect as a negative vote, and broker non-votes will be considered absent and will have no effect, on the proposal to approve our Amended 2006 Equity Plan and the proposal to ratify the appointment of Grant Thornton LLP.

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ELECTION OF DIRECTORS

Our Board of Directors is divided into three classes: Class I, Class II and Class III. Two Class III directors are to be elected at the annual meeting, to serve until the annual meeting of stockholders to be held in 2013 and until the election and qualification of their successors in office. The nominees for election as Class III directors named below are members of the Board of Directors and were previously elected by our stockholders. It is intended that the persons named as proxies will vote for the election of these nominees. If the nominees listed below, who have indicated their willingness to serve as directors if elected, are not candidates when the election occurs, proxies may be voted for the election of any substitute nominees.

The following information is furnished with respect to our Board of Directors' nominees for election as directors 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

Nominees for Election as Director

Class III - Term Ending in 2013

Roger F. Stebbing

Mr. Stebbing, age 69, has been a director since 1992 and has been the lead director since December 2007. Mr. Stebbing is President and Chief Executive Officer of Stebbing and Associates, Inc., an engineering consulting company, and has served in such capacities since 1986. Mr. Stebbing is a licensed professional engineer and has a BSc honors degree in Chemical Engineering from Salford University. Mr. Stebbing has had extensive experience in the design and development of complex projects and provides our Board of Directors valuable engineering knowledge, expertise and insight, as well as an in-depth knowledge of the Company gained through his long-time service as a director.

John P. Stupp, Jr.

Mr. Stupp, age 60, has been a director since 1985. He is President of Stupp Bros., Inc., a diversified holding company, and has served in such capacity since March 2004. 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. Mr. Stupp holds a Bachelor of Science degree in Business and Economics from Lehigh University. He serves as a director and as a member of the audit committee of The Laclede Group, Inc., a public utility holding company. 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 2011

Emile A. Battat

Mr. Battat, age 71, has been a director since 1987 and has served as Chairman of the Board of the Company since January 1998, as Chief Executive Officer of the Company and as Chairman of the Board or President of each of the Company's subsidiaries since October 1998, and as President of the Company from October 1998 until May 2007. 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 23 years as a director and 12 years as our Chief Executive Officer enable him to provide our Board of Directors with strong and capable leadership.

Ronald N. Spaulding

Mr. Spaulding, age 46, has been a director since February 2006, and is currently a private investor. 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, 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'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 20 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 of Directors.

Class II - Term Ending in 2012

Hugh J. Morgan, Jr.

Mr. Morgan, age 81, has been a director since 1988. Mr. Morgan is a private investor. He served as Chairman of the Board of National Bank of Commerce of Birmingham from February 1990 until April 2003. Previously, Mr. Morgan spent over 26 years at Southern Natural Gas Company and spent 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. 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 of Directors valuable insight into corporate operations and governance and financial matters.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ELECTION OF ITS NOMINEES,
ROGER F. STEBBING AND JOHN P. STUPP, JR.

Information Regarding Board of Directors and Committees

Board Leadership and Independence. The positions of Chairman and Chief Executive Officer are held by Mr. Emile Battat. Mr. Stebbing, who is currently the Chair of the Corporate Governance Committee, is serving as our lead director. We believe this leadership structure is appropriate for the Company in that our Board of Directors is small, currently numbering five directors, and the combined role of Chairman of the Board and Chief Executive Officer promotes unified direction and leadership for the Company. Our Board of Directors has determined that the following directors are "independent" within the meaning of The Nasdaq Stock Market ("Nasdaq") listing standards: Messrs. Morgan, Spaulding, Stebbing and Stupp, and that Mr. Emile Battat is not independent. 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. Stebbing, our lead director, is responsible for calling, establishing agendas for and moderating those executive sessions.

Meetings. Our Board of Directors held five meetings during 2009. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of all committees on which he served held in 2009 during the time he served as a director or as a member of such committees.

Nominating Process. Because of the small number of directors, our Board of Directors has determined, and has adopted a resolution providing, that nominees for election to the Board of Directors will be selected by a majority vote of the directors meeting the Nasdaq independence requirements (Messrs. Morgan, Spaulding, Stebbing and Stupp). Accordingly, our Board of Directors does not have a separate nominating committee or a nominating committee charter. In accordance with resolutions adopted by the Board of Directors, in selecting nominees for election as directors, our Board of Directors, with the assistance of our Corporate Governance Committee, will review and evaluate candidates submitted by directors and management and by our stockholders pursuant to the procedures set forth in our Bylaws and described in "Stockholder Nominations for Directors" at page 30 of this proxy statement. The Board of Directors, in considering possible nominees, will take into account the following: (a) each director should be

an individual of the highest character and integrity; (b) each director should have substantial experience that is relevant to our Company; (c) each director should have sufficient time available to devote to the affairs of the Company; and (d) each director should represent the best interest of all of our stockholders. Our Board of Directors believes that having directors with diverse backgrounds and business experience is in our best interest and these factors are considered in connection with the selection of nominees for election as directors. Our current directors have diverse industry backgrounds, including substantial experience in medical device, industrial, engineering, financial and energy companies. All possible nominees are to be reviewed in the same manner, regardless of whether they have been submitted by stockholders, directors or management.

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

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

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

Our Corporate Governance Committee, which is currently comprised of Messrs. Morgan, Spaulding and Stebbing, is to assist in the evaluation of possible nominees for election to the Board of Directors as requested by the Board of Directors, review annually and advise the Board of Directors with respect to the compensation of directors and recommend to the Board of Directors (a) the number of directors to be fixed in connection with each annual meeting of our stockholders, (b) the directors to be appointed to each of the committees of the Board of Directors, after considering the recommendation of our Chairman of the Board, (c) corporate governance guidelines if the Corporate Governance Committee deems them appropriate and (d) proposed changes to the charter of the Corporate Governance Committee. In making recommendations to the Board of Directors 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. The Corporate Governance Committee met two times in 2009.

Our Compensation Committee, which is currently comprised of Messrs. Morgan, Spaulding and Stupp, makes recommendations to the Board of Directors as to the remuneration of our executive officers, administers the Atrion Corporation 1997 Stock Incentive Plan, or 1997 Stock Incentive Plan, the Atrion Corporation 2006 Equity Incentive Plan, or 2006 Equity Plan, the Atrion Corporation Non-Employee Director Stock Purchase Plan, or Stock Purchase Plan and the Atrion Corporation Deferred Compensation Plan for Non-Employee Directors, or Deferred Compensation Plan, and reviews and makes recommendations regarding our other incentive compensation plans. The primary processes and procedures for the consideration and determination of executive compensation, the role of 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 set forth in "Compensation Discussion and Analysis" at page 9 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 2009.

In 2006 and 2007, an outside compensation consultant, Mercer Human Resource Consulting, or Mercer Consulting, was engaged at the request of the Compensation Committee to provide information as to the compensation of chief executive officers, chief operating officers and chief financial officers in public companies with annual revenues of less than \$250 million and annual median revenues ranging from \$75 million to \$125 million.

Our Audit Committee, which is currently comprised of Messrs. Morgan, Spaulding, Stebbing and Stupp, appoints, determines the appropriate compensation for and oversees the work of the Company's independent auditors, and assists the Board of Directors in its oversight of our accounting and financial reporting principles and policies and internal audit controls and procedures and oversees related party transactions. Our 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. The Audit Committee reviews, at least annually, the Audit Committee Charter and is to recommend any changes to the Audit Committee Charter to the Board of Directors. Our Board of Directors has determined that each member of the

Audit Committee is independent within the meaning of the Nasdaq listing standards and is financially literate, and that Mr. Stupp qualifies as an audit committee financial expert. Our Audit Committee met seven times in 2009.

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 and Chief Executive Officer, at our principal office in Allen, Texas. Mr. Emile Battat will promptly send the communication to the other members of the Board of Directors.

Attendance at Stockholder Meetings. The Board of Directors has adopted a policy encouraging each director to attend, if practicable, our annual meetings of stockholders. The 2009 annual meeting was attended by all of our directors.

Code of Ethics. The Board of Directors 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.

Director Compensation

During 2009, each non-employee director was paid a fee of \$60,000 for his service as a director. In addition, the Chairmen of the Corporate Governance Committee and the Compensation Committee were each paid an annual fee of \$6,000, and the Chairman of the Audit Committee was paid an annual fee of \$12,000. Mr. Emile Battat, 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 of Directors.

