MERIT MEDICAL SYSTEMS INC
Form PRER14A
April 12, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

x	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

Merit Medical Systems, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x	No fee required.		
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.		
		(1)	Title of each class of securities to which transaction applies:
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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):
		(4)	Proposed maximum aggregate value of transaction:
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o	Fee paid previously with preliminary materials.		
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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2018 Notice of

Annual Meeting and

Proxy Statement

UNDERSTAND.

INNOVATE.

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MERIT MEDICAL SYSTEMS, INC.

1600 West Merit Parkway

South Jordan, UT 84095

April 13, 2018

Dear Shareholders:

It is my pleasure to invite you to the 2018 Annual Meeting of Shareholders (or at any adjournment of the meeting) (the Annual Meeting) of Merit Medical Systems, Inc. (Merit or the Company), which will be held on **Thursday, May 24, 2018, at 3:00 p.m. (local time), at our corporate offices at 1600 West Merit Parkway, South Jordan, Utah 84095**. The attached Notice of Annual Meeting of Shareholders and Proxy Statement will serve as your guide to the business to be conducted at, and provide details regarding admission to, the Annual Meeting.

Chairman,

President, and

Chief Executive Officer

We hope you are pleased with Merit s performance during 2017. We successfully completed the last year of our three-year plan and presented two additional years, which forecast continued growth, gross margin improvement and profitability. During the year we completed multiple acquisitions, including the acquisition of the Argon critical care division and Catheter Connections. We also laid the groundwork for our acquisition of soft tissue core needle biopsy and drainage system product lines from Becton, Dickinson and Company, which we completed in February 2018. We are now actively engaged in pursuing a successful transition of those product lines to our marketing channels and manufacturing facilities. During 2017 we also raised additional capital to provide resources for future growth and opportunity. We look forward to the opportunity to discuss these achievements with you at the Annual Meeting.

We hope you will participate in the Annual Meeting, either by attending and voting in person or by voting (as soon as practicable) through the other acceptable means described in this Proxy Statement. Your vote is important to all of us at Merit. I look forward to seeing you at the Annual Meeting.

Sincerely,

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GUIDE TO PROXY STATEMENT

Purpose of these materials:

On behalf of our Board of Directors, we are making these materials available to you in connection with our solicitation of proxies for our 2018 Annual Meeting of Shareholders. You are receiving this communication because you hold shares of Merit.

What we need from you:

Please read these materials and submit your vote and proxy by telephone, internet or, if you received your materials by mail, by completing and returning your proxy card or voting instructions. Even if you plan to attend the Annual Meeting, we ask that you vote in advance via one of the above means as soon as practicable.

More information:

This Proxy Statement and the accompanying annual report to shareholders are available online at: *www.proxyvote.com*. You may also request a paper copy of these materials by writing to our Corporate Secretary (Brian G. Lloyd) at the below address:

MERIT MEDICAL EXECUTIVE OFFICES

1600 West Merit Parkway
South Jordan, UT 84095

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NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

PLEASE CAST YOUR VOTE RIGHT AWAY

HOW TO VOTE

When
May 24, 2018
3:00 P.M. (local time)

Your vote is important to our future. Even if you plan to attend the Annual Meeting, you can vote in advance using another method below (though holders in street name must instruct your broker or nominee). Internet and Phone voting will close at 11:59 P.M. Eastern Time on May 23, 2018.

Where
Merit Medical Systems, Inc.

1600 West Merit Parkway
South Jordan, Utah 84095

BY INTERNET at *www.proxyvote.com*

BY PHONE at 1-800-690-6903 (U.S. and Canada)

BY MAIL (cast your ballot, sign proxy card and post)

Attend meeting **IN PERSON**

Items of Business

	MANAGEMENT PROPOSALS	BOARD S RECOMMENDATION	VOTE REQUIRED / BROKER DISCRETIONARY VOTING ALLOWED?	MORE INFORMATION
1	Elect three directors, each to serve until 2021	**FOR each nominee**	Majority* / No	Page 7
2	Amend Merit s Articles of Incorporation to increase maximum Board size (from 9 to 11)	**FOR**	Two-Thirds / No	Page 14
3	Non-binding advisory vote to approve named executive officer compensation (Say on Pay)	**FOR**	Majority* / No	Page 37
4	Approve our 2018 Long-Term Incentive Plan	**FOR**	Majority* / No	Page 39
5	Ratify appointment of independent registered public accounting firm (Deloitte & Touche)	**FOR**	Majority* / Yes	Page 54

** Votes cast in favor of the proposal must exceed the votes cast against the proposal. Majority vote required for each director nominee.*

We will also conduct such other business as may properly come before the Annual Meeting.