The Stock Purchase Plan provides non-employee directors with a convenient method of acquiring shares of our common stock. The Stock Purchase Plan allows non-employee directors to elect to receive fully-vested stock and restricted stock in lieu of some or all of their fees. The foregone fees are converted into shares of fully-vested and restricted stock on the day the applicable 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 the Board of Directors.

The Deferred Compensation Plan allows non-employee directors to defer all or part of their 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 fees deferred by the non-employee director divided by the closing price of our common stock on the day next 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 of Directors. 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 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 fees for non-employee directors who elect to participate in either the Stock Purchase Plan or the Deferred Compensation Plan or both are paid 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, 2009:

Director Compensation Table

Name	Fees Earned or Paid in Cash (\$)	All Other Compensation \$(1)	Total (\$)
Hugh J. Morgan, Jr.	66,000(2)	—	66,000
Ronald N. Spaulding	60,000	—	60,000
Roger F. Stebbing	66,000	631	66,631
John P. Stupp, Jr.	72,000(3)	198	72,198

- (1) Amounts shown in this column represent the value of dividends paid on the number of shares represented by stock units credited to directors' stock unit accounts.
- (2) Mr. Morgan elected to receive 50 percent of his fees for 2009 in shares of our common stock, pursuant to the Stock Purchase Plan described above. As a result, Mr. Morgan was issued 339 shares, valued at \$97.10 per share, the closing market price of the Company's common stock on December 31, 2008, the last trading date prior to the date of issuance.
- (3) Mr. Stupp elected to defer \$7,200 of his fees for 2009 into stock units, pursuant to the Deferred Compensation Plan described above. As a result, Mr. Stupp's stock unit account was credited with 74.15 stock units, which amount was based on \$97.10 per share, the closing market price of our common stock on December 31, 2008, the last trading date prior to the date of issuance. As of December 31, 2009, Mr. Stupp held an aggregate of 12,000 stock options and had an aggregate of 151.12 stock units in his stock unit account.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

We believe that a compensation program that is attractive and competitive is necessary in order to attract, retain and motivate an executive team, as well as other key personnel, who will further our interests and enhance stockholder value. Our compensation program is designed to reward our executive officers for high level corporate performance as reflected by increases in our operating income and earnings per share. Elements of the program are also intended to reward key personnel based on the performance of our operating units and to reward them for individual responsibilities, experience, performance and capacity to influence our results.

The principal elements of our compensation program are: (i) base salary; (ii) annual cash bonuses; and (iii) long term incentives in the form of equity awards. Additional elements are our health insurance plan, retirement benefits under our Section 401(k) Savings Plan, or 401(k) Plan, and limited perquisites. We utilize these elements because we believe they are necessary or helpful in achieving the objectives of our compensation program. For example, base salaries are designed to attract and retain executive officers and key personnel and are intended to be at a competitive level. Annual cash bonuses and equity awards are intended to reward executive officers and key personnel and provide incentives for superior results by us or one of our operating units and for individual responsibility and performance. Equity awards also are intended to align the interests of our executive officers and key personnel with the interests of our stockholders. The combination of these elements is designed to compensate employees fairly for the services they provide on a regular basis.

We believe that base salary is the most crucial element of our program in terms of attracting and retaining executive officers and other key employees. Annual cash bonuses provide our executive officers and other key personnel with the opportunity to receive cash compensation in addition to their salaries and are intended to reward them for the performance of the Company as a whole or of our operating units and for individual performance. We consider long term incentives in the form of equity awards as very important in aligning the interests of our executive officers and key personnel with the interests of our stockholders. We do not have a specific policy of awarding options as opposed to restricted stock or restricted stock units. However, until the past few years most of our equity awards had been in the form of stock options because of the incentive they provide to employees in that they have to be in the money for the employees to realize any benefit from the award. In the past few years, we have shifted the focus of our equity awards to restricted stock and restricted stock units, principally due to the change in accounting treatment for options. We believe that our health insurance benefits, along with certain other benefits, are necessary components of our compensation program insofar as attracting and retaining employees.

Our Compensation Committee establishes the overall compensation program for our executive officers and makes recommendations for their base salaries, salary increases, and any discretionary bonuses. In addition, the Compensation Committee administers our equity incentive program. To assist in the process of administering our compensation program for our executive officers, our Compensation Committee reviews tally sheets identifying the annual compensation for our executive officers in previous years, including base salaries, cash bonuses, long term incentive awards, benefits and perquisites. Each tally sheet also shows the amount payable to the executive officers upon termination of employment under various circumstances and equity ownership. From time to time, directors who are not members of the Compensation Committee attend meetings of the Compensation Committee, including Mr. Emile Battat who attends some meetings or parts of meetings. The Compensation Committee does not delegate the authority to make equity awards. Our executive officers are responsible for the salaries, salary increases, and cash bonuses of key personnel in our operating units who are not executive officers, and they administer separate incentive plans for those units, subject, in the case of one of our units, to review by our Compensation Committee with respect to bonuses for one of our executive officers, David A. Battat, our President and Chief Operating Officer, who participates in that unit's plan. In considering the base salaries for Mr. David Battat and for Jeffery Strickland, our Vice President and Chief Financial Officer, Secretary and Treasurer, the Compensation Committee takes into account the recommendations of Mr. Emile Battat. Mr. Emile Battat also assisted in the development of an annual cash incentive plan for our chief financial officer that was first effective in 2007 and is modeled after the bonus plan applicable to Mr. Emile Battat. Additionally, Mr. Emile Battat has recommended that Mr. David Battat continue participating in the incentive plan of the operating unit of which he serves as President and is responsible for its day-to-day operations. Mr. Emile Battat is the only executive officer with an employment agreement, which is described below.

We believe that our executive compensation program should be internally consistent and equitable. In 2009 Mr. Emile Battat's base salary, which is fixed by his employment agreement, was 2.0 times the base salary of Mr. David Battat and approximately 2.4 times the base salary of Mr. Strickland. We believe that these differences were appropriate based on the responsibilities and experience of our executive officers. As discussed below, both Mr. Emile Battat and Mr. Strickland are entitled to annual cash bonuses equal to certain percentages of increases in our operating income. The percentage of the increase in operating income that is to be awarded to Mr. Emile Battat is set forth in our employment agreement with him and was determined based on our Compensation Committee's discussions with him. In determining what percentage of our operating income increase would be awarded to Mr. Strickland under the incentive compensation plan for our chief financial officer, the Compensation Committee took into account the responsibilities and experience of Messrs. Emile Battat and Strickland, as well as their capacities to influence our results, and concluded that it would be appropriate for the maximum bonus that could be paid to Mr. Strickland under the formula applicable to him to be approximately 25% of the maximum bonus that could be paid to Mr. Emile Battat under the formula applicable to him. Mr. David Battat's annual cash bonus is based on the performance of our unit for which Mr. David Battat serves as President and continues to be responsible for day-to-day operations. In addition to the formula-based cash bonuses that our executive officers may be entitled to, they also may receive discretionary cash bonuses if recommended by our Compensation Committee and approved by our Board of Directors.

We endeavor to structure our compensation program so that our base salaries and annual cash bonus opportunities are adequate to attract and retain key personnel and we have sufficient long-term equity compensation to motivate our executive officers and other key personnel to focus on our performance over the longer term. We believe that our compensation program is designed in a manner so as not to encourage excessive risk taking. Our executive officers' base salaries are fixed amounts and therefore do not encourage risk taking. Our annual and long-term incentive compensation arrangements for our executive officers are tied to our performance on an annual basis and over the longer term. We believe that those incentive programs, taken together with base salaries, are balanced and do not promote excessive risk taking. Additionally, although we do not have mandatory stock ownership requirements for our executive officers, our Compensation Committee encourages such ownership of our common stock through equity awards to our executive officers. Our Compensation Committee considers the following corporate factors in establishing our compensation program and making compensation decisions:

- increase in our earnings per share
- increase in our operating income
- total stockholder return
- safety
- efficiency of our operations

Base Salaries

In structuring the compensation program, we start with the annual base salary and build on that element. Salaries are based on the executive officer's performance, responsibilities, experience, capacity to influence our results, competitive conditions and length of service with us. When determining the base salaries for our executive officers, our Compensation Committee reviews the total annual compensation for those executive officers for previous years, including base salary, cash bonuses, long term incentive awards, benefits and perquisites. To facilitate this review, our Compensation Committee uses tally sheets identifying each of these elements. Our executive officers' base salaries are not contingent on our corporate performance. In early 2009, Mr. Emile Battat recommended to the Compensation Committee that for 2009 the base salaries of our executive officers and other senior management remain at 2008 levels in light of the uncertainties in the economy. The Compensation Committee and Board of Directors agreed with this recommendation.

Mr. Emile Battat's annual base salary is \$500,000 and has been at that level since 2002, in accordance with the terms of his employment agreement. Throughout the period since 2002, Mr. Emile Battat has requested that his base salary not be increased, including when his employment agreement was amended in 2006 to, among other things, extend the term of employment for an additional five years.

When Mr. David Battat was elected as our President and Chief Operating Officer in 2007, his responsibilities were expanded beyond those of President of one of our operating units. In connection with that election and expansion of responsibilities, we increased his annual base salary to \$200,000. Effective January 1, 2008, Mr. David Battat's annual base salary was increased to \$250,000 and it remained at that level in 2009. Our Compensation Committee believes that the 2008 increase was appropriate in light of Mr. David Battat's duties at the Company level as well as the significant contribution that the operating unit of which he serves as President had been making to the Company's overall results. The continuation of his base salary at that level in 2009 was in accordance with Mr. Emile Battat's recommendation referred to above which was accepted by the Compensation Committee and our Board of Directors.

Mr. Strickland's annual base salary was increased from \$200,000 to \$210,000 effective January 1, 2008 and remained at that level in 2009. Our Compensation Committee believes that the 2008 increase was appropriate in light of market conditions, the continuing growth of the Company, Mr. Strickland's individual performance and his length of service with the Company. The continuation of his base salary at that level in 2009 was also consistent with Mr. Emile Battat's recommendation for 2009 base salaries as discussed above.

Annual Incentive Compensation

Our employment agreement with Mr. Emile Battat and our annual bonus plan for our chief financial officer each provide for annual cash bonuses based on increases in our operating income, although at different levels. As provided in the employment agreement and that plan, our Compensation Committee has the authority to exercise its discretion to adjust any increase in our operating income to disregard one-time, nonrecurring extraordinary items and is to make such equitable adjustments as are required to give effect to acquisitions, divestitures or similar corporate transactions. In addition to serving as our President and Chief Operating Officer, Mr. David Battat serves as President of one of our operating units and devotes a substantial portion of his time to the operations of that unit. In reviewing Mr. David Battat's total compensation, our Compensation Committee, with the recommendation of Mr. Emile Battat, concluded that for 2009 it was appropriate for Mr. David Battat to continue participating in that unit's incentive compensation plan. Accordingly, the Compensation Committee has not recommended that a separate plan similar to those under which Messrs. Emile Battat and Strickland receive incentive compensation be implemented for Mr. David Battat. The unit's plan establishes a pool each year equal to a portion of the unit's operating profits. The pool is used to pay certain bonuses to that unit's manufacturing and assembly employees, other discretionary bonuses to employees not designated as key employees and certain other expenses. The balance of the pool, if any, is distributed to key employees, with 75% of a participant's bonus to be paid prior to March 15 of the year immediately following the year for which the pool is established and 25% to be paid by March 15 of the following year if the participant is still employed. The plan is administered by our executive officers subject to review and adjustments by our Compensation Committee with respect to bonuses for the one executive officer who participates in that plan. Our Compensation Committee has the authority to recommend discretionary cash bonuses based on the performance of the Company, one or more Company units or individual performance. We believe that this discretionary authority may be useful because there may be circumstances that would support awards being made in addition to those under, or in the absence of attainment of the performance goals in, the plans and arrangements discussed above. Based on our performance and Mr. David Battat's individual performance, our Compensation Committee recommended, and our Board of Directors approved, a discretionary cash bonus of \$100,000 to Mr. David Battat for 2009, 75% of which was paid prior to March 15, 2010 and the remaining 25% of which will be paid by March 15, 2011 provided he is then employed by Halkey-Roberts or an affiliate.

Long Term Incentive Awards

Long term equity-based compensation is an integral part of our total compensation package. It is intended to align the interests of our executive officers and key personnel with the interests of our stockholders in focusing on long-term growth and stock performance. We review the costs and benefits to us from the various forms of long-term compensation, recognizing that stock options will have little or no value if we do not have increased profitability and that restricted stock and restricted stock units may continue to have value, though possibly reduced, if our profitability declines.

Our policy is that if we are going to make equity awards, other than in connection with new hires or unusual circumstances, those awards will be made at the meeting of our Compensation Committee held in

conjunction with our annual stockholders meetings, which usually are held each May. In May 2008, our Compensation Committee granted options for 16,000 shares to Mr. David Battat and awarded him 4,000 shares of restricted stock. These options and restricted stock vest over a four-year period.

Benefits and Perquisites

As a part of our total compensation package, we provide various benefits to our executive officers, including health insurance and life and disability insurance. We also maintain a 401(k) Plan for all of our employees, including our executive officers. Under our 401(k) Plan, we make matching contributions of up to 3.5% of a participant's eligible compensation. Our executive officers are fully vested in our matching contributions. Perquisites are not a significant component of compensation for our executive officers.

Termination and Change in Control Arrangements

We have agreements or plans under which Messrs. Emile Battat, David Battat and Strickland are entitled to payments and benefits upon termination of employment under certain circumstances. The terms of Mr. Emile Battat's arrangement are included in his employment agreement and were determined on the basis of recommendations by our Compensation Committee after discussions with him. The terms of Mr. David Battat's arrangement were recommended by our Compensation Committee after consideration of his responsibilities and experience. The terms of Mr. Strickland's severance plan were recommended by our Compensation Committee after consideration of Mr. Strickland's total compensation package and length of service with the Company. We have structured our arrangements with our executives so that a change in control alone does not trigger any payments and, with respect to their equity awards, results only in acceleration of vesting. We believe acceleration of vesting provides our executive officers a reasonable measure of protection in the event of a change in control. For a more detailed discussion of the terms of these arrangements, see "Potential Termination and Change in Control Payments" at page 18.

Other

The base salaries of our executive officers can be adjusted upwards and downwards, except in the case of Mr. Emile Battat, and discretionary bonuses can be awarded based on the individual performance of the executives as well as the performance of the Company or its units. Additionally, we can make equity awards to reward individual performance. We have not had to adjust or restate performance measures upon which awards have been made and, accordingly, have not made any decisions nor adopted any policy with respect to adjusting or reducing awards as a result of any such adjustment or restatement. However, we would expect to reduce or adjust awards if such events were to occur. We recognize that there may be circumstances where the individual responsibilities and performance of our executive officers or our corporate performance is so exceptional that a material increase in compensation would be appropriate. Likewise, we recognize that there could be a material downturn in our corporate performance, in which event we would consider reducing and, if appropriate, materially reducing compensation levels where permitted. In addition, we recognize that it may be necessary to materially increase compensation to retain personnel who may have attractive offers from other companies. However, this has not been a practice that we have engaged in regularly, though we have taken this action on occasion in the past.

In making equity awards or considering adjustments to base salaries or cash incentives, our Compensation Committee takes into account the other elements of the compensation packages of our executive officers, including the number of shares of our common stock owned by our executive officers and the number of unexercised options held and restricted stock or restricted stock units held, as well as the potential benefits they may realize upon the sale of the stock underlying these awards.

Although we expect that our Compensation Committee will continue to grant options where appropriate to provide longer term incentives to our executive officers and other key personnel, our Compensation Committee is continually weighing the benefit expected to be received from that element of our compensation program against the impact that type of award will have on our corporate earnings under recent accounting changes and the advantages and disadvantages of other types of equity awards.

We have not adopted any guidelines and have no specific requirements respecting the ownership of our securities by our executive officers and other key personnel. However, through our equity awards to our executive officers and other key personnel we encourage ownership of our securities. We also have a policy that discourages hedging the risk of ownership of our securities.

In 2006, Mercer Consulting reviewed the compensation of chief executive officers and chief financial officers in companies with annual revenues of less than \$250 million and annual median revenues ranging from \$75 million to \$125 million. A review of the compensation of chief operating officers for companies in those categories was provided by Mercer Consulting in early 2008. These surveys provided us with information regarding base salary, target bonus, target total annual compensation, long term incentives, and total direct compensation. This information has been used by our Compensation Committee to obtain a more thorough understanding of compensation practices in companies in those categories so as to assist our Compensation Committee in formulating its recommendations to our Board of Directors regarding the compensation structure and levels of our executive officers. In addition, the Compensation Committee reviews compensation surveys that include a broad range of companies.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth above. Based on this review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the proxy statement.

Members of the Compensation Committee

Hugh J. Morgan, Jr. (Chairman)

Ronald N. Spaulding

John P. Stupp, Jr.