Eligibility to Vote
Shareholders of record at the close of business on March 28, 2018 (the record date) may vote at the Annual Meeting.

In order to attend in person, holders of record of shares of Merit s common stock (Common Stock) must provide proof of identification. Individuals who own shares in street name must provide proof of ownership and identification. See Other Proxy Information beginning on page 58 for additional information.

Important Meeting Information
Whether you plan to attend the Annual Meeting or not, we urge you to vote your shares as soon as possible. As such, please either sign and return the accompanying card in the postage-paid envelope or instruct us via the Internet or phone as to how you would like your shares voted. This will ensure representation of your shares at the Annual Meeting if you are unable to attend.

By Order of the Board of Directors,

This Proxy Statement and the accompanying
Annual Report are available online at:
www.proxyvote.com.

Brian G. Lloyd
Chief Legal Officer and Corporate Secretary

April 13, 2018

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PROXY SUMMARY

This summary highlights information contained elsewhere. Please read this Proxy Statement fully before voting.

Governance Highlights

The Board believes good governance is integral to achieving long-term value and is committed to governance policies and practices that benefit the Company and our shareholders. This belief is manifest in:

- Strong lead independent director
- Majority voting for all directors
- No shareholder rights plan (poison pill) or dual class capitalization structure
- Robust code of ethics
- Board with seasoned leaders and broad mix of skills
- Elimination of tax gross-ups and single-trigger change of control feature for executives
- Responsiveness to shareholder input
- Board oversight of Company strategy
- Prohibition of short-term stock trading, short sales and option trading
- Strong alignment between pay and performance for executive compensation
- Share ownership requirements for directors
- Commitment to corporate responsibility

PROPOSAL 1: ELECTION OF THREE

2018 NOMINEES FOR DIRECTOR (SEE PAGE 7)

Board Recommendation

Vote FOR each nominee

You are asked to vote on the election of three nominees to serve on the Board of Directors of Merit (the Board) until 2021.

The following table provides summary information about each director nominee (first three), as well as each director whose term expires in later years:

NAME, PRIMARY OCCUPATION	AGE	DIRECTOR SINCE	TERM EXPIRES	INDEPENDENT	BOARD COMMITTEES A	C	N&CG
A. SCOTT ANDERSON	71	2011		Yes		•	•

President & CEO of Zions Bank							
FRED P. LAMPROPOULOS							
Chair, President & CEO of Merit	68	1987		No			
FRANKLIN J. MILLER, M.D.							
Retired Professor of Radiology	77	2005		Yes	•	•	
NOLAN E. KARRAS							
Chair & CEO of The Karras Company	73	2011	2020	Yes	•		
KENT W. STANGER							
Real Estate Investor, Retired CFO of Merit	63	1987	2020	No			•
DAVID M. LIU, M.D.							
Interventional Radiologist	44	2016	2020	Yes			•
F. ANN MILLNER, ED.D							
Regents Professor HAS at Weber State Univ.	66	2015	2019	Yes			•
MICHAEL E. STILLABOWER, M.D.							
Cardiologist	74	1996	2019	Yes		•	•
THOMAS J. GUNDERSON							
Retired Medtech Analyst at Piper Jaffray	67	2017	2019	Yes	•		

•: Committee Chair
•: Committee Member

A: Audit Committee
C: Compensation Committee

N&CG: Nominating and Corporate Governance Committee

PROPOSAL 2: AMENDMENT TO INCREASE MAXIMUM NUMBER OF DIRECTORS (SEE PAGE 14)

Board Recommendation

Vote FOR this amendment

The Nominating and Corporate Governance Committee (the Governance Committee) has recommended, and the Board has approved, an increase in the maximum number of directors of the Company, to allow the Governance Committee to seek and add additional directors with diverse experience, background or skills that the Board believes will provide added perspective and value to the Company and its shareholders. The amendment requires approval of the holders of at least two-thirds of the outstanding shares of Common Stock. If approved, the amendment will be reflected in our articles and bylaws.