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The following table sets forth summary information concerning the compensation of our executive officers during the periods indicated.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non- Equity Incentive Plan Compensation (\$)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(4)	All Other Compensation (\$)	Total (\$)
Emile A. Battat Chairman of the Board and Chief Executive Officer	2009	500,000	—	—	—	235,494	3,772	13,871(5)	753,137
	2008	500,000	—	—	—	296,481	5,438	14,119	816,038
	2007	500,000	—	—	—	411,195	15,491	9,243	935,929
David A. Battat President and Chief Operating Officer	2009	250,000	100,000(6)	—	—	275,000(7)	422	13,291(8)	638,713
	2008	250,000	—	444,240	388,920	215,000	609	11,895	1,310,664
	2007	186,538	—	—	—	150,000	8,500	2,610	347,648
Jeffery Strickland Vice President and Chief Financial Officer, Secretary and Treasurer	2009	210,000	—	—	—	58,873	6,858	10,598(9)	286,329
	2008	210,000	—	—	—	74,120	9,886	10,637	304,643
	2007	200,000	—	—	—	100,000	18,467	21,106	339,573

- (1) The amounts presented in this column represent the aggregate grant date fair value of stock awards made during the year computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation-Stock Compensation ("FASB ASC Topic 718"). The assumptions used in the valuations may be found in Note 8 to the financial statements included as a part of our Annual Report on Form 10-K for the year ended December 31, 2009.
- (2) The amounts presented in this column represent the aggregate grant date fair value of option awards made during the year computed in accordance with FASB ASC Topic 718. The grant-date fair value was determined using a Black-Scholes valuation applied to the number of shares granted under an option. The assumptions used in the Black-Scholes valuations and the resulting values per share may be found in Note 8 to the financial statements included as a part of our Annual Report on Form 10-K for the year ended December 31, 2009.
- (3) These awards were made to Mr. Emile Battat under his employment agreement with us, to Mr. David Battat under the Halkey Roberts Incentive Compensation Plan, or Halkey-Roberts Plan, and to Mr. Strickland under the incentive compensation plan for our chief financial officer.
- (4) In 2007, we terminated the Atrion Corporation Cash Balance Plan, or Cash Balance Plan. Each of our executive officers participated in the Cash Balance Plan and elected a lump sum distribution of his account which was paid in October 2009. The amounts presented in this column for 2009 represent the difference between the Present Value of Accumulated Benefits under the Cash Balance Plan at December 31, 2008 and the amounts actually distributed to our executive officers in October 2009, which distributions were as follows: Mr. Emile Battat -- \$129,521; Mr. David Battat - \$14,493; and Mr. Strickland -- \$235,456. The amounts presented in this column for 2008 and 2007 are the amounts accumulated in the named executive officer's account under the Cash Balance Plan between January 1, 2008 and December 31, 2008 and January 1, 2007 and December 31, 2007, respectively.
- (5) Includes the following paid or accrued by us or one or more at our subsidiaries: (i) matching contributions to the 401(k) Plan of \$8,575; (ii) dividends on restricted stock of \$4,860; and (iii) payment of life insurance premiums of \$436.
- (6) This bonus was awarded to Mr. David Battat for 2009, with 75% paid prior to March 15, 2010 and the remaining 25% to be paid by March 15, 2011 provided he is then employed by Halkey-Roberts or an affiliate.
- (7) Mr. David Battat was awarded this amount for 2009 pursuant to the Halkey-Roberts Plan and, in accordance therewith, he received 75% of that bonus prior to March 15, 2010 and is to receive the remaining 25% by March 15, 2011 provided he is then employed by Halkey-Roberts or an affiliate.

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- (8) Includes the following paid or accrued by us or one or more at our subsidiaries: (i) matching contributions to the 401(k) Plan of \$8,575; (ii) dividends on restricted stock of \$4,260; and (iii) payment of life insurance premiums of \$456.
- (9) Includes the following paid or accrued by us or one or more at our subsidiaries: (i) matching contributions to the 401(k) Plan of \$7,350 and (ii) payment of life insurance premiums of \$3,248.

The following table sets forth summary information concerning the grants of plan-based awards to our executive officers during the year ended December 31, 2009.

Grants of Plan-Based Awards

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units	All Other Awards: Number of Securities Underlying	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)(1)	Target (\$)(2)	Maximum (\$)(3)	Threshold (#)	Target (#)	Maximum (#)				
Emile A. Battat(4)	—	0	235,494	—	—	—	—	—	—	—	—
David A. Battat(4)	—	0	275,000	—	—	—	—	—	—	—	—
Jeffery Strickland(4)	—	0	58,873	105,000	—	—	—	—	—	—	—

- (1) The amounts presented in this column are \$0 because Mr. Emile Battat's employment agreement, the Halkey-Roberts Plan and the incentive compensation plan for our chief financial officer do not provide for threshold amounts if performance targets are not met.
- (2) The amounts presented in this column represent the payments that Mr. Emile Battat, Mr. David Battat and Mr. Strickland received in 2009.
- (3) Mr. Emile Battat's employment agreement and the Halkey-Roberts Plan do not provide for a maximum bonus. The maximum amount shown for Mr. Strickland represents fifty percent (50%) of Mr. Strickland's base salary for 2009, the highest percentage of base salary that may be awarded under the incentive compensation plan for our chief financial officer.
- (4) See "Certain Agreements, Plans and Transactions" at page 17 of this proxy statement.

Base Salaries

Mr. Emile Battat's base salary is fixed by his employment agreement. Base salaries for Mr. Strickland and Mr. David Battat are reviewed annually, and adjustments are generally made on the basis of our performance as measured by certain financial and non-financial criteria, various survey information respecting compensation of executive officers, compensation levels for executive officers in a broad range of companies, cost-of-living information and the individual performance of the respective executive officer. The Compensation Committee has not assigned relative weights or values to any of such criteria. With respect to our financial performance, the Compensation Committee generally takes into consideration our operating income, earnings per share and total stockholder return.

Incentive Compensation

The Company and its subsidiaries have implemented cash incentive plans covering certain key employees. Mr. Emile Battat is eligible for cash incentive awards under the terms of his employment agreement, and Mr. Strickland may receive cash incentive awards under the terms of the incentive compensation plan for our chief financial officer. Mr. David Battat participates in the Halkey-Roberts Plan and may receive cash incentive awards under that plan. These arrangements are described in more detail in "Certain Agreements, Plans and Transactions" at page 17 of this proxy statement. These arrangements are intended to foster a corporate culture focused on bottom line results by providing key employees with a substantial stake in reducing costs and increasing sales and

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productivity while conserving capital resources. In addition, our executive officers may receive discretionary bonuses if recommended by our Compensation Committee and approved by our Board of Directors.

The following table sets forth summary information concerning our executive officer's outstanding equity awards as of December 31, 2009.

Outstanding Equity Awards at Fiscal Year-End

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Emile A. Battat	18,750	6,250(2)	—	71.86	8/6/11	3,000	467,160	—	—
David A. Battat	3,104	9,312(3)	—	111.06	5/9/13	3,000	467,160	—	—
	896	2,688(3)	—	111.50	5/9/13	—	—	—	—
Jeffery Strickland	—	—	—	—	—	—	—	—	—

- (1) Based on the closing price of \$155.72 per share of the common stock of the Company on December 31, 2009.
- (2) This option award will vest on August 7, 2010.
- (3) One-third of this option award will vest on each of May 8, 2010, May 8, 2011 and May 8, 2012.

The following table sets forth summary information concerning the exercise of options and the vesting of stock during the year ended December 31, 2009 for our executive officers.

Option Exercises and Stock Vested

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(1)
Emile A. Battat	—	—	1,500	195,083
David Battat	—	—	1,000	89,660
Jeffery Strickland	—	—	—	—

- (1) Based on the average of the high and low trading prices of the Company's common stock on the vesting dates.

Cash Balance Plan

For a number of years, we maintained a Cash Balance Plan, which included all full-time active employees of our Company and its subsidiaries, other than Quest Medical, Inc., that were hired prior to May 1, 2005. Each participant had an account balance which represented his or her benefit under the Cash Balance Plan. Generally, each participant was to become fully vested in the benefits under such plan after five years of employment. Messrs. Emile Battat, David Battat and Strickland participated in the Cash Balance Plan. In 2007, the Board of Directors approved an

amendment to the Cash Balance Plan to freeze all future benefit accruals to participants' account balances after December 31, 2007, and terminated the Cash Balance Plan effective December 31, 2007. Participants in the Cash Balance Plan continued to earn interest credits on their account balances until such time as the Cash Balance Plan settled all its obligations with respect to termination. For 2009, the per annum interest rate was 4.0%. In October 2009, final distributions were made to participants in the Cash Balance Plan. The distributions were made in a lump sum to the named executive officers.

Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)(1)
Emile A. Battat	Cash Balance Plan	10.25	—	129,521
David A. Battat	Cash Balance Plan	3.83	—	14,493
Jeffery Strickland	Cash Balance Plan	25.33	—	235,456

- (1) Mr. Emile Battat rolled over \$119,563 of his distribution to his account in our 401(k) Plan; Mr. David Battat rolled over the full amount of his distribution to our 401(k) Plan; and Mr. Strickland rolled over the full amount of his distribution to an Individual Retirement Account.

Certain Agreements, Plans and Transactions

In 2002, we entered into an employment agreement with Mr. Emile Battat which, as amended that same year, provided for his employment for an initial term that expired on December 31, 2006. That employment agreement provided for base salary for each calendar year of \$500,000. In addition, Mr. Emile Battat was entitled to receive a cash bonus each year of not less than \$100,000. On August 7, 2006, the Board of Directors approved an amended employment agreement with Mr. Emile Battat which became effective on January 1, 2007 that has an initial term expiring on December 31, 2011. That employment agreement provides that Mr. Emile Battat will receive the same base salary for each calendar year that he was entitled to under our original employment agreement with him and provides for a cash bonus each year equal to a percentage of the increase in operating income for such calendar year over operating income for the prior calendar year, subject to equitable adjustments in the discretion of the Compensation Committee. Our employment agreement with Mr. Emile Battat also provides for certain payments to be made and benefits provided to Mr. Emile Battat upon termination of employment, as discussed in "Potential Termination and Change in Control Payments" below.

Mr. David Battat participates in the Halkey-Roberts Plan. The Halkey-Roberts Plan provides for a bonus pool equal to 15% of the excess of Halkey-Robert's operating profit, reduced by a percentage of the amount of our corporate overhead that is allocated to Halkey-Roberts each calendar year, over that amount required for Halkey-Roberts to realize a 15% return on the average of total net assets excluding cash but including working capital used in the operations of Halkey-Roberts for such calendar year. The Halkey-Roberts Plan provides that each participant will receive 75% of his or her bonus prior to March 15 of the year following the year to which the bonus is attributable, and 25% by the next succeeding March 15 provided the participant is then employed by Halkey-Roberts or an affiliate. Mr. David Battat was awarded a bonus under the Halkey-Roberts Plan of \$275,000 for 2009, \$206,250 of which was paid in early 2010 and \$68,750 of which will be paid on or before March 15, 2011 if Mr. David Battat is then employed by us or a subsidiary. In March 2009, we entered into a change in control agreement with Mr. David Battat. The change in control agreement provides that Mr. David Battat will be entitled to certain payments and benefits in the event his employment is terminated in connection with a change in control of the Company, as discussed in "Potential Termination and Change in Control Payments" below.

In May 2007, the Board of Directors approved an incentive compensation plan for our chief financial officer. Under that plan, Mr. Strickland is to receive a cash bonus each year equal to a percentage of the increase in operating income for such calendar year over operating income for the prior calendar year, subject to equitable adjustments in the discretion of the Compensation Committee. The bonus may not exceed 50% of Mr. Strickland's base salary for such calendar year. Mr. Strickland was awarded a bonus of \$58,873 for 2009 pursuant to that plan. The Company has a severance plan pursuant to which Mr. Strickland will be entitled to certain payments if his

employment is terminated under certain circumstances in connection with a change in control of the Company, as discussed in "Potential Termination and Change in Control Payments" below.

In 2007, the Company's Board of Directors approved final settlement of the Company's obligations to participants in the Company's Supplemental Executive Retirement Plan and the Company's Supplemental Executive Thrift Plan. In connection therewith, Mr. Strickland received a payment in the amount of \$15,436. Those plans had been frozen since December 31, 1998.

Potential Termination and Change in Control Payments

Termination for Cause or Without Good Reason

If Mr. Emile Battat's employment is terminated by us for "just cause" or by Mr. Emile Battat without "good reason" (as those terms are defined in Mr. Emile Battat's employment agreement), he is to receive his base salary up to the termination date and the annual bonus for the calendar year in which the termination date occurs, prorated for the number of days in such calendar year prior to the termination date. He will also be entitled to receive his accrued vacation pay, unreimbursed business expenses and vested amounts under the 401(k) Plan.

If Mr. David Battat's employment or Mr. Strickland's employment is terminated for cause, they will each receive their base salary up to the termination date, accrued vacation pay, unreimbursed business expenses and vested amounts under the 401(k) Plan.

Termination Without Just Cause or With Good Reason or Due to Death or Disability

If Mr. Emile Battat's employment is terminated by us without just cause, by Mr. Emile Battat with good reason or due to his death or disability, he will be entitled to receive the same payments and other benefits he would receive had the termination been with just cause plus an amount equal to the sum of one year's base salary and the average annual bonus received by him in the three years prior to the year in which the termination occurs. In addition, we will continue to provide group health plan benefits for him, his spouse and his dependents for one year and all stock options and other equity will fully vest and become exercisable on the termination date.

If Mr. David Battat's or Mr. Strickland's employment is terminated by us without "just cause," by either of them with "good reason" (as those terms are defined in Mr. David Battat's change in control agreement and Mr. Strickland's severance plan) or due to death or disability, and such termination is not in connection with a change in control of the Company, they will each receive the same payments and other benefits they would receive had the termination been with just cause.

Termination Without Just Cause or With Good Reason in Connection with Change in Control

If Mr. Emile Battat's employment is terminated by us without just cause or by Mr. Emile Battat for good reason in contemplation of or within two years following a "change in control" (as that term is defined in Mr. Emile Battat's employment agreement), he will be entitled to receive the same payments and other benefits he would receive had the termination been with just cause, plus an amount equal to two times the sum of one year's base salary and the average annual bonus received by him for the three years prior to the year in which the termination occurs. In addition, we will continue to provide group health plan benefits for him, his spouse and his dependents for one year and all stock options and other equity will fully vest and become exercisable on the termination date.

If Mr. David Battat's employment is terminated by us or Halkey-Roberts without just cause or by Mr. David Battat for good reason in contemplation of or within two years following a "change in control" (as defined in Mr. David Battat's change in control agreement), he will be entitled to receive the same payments and other benefits he would have received had the termination been with just cause, plus an amount equal to two times the sum of one year's base salary and the average annual bonus to which he was entitled for the three years prior to the year in which the termination occurs. In addition, Mr. David Battat's unvested equity awards will vest and he will be entitled to one year's health benefits.

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If there is a change in control of the Company and Mr. Strickland's employment is terminated by us without cause or by Mr. Strickland with good reason prior to Mr. Strickland's death, attainment of age 65 or the expiration of two years following the change in control, Mr. Strickland will be entitled to receive severance pay in an amount equal to his annual base salary for the 12 months preceding termination of employment. In addition, Mr. Strickland will be entitled to receive any bonus due under the incentive compensation plan for our chief financial officer and his vested amount under the 401(k) Plan.

Change in Control Without Termination of Employment

If there is a change in control but no termination of employment, Mr. Emile Battat's and Mr. David Battat's unvested options and restricted stock will vest under the terms of the 2006 Equity Plan.

The following table sets forth the payments and benefits that each executive officer would have received had his employment been terminated or had a change in control occurred, on December 31, 2009:

Name	Type of Payment or Benefit	Termination for Just Cause or Without Good Reason (\$)	Termination Without Just Cause, For Good Reason, or upon Death or Disability (\$)	Termination Without Cause or For Good Reason in Connection with a Change in Control (\$)	Change in Control (\$)
Emile A. Battat	Severance Payment	235,494	1,004,719	1,773,945	—
	Equity Awards	0	991,285(1)	991,285(1)	991,285(1)
	Retirement Benefits(2)	51,681	51,681	51,681	—
	Health Benefits	0	11,500	11,500	—
	Total	287,175	2,059,185	2,828,411	991,285
David A. Battat	Severance Payment	—	—	1,189,808	—
	Equity Awards	—	—	1,001,897(1)	1,001,897(1)
	Retirement Benefits(2)	21,435	21,435	21,435	—
	Health Benefits	—	—	5,141	—
	Total	21,435	21,435	2,218,281	1,001,897
Jeffery Strickland	Severance Payment	—	—	268,873(3)	—
	Equity Awards	—	—	—	—
	Retirement Benefits(2)	192,548	192,548	192,548	—
	Health Benefits	—	—	—	—
	Total	192,548	192,548	461,421	—

- (1) These amounts represent the market price as of December 31, 2009 of equity awards vesting on termination of employment or change in control less, in the case of options, the exercise price of those options.
- (2) These retirement benefits are the market value of the vested amount contributed by the Company to the named executive officer's account under the 401(k) Plan, excluding amounts rolled over from the terminated Cash Balance Plan.
- (3) The severance payment includes the payment under Mr. Strickland's severance plan and the bonus for 2009 under the incentive compensation plan for our chief financial officer.

Compensation Committee Interlocks and Insider Participation

During 2009, Messrs. Morgan, Spaulding and Stupp served as members of the Compensation Committee. None of the members of the Compensation Committee was an officer or employee of the Company or our subsidiaries or had any relationship requiring disclosure pursuant to Item 404 of Regulation S-K. Additionally, during 2009, none of our executive officers was a member of the board of directors, or any committee thereof, of any other entity one of the executive officers of which served as a member of our Board of Directors, or any committee thereof.

Related Party Transactions

Our Audit Committee, pursuant to the Audit Committee Charter, is authorized to review and approve or disapprove, in its sole discretion, in advance, any proposed related-party transaction, within the meaning of Nasdaq listing standards and rules and regulations promulgated by the SEC. Under the Audit Committee's written policies, transactions involving amounts in excess of \$120,000 in which a related person has a direct or indirect material interest are subject to review and approval or disapproval. The Audit Committee will approve such a transaction only if it determines that the transaction is in our best interest.

In considering a related party transaction, the Audit Committee will consider all relevant factors, including as applicable (i) our business rationale for entering into the transaction; (ii) the alternatives to entering into a related person transaction; (iii) whether the transaction is on terms comparable to those available to third parties, or in the case of employment relationships, to employees generally; (iv) the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and (v) the overall fairness of the transaction to us.

The Audit Committee will periodically monitor the transaction to ensure that there are no changed circumstances that would render it advisable for us to amend or terminate the transaction. Management or the affected director or executive officer is to bring the matter to the attention of the Audit Committee. If a member of the Audit Committee is involved in the transaction, he or she will be recused from all discussions and decisions about the transaction.

APPROVAL OF AMENDED AND RESTATED
ATRION CORPORATION
2006 EQUITY INCENTIVE PLAN

On May 22, 2006, our stockholders approved the Atrion Corporation 2006 Equity Incentive Plan, or 2006 Equity Plan, which provides that the maximum number of shares of our common stock that can be issued pursuant to awards thereunder is 100,000 shares. Under the 2006 Equity Plan awards may be in the form of incentive and non-qualified stock options, restricted stock, restricted stock units, deferred stock units and performance shares. On February 17, 2010, our Board of Directors voted to amend and restate our 2006 Equity Plan and is recommending the Amended and Restated Atrion Corporation 2006 Equity Incentive Plan, or Amended 2006 Equity Plan, to our stockholders for approval.

As of March 26, 2010, we had 37,151 shares of common stock available for awards under the 2006 Equity Plan. The Amended 2006 Equity Plan increases the reserved shares by 100,000 shares. The Amended 2006 Equity Plan also contains certain additional changes from the 2006 Equity Plan, including authorizing awards of dividend equivalents and other stock-based awards and permitting awards to our non-employee directors.

Reasons for Amendment

When our 2006 Equity Plan was adopted four years ago, we reserved 100,000 shares of our common stock for awards thereunder. Over the past four years, we have awarded options, restricted stock and restricted stock units to our employees and as of March 26, 2010 we had 37,151 shares available for awards under the 2006 Equity Plan. Our Board of Directors continues to believe that an equity incentive plan is helpful in attracting and retaining key personnel and providing incentive compensation based on our performance and that of our key employees. However, in order to continue realizing the benefits of our 2006 Equity Plan, it is necessary to increase the number of shares available for awards. Our Board of Directors believes that an increase of 100,000 shares of our common stock is necessary and has approved that increase, as set forth in the Amended 2006 Equity Plan. Our Board of Directors also believes that permitting awards of dividend equivalents and other stock-based awards provides our Compensation Committee, which has administered the 2006 Equity Plan and will administer the Amended 2006 Equity Plan, with additional flexibility in shaping awards in the future. Also, our Board of Directors believes that permitting awards to non-employee directors will be helpful in attracting and retaining members of our Board of Directors.

Summary of Amended 2006 Equity Plan

The following is a summary of the Amended 2006 Equity Plan. The statements contained herein are qualified in their entirety by reference to the Amended 2006 Equity Plan, a copy of which is attached as Appendix A to this Proxy Statement.

General. The Amended 2006 Equity Plan authorizes the Company to grant to eligible persons the following types of equity-based awards: options to purchase common stock that qualify as "incentive stock options" within the meaning of Section 422 of the Code; options to purchase common stock that do not qualify as incentive stock options under the Code, which also are referred to as "nonqualified stock options;" shares of restricted stock that are subject to certain transferability and forfeiture restrictions that lapse after specified restricted periods; restricted stock units, deferred stock units, dividend equivalents, stock appreciation rights, also known as SARs; performance share units and other stock-based awards.

Eligible Persons. Employees, non-employee directors and consultants of the Company will be eligible to participate in the Amended 2006 Equity Plan. As of March 15, 2010, approximately 50 employees, non-employee directors and consultants of the Company and its subsidiaries would be eligible to participate in the Amended 2006 Equity Plan. The selection of employees, non-employee directors and consultants to participate in the Amended 2006 Equity Plan will be entirely within the discretion of the Compensation Committee. Under present law, incentive stock options may be granted only to employees.

Shares Available. The maximum number of shares of common stock subject to all awards granted under the Amended 2006 Equity Plan will be 200,000 shares, of which approximately 137,151 will be available for new

awards. The maximum number of shares of common stock which may be awarded to any one person during any one year is 35,000 shares. The awards granted under the Amended 2006 Equity Plan and the foregoing share limitations are subject to equitable adjustment or substitution, as determined by the Compensation Committee in its sole discretion, in the event of certain changes in the Company's outstanding shares of common stock or its capital structure resulting from a dividend or other distribution in the form of cash (excluding ordinary cash dividends), common stock, other securities or other property, on account of a recapitalization, reclassification, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of our assets, or exchange of our common stock or other securities, issuance of warrants or other rights to purchase our common stock or other securities, or other similar event that affects our common stock. In the event that any stock option, restricted common stock, restricted stock unit, deferred stock unit, dividend equivalent, SAR, performance share unit or other stock-based award expires or is surrendered, terminated, or forfeited, the shares of common stock no longer subject to such award will be released and thereafter available for new awards to be granted under the Amended 2006 Equity Plan.

Administration. The Compensation Committee is authorized to administer the Amended 2006 Equity Plan. The Compensation Committee has the power, subject to the provisions of the Amended 2006 Equity Plan, to interpret the Amended 2006 Equity Plan and the agreements pursuant to which stock options, restricted common stock, restricted stock units, deferred stock units, dividend equivalents, SARs, performance units and other stock-based awards are granted or awarded, and to adopt such rules for the administration, interpretation, and application of the Amended 2006 Equity Plan as are consistent therewith and to interpret, amend or revoke any such rules. The Compensation Committee has the power, subject to the provisions of the Amended 2006 Equity Plan, to determine the nature and extent of the awards to be made to each participant; to determine the time when awards will be made to participants; to establish the performance goals and determine the period of time within which performance is measured with respect to performance units; to establish the various targets and bonus amounts which may be earned by certain employees; to specify the relationship between the performance goals and the targets and amounts that may be earned by certain employees; to determine the period of time during which shares of restricted stock are subject to restrictions; to determine the conditions for the payment of awards; and to prescribe the forms of agreements and documents evidencing the awards. The Compensation Committee, in its absolute discretion, will determine the effect of a participant's termination of employment or service on unvested options, restricted common stock and restricted stock units unless otherwise provided in the Amended 2006 Equity Plan.

Types of Equity-Based Awards

Stock Options. The Compensation Committee may grant stock options to eligible persons under the Amended 2006 Equity Plan. Each option granted pursuant to the Amended 2006 Equity Plan is designated at the time of grant as either an option intended to qualify as an incentive stock option under Section 422 of the Code, referred to as an incentive stock option, or as an option that is not intended to so qualify, referred to as a nonqualified stock option. Nonqualified stock options may be granted to all eligible persons, but incentive stock options may be granted only to our employees and employees of our related entities. The Compensation Committee may set the exercise price of stock options, provided that the exercise price per share is not less than the par value of a share of common stock and is not less than the fair market value of the underlying common stock on the date of grant. Stock options will vest and become exercisable in such a manner and on such date or dates as are determined by the Compensation Committee. Any incentive stock options granted pursuant to the Amended 2006 Equity Plan will expire after a period not exceeding ten years from the date of grant, as determined by the Compensation Committee, subject to earlier termination in the event that the participant's employment or service with the Company or a related entity ceases before the end of the option period. If an incentive stock option is granted to a participant who owns or is deemed to own more than 10% of the combined voting power of all classes of the Company's stock, the option period may not exceed five years and the exercise price may not be less than 110% of the fair market value of the underlying common stock on the date of grant. The exercise price for any option is generally payable in cash or, in certain circumstances, by the surrender, at the fair market value on the date on which the option is exercised, of shares of our common stock having a value equal to the exercise price. The Amended 2006 Equity Plan permits optionholders to exercise their options prior to the date on which the options will vest, subject to Compensation Committee action. In such case, the optionholder will, upon payment for the shares, receive restricted stock having vesting terms that are identical to the vesting terms under the original option and subject to repurchase by us while the restrictions on vesting are in effect. Each stock option is to be evidenced by

an award agreement containing such provisions, consistent with the Amended 2006 Equity Plan, as are determined by the Compensation Committee.

Restricted Common Stock. The Compensation Committee may award restricted common stock to eligible persons under the Amended 2006 Equity Plan. The participant's rights to the restricted common stock are subject to certain transferability and forfeiture restrictions during a restricted period which commences on the date of grant of the restricted common stock and expires from time to time in accordance with a schedule established by the Compensation Committee. While the restrictions are in place, the participant generally has the rights and privileges of a stockholder as to the restricted common stock, including the right to vote the restricted common stock and to receive dividends thereon. Upon the expiration of the restricted period, the restrictions are of no further force or effect with respect to the restricted common stock. Each restricted common stock award is to be evidenced by an award agreement between us and the participant setting forth the applicable restrictions.

Restricted Stock Units and Deferred Stock Units. The Compensation Committee may award restricted stock units and deferred stock units to eligible persons under the Amended 2006 Equity Plan, each for the duration that it determines in its discretion. Each restricted stock unit and each deferred stock unit is equivalent in value to one share of our common stock and entitles the participant receiving the award to receive one share of common stock for each restricted stock unit at the end of the vesting period applicable to such restricted stock unit and for each deferred stock unit at the end of the deferral period. Participants are not required to pay any additional consideration in connection with the settlement of restricted stock units or deferred stock units. A holder of restricted stock units or deferred stock units has no voting rights, right to receive cash distributions or other rights as a stockholder until shares of common stock are issued to the holder in settlement of the stock units. However, participants holding restricted stock units or deferred stock units are entitled to receive dividend equivalents with respect to any payment of cash dividends on an equivalent number of shares of common stock. Such dividend equivalents are credited in the form of additional stock units.

Dividend Equivalents. The Compensation Committee is authorized to grant dividend equivalents to participants subject to such terms and conditions as may be selected by the Compensation Committee. Dividend equivalents will entitle the participant to receive payments in cash, our common stock or other property equal to dividends with respect to all or a portion of the number of shares of our common stock that are subject to the award held by that participant, as determined by the Compensation Committee. Dividend equivalents may be paid or distributed when accrued or deemed to have been reinvested in additional shares of our common stock or other awards, subject to restrictions on transferability, risk of forfeiture and any other terms set forth in the award agreement.

Stock Appreciation Rights. The Compensation Committee may award stock appreciation rights to eligible persons, alone or in tandem with stock options, pursuant to the Amended 2006 Equity Plan. SARs are awards that give the recipient the right to receive an amount equal to (1) the number of shares exercised under the right, multiplied by (2) the amount by which our stock price exceeds the exercise price. Payment may be in cash, in shares of our common stock with equivalent value, or in some combination, as determined by the Compensation Committee. The Compensation Committee will determine the exercise price, vesting schedule and other terms and conditions of stock appreciation rights; however, SARs expire under the same rules that apply to stock options.

Performance Units. The Compensation Committee is authorized to establish performance programs and may award performance share units to eligible persons in accordance with such programs under the Amended 2006 Equity Plan. Holders of performance units will be entitled to receive payment in cash or shares of our common stock (or in some combination of cash and shares) if the performance goals established by the Compensation Committee are achieved or the awards otherwise vest. Each performance unit will have an initial value established by the Compensation Committee. The Compensation Committee will set performance objectives, and such performance objectives may be based upon the achievement of company-wide, divisional or individual goals.

Other Stock-Based Awards. The Compensation Committee may grant to participants other awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, our common stock, as deemed by the Compensation Committee to be consistent with the purposes of the Amended 2006 Equity Plan.

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Transferability. A participant's interest in and rights under the Amended 2006 Equity Plan, including amounts receivable on account of the equity-based awards thereunder, may not be sold, assigned, donated, transferred, or otherwise disposed of, and may not be mortgaged, pledged or encumbered, except in the event of a participant's death to a designated beneficiary to the extent permitted in the Amended 2006 Equity Plan, or by will or the laws of descent and distribution in the absence of any such designation. The Compensation Committee, however, may allow for the transfer of awards other than incentive stock options to other persons or entities.

Change in Control Provisions. Under the Amended 2006 Equity Plan, if we experience a change in control, a participant's then unvested options will automatically vest and be fully exercisable, unless otherwise provided in the participant's award agreement or employment agreement, and restricted stock and restricted stock units will vest and no longer be subject to forfeiture if so provided in the participant's award agreement. A "change in control" is defined as any of the followings events:

- any person, entity or affiliated group, excluding the Company or any employee benefit plan of the Company, acquiring more than 25% of the then outstanding shares of voting stock of the Company,
- the consummation of any merger or consolidation of the Company into another company, such that the holders of the shares of the voting stock of the Company immediately before such merger or consolidation own less than 50% of the voting power of the securities of the surviving company or the parent of the surviving company,
- the adoption of a plan for complete liquidation of the Company or for the sale or disposition of all or substantially all of the Company's assets, such that after the transaction, the holders of the shares of the voting stock of the Company immediately prior to the transaction own less than 50% of the voting securities of the acquiror or the parent of the acquiror, or
- during any period of two (2) consecutive years, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

Amendment and Termination. Our Board of Directors may terminate the Amended 2006 Equity Plan at any time. The Board of Directors or the Compensation Committee may suspend and, if suspended, reinstate the Amended 2006 Equity Plan in whole or in part at any time and from time to time. Any amendment of the Amended 2006 Equity Plan must be approved by our stockholders to the extent that such approval is required by the Amended 2006 Equity Plan or applicable law, regulations or rules.

Federal Income Tax Consequences

The following is a summary of the material United States federal income tax consequences of the Amended 2006 Equity Plan to the Company and the participants. The summary is based on current federal income tax law, which is subject to change, is not complete and does not address state, local, or foreign tax consequences or considerations.

Stock Options. The grant of stock options under the Amended 2006 Equity Plan will not result in taxable income at the time of the grant for either the Company or the optionee. Upon exercising an incentive stock option, the optionee will have no taxable income (except that the alternative minimum tax may apply) and we will receive no deduction. Upon exercising a nonqualified stock option, the optionee will recognize ordinary income in the amount by which the fair market value of the common stock at the time of exercise exceeds the option exercise price, and we will be entitled to a deduction for the same amount. The optionee's income is subject to withholding tax as wages. The tax treatment of the optionee upon a disposition of shares of common stock acquired through the exercise of a stock option is dependent upon the length of time that the shares have been held and on whether such shares were acquired by exercising an incentive stock option or a nonqualified stock option. If an employee exercises an incentive stock option and holds the shares for two years from the date of grant and one year after exercise, then any gain or loss realized based on the exercise price of the option will be treated as long-term capital

gain or loss. Shares obtained upon exercise of an incentive stock option that are sold without satisfying these holding periods will be treated as shares received from the exercise of a nonqualified stock option. Generally, upon the sale of shares obtained by exercising a nonqualified stock option, the optionee will treat the gain realized on the sale as a capital gain. Generally, there will be no tax consequence to us in connection with the disposition of shares of common stock acquired under an option, except that we may be entitled to a deduction in the case of a disposition of shares acquired upon exercise of an incentive stock option before the applicable holding periods have been satisfied.

Restricted Stock. An award of restricted common stock will not result in taxable income to the participant at the time of grant. Upon the lapse of the restrictions, the participant will recognize ordinary income in the amount of the fair market value of the shares of common stock at the time that the restriction lapses. Alternatively, within 30 days after receipt of the restricted common stock, a participant may make an election under Section 83(b) of the Code, in which case the participant would include in income in the year that the restricted common stock is awarded an amount equal to the excess of fair market value of the restricted common stock on the date of such award, determined as if the restricted common stock were not subject to restrictions, over the purchase price, if any, of such restricted stock. The Company will be entitled to a deduction for the year in which the participant recognizes ordinary income with respect to the restricted common stock in an amount equal to such income.

Other Awards. The current federal income tax consequences of other awards authorized under the Amended 2006 Equity Plan generally follow certain basic patterns: SARs, restricted stock units and deferred stock units are taxed and deductible in substantially the same manner as nonqualified stock options, except to the extent Section 409A of the Code applies, in which case recipients would be taxed at the time these items cease to be subject to substantial risk of forfeiture. Stock based performance awards, dividend equivalents and other types of awards are generally subject to tax at the time of payment. In each of the foregoing cases, we will generally have a corresponding deduction at the time the participant recognizes income.

New Plan Benefits

No awards will be granted under the Amended 2006 Equity Plan until it is approved by our stockholders. In addition, awards granted under the Amended 2006 Equity Plan are subject to the discretion of the Compensation Committee. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the Amended 2006 Equity Plan or the benefits that would have been received by such participants if the Amended 2006 Equity Plan had been in effect in the year ended December 31, 2009.

Common Stock Price

The closing price of our common stock on March 26, 2010, as reported on the NASDAQ Global Select Market, was \$146.19 per share.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE
PROPOSAL TO APPROVE THE AMENDED 2006 EQUITY PLAN.

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Equity Compensation Plan Information

The following table provides certain information about securities authorized for issuance under our equity compensation plans as of December 31, 2009:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	85,000	\$ 53.56(2)	37,592
Equity compensation plans not approved by security holders(3)	632		1,868(4)
Total	85,632	\$ 53.56	39,460

- (1) Consists of shares of our common stock authorized for issuance under (i) our 1997 Stock Incentive Plan, which provides for the grant of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock and performance shares and (ii) our 2006 Equity Plan which provides for the grant to employees and consultants of incentive and nonqualified stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights and performance shares. The number of shares available for issuance under both plans is subject to equitable adjustment by the Compensation Committee of the Board of Directors in the event of any change in our capitalization, including, without limitation, a stock dividend or stock split.
- (2) The deferred stock units and restricted stock units awarded under our 2006 Equity Plan are excluded from the calculation of the weighted average exercise price.
- (3) Consists of the Deferred Compensation Plan for our non-employee directors. For more information concerning the Deferred Compensation Plan, see "Director Compensation" at page 7 of this proxy statement.
- (4) The Deferred Compensation Plan does not provide for a specified limit on the number of shares of our common stock that may be issued under the Deferred Compensation Plan. The 1,868 shares shown as available for future issuance reflects the number of shares initially reserved for issuance under the Deferred Compensation Plan less the number of shares of our common stock to be issued with respect to the stock units that have been credited to non-employee directors' stock unit accounts as of December 31, 2009.

APPROVAL OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

Our Audit Committee has appointed the firm of Grant Thornton LLP as independent accountants to audit our financial statements for the year 2010. Although ratification by stockholders of the selection of Grant Thornton LLP is not required by law, the selection of Grant Thornton LLP is being submitted to our stockholders for ratification because we believe it is a good corporate practice. If stockholders do not ratify the selection, the Audit Committee will reconsider whether to retain Grant Thornton LLP. Even if the selection is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interest of us and our stockholders. A representative of Grant Thornton LLP will attend the annual meeting, will have an opportunity to make a statement and will be available to respond to appropriate questions.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF GRANT THORNTON LLP AS INDEPENDENT ACCOUNTANTS TO AUDIT OUR FINANCIAL STATEMENTS FOR THE YEAR 2010.

Audit and Related Fees

Audit Fees

The aggregate fees billed by Grant Thornton LLP for professional services rendered for the audit of the Company's annual financial statements and the reviews of the financial statements included in our quarterly reports on Form 10-Q were \$276,475 for the year ended December 31, 2009 and \$254,531 for the year ended December 31, 2008.

Audit Related Fees

The aggregate fees billed by Grant Thornton LLP for professional services rendered for consultations regarding financial and reporting standards were \$650 for the year ended December 31, 2009. No audit related fees were billed by Grant Thornton LLP for the year ended December 31, 2008.

Tax Fees

The aggregate fees billed by Grant Thornton LLP for professional services rendered for tax services were \$36,175 for the year ended December 31, 2009 and \$11,366 for the year ended December 31, 2008. These fees relate to federal and state tax compliance and tax advice in each such year.

All Other Fees

There were no fees billed by Grant Thornton LLP for services rendered for the year ended December 31, 2009 or for the year ended December 31, 2008 other than those set forth above.

The Audit Committee has determined that the provision by Grant Thornton LLP of the above referenced services is compatible with maintaining its independence.

The Audit Committee has adopted policies and procedures for pre-approval of audit and non-audit services in order to ensure that the provision of those services does not impair the auditor's independence. In accordance with those policies and procedures, we are not to engage the independent auditors to render any audit or non-audit services unless either the service is approved in advance by the Audit Committee or the engagement to render the service is entered into pursuant to the Audit Committee's pre-approval policies and procedures. In the fourth quarter of each year, the Audit Committee is to review the services expected to be performed by the independent auditor. The Audit Committee will pre-approve fee levels for the up-coming fiscal year for each of the following categories: audit, audit-related and tax compliance/planning services (individual projects less than \$10,000). Tax compliance/planning projects exceeding \$10,000 and all other services not pre-approved in the categories above will require specific pre-approval from the Audit Committee on an individual project basis. Approval for such services may be requested at the next Audit Committee meeting or, if earlier approval is necessary, it may be obtained in accordance with the Audit Committee's delegation to the Audit Committee Chairman as described below. The Audit Committee will not delegate to our management its responsibilities to pre-approve services performed by the independent auditor. However, the Audit Committee has delegated pre-approval authority to the Audit Committee Chairman for unplanned services that arise during the year. The Chairman has the authority to review and approve permissible services up to \$10,000 per service, provided that the aggregate amount of such services does not exceed \$25,000 in any calendar year. The Audit Committee Chairman must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. During the year ended December 31, 2009, no services were provided by Grant Thornton LLP other than in accordance with the pre-approval policies and procedures then in place.

Audit Committee Report

The Audit Committee of the Board of Directors has reviewed and discussed with management our audited financial statements as of and for the year ended December 31, 2009. The Audit Committee has discussed with Grant Thornton LLP, our auditors, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The Audit Committee has received the written disclosures and the letter from the

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independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to our Board of Directors that the financial statements referred to above be included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Members of the Audit Committee

John P. Stupp, Jr. (Chairman) Hugh J. Morgan, Jr. Roger F. Stebbing Ronald N. Spaulding

SECURITIES OWNERSHIP

The following table sets forth information regarding the beneficial ownership of shares of our common stock as of March 15, 2010 by (i) each of our directors, two of whom are also the Board of Directors' nominees for election as directors at the annual meeting; (ii) our executive officers who are named in the Summary Compensation Table herein; (iii) all of our directors and executive officers as a group, and (iv) each other person known by us to be the beneficial owner of more than 5% of our outstanding common stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned (1)	Percent of Class (1)
Emile A. Battat (2)	208,006	10.29%
David A. Battat	18,000(3)	*
Hugh J. Morgan, Jr.	20,220(4)	1.00%
Ronald N. Spaulding	1,117	*
Roger F. Stebbing	14,000(3)	*
John P. Stupp, Jr.	162,240(3)(5)	8.02%
Jeffery Strickland	8,949(6)	*
Royce & Associates, LLC(7)	224,021	11.08%
T. Rowe Price Associates, Inc.(8)	196,530	9.72%
All directors and executive officers as a group	432,532(9)	21.23%

* Less than 1% of class.

(1) Based on 2,021,452 shares of common stock outstanding on March 15, 2010, plus shares that can be acquired through the exercise of options within 60 days thereafter by the specified individual or group. Except as otherwise indicated in the notes to this table, beneficial ownership includes sole voting and investment power.

(2) The business address for Mr. Emile Battat is One Allentown Parkway, Allen, Texas 75002-4211. Mr. Emile Battat is th