The Board has not selected any nominees to fill vacancies on the Board which might be created if the amendment is approved. If the amendment is approved and our Board votes to increase the size of the Board, any vacancies which would be created by such increase would be filled by the Board; however, any directors appointed by the Board to fill such vacancies would serve only until the next election of directors by our shareholders.

SELECT PERFORMANCE HIGHLIGHTS IN 2017

Access and Review

For more complete information about our 2017 financial performance, see our Annual Report on Form 10-K

The Company had another successful year in 2017. Highlights of our business and compensation are included below:

SELECTED 2017 HIGHLIGHTS

- Successful completion of three-year plan to accelerate growth and improve profitability and extension of the plan for two additional years
- Achievement of net sales, non-GAAP gross margin, and GAAP and non-GAAP earnings per share financial performance objectives

- Completed multiple significant acquisition transactions, including the critical care division of Argon Medical Devices, Inc. and Catheter Connections, Inc., with expanded Merit presence in Asia Pacific
- Completed transition to limited direct sales model in Japan, designed to increase Merit responsiveness and profitability
- Cumulative total return on our Common Stock from December 31, 2012 to December 31, 2017 of 211% (1)

(1) See Item 5 of our Annual Report on Form 10-K filed on March 1, 2018. Past results are not necessarily an indicator of future results.

PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION (SAY-ON-PAY)

(SEE PAGE 37)

Board Recommendation

Vote FOR this proposal

Consistent with our strong interest in shareholder engagement and our pay-for-performance approach, the Compensation Committee of our Board (the Compensation Committee) has continued to examine our executive compensation program to encourage alignment between the interests of our executives and shareholders. In particular, following abnormally low support for our executive compensation program at our 2017 annual meeting, the Compensation Committee undertook extensive conversations with our Board, management and shareholders and reviewed corporate governance practices at other companies. Based on these discussions and review, we amended our employment agreements with each Named Executive Officer (NEO) to ensure that such agreements do not include a parachute payment tax gross-up provision or allow any of the NEOs to qualify for change-in-control benefits solely upon a change in control. We believe the amendments are responsive to the concerns expressed by our shareholders and consistent with good corporate governance practices.

We ask that our shareholders approve, on an advisory basis, the compensation of our NEOs.

For additional information, see Compensation Discussion and Analysis in this Proxy Statement.

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PROPOSAL 4: APPROVE THE COMPANY S 2018 LONG-TERM INCENTIVE PLAN (SEE PAGE 39)

Board Recommendation

Vote FOR this amendment

The Merit Medical Systems, Inc. 2006 Long-Term Incentive Plan, as amended (the 2006 Incentive Plan), has been an important tool to attract and retain quality executives, directors, employees, and consultants. As of March 31, 2018, only 2,290 shares remained available for future awards under the 2006 Incentive Plan. This amount is not sufficient for future anticipated awards, and our Governance Committee and Board believe we should maintain an equity incentive plan with sufficient capacity to make awards which will align the interests of our employees and directors with our shareholders.

We therefore ask that our shareholders approve a new 2018 Long-Term Incentive Plan (the 2018 Incentive Plan) in order to permit us to continue to grant equity-based awards and attract and retain quality executives, directors, employees and consultants.

PROPOSAL 5: RATIFY APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (SEE PAGE 54)

Board Recommendation

Vote FOR ratification

We have engaged Deloitte & Touche LLP (Deloitte) as our independent registered public accountants since 1988, shortly after the Company was founded. The Board believes Deloitte continues to be the right accounting firm for our business and, consequently, has engaged Deloitte to audit our financial statements for the year ending December 31, 2018, subject to ratification by our shareholders.

The Board asks that our shareholders ratify this appointment.

Below is summary information about Deloitte s fees for 2017 and 2016.

	2017 ($)	2016 ($)
Audit Fees	993,286	835,920
Audit-Related Fees	81,083	27,527
Tax Fees	313,513	326,041
All Other Fees	151,443	131,000
Total	1,539,325	1,320,488

HOW TO RECEIVE A PAPER OR E-MAIL COPY OF THESE PROXY MATERIALS

If you want to receive a paper or e-mail copy of these documents, you must request one. There is **no** charge for requesting a copy. Please choose one of the following methods to make your request:

(1)	BY INTERNET:	*www.proxyvote.com*
(2)	BY TELEPHONE:	1-800-579-1639
(3)	BY E-MAIL:	*sendmaterial@proxyvote.com*

If you are requesting material by e-mail, please send a blank e-mail with the 12-digit control number printed on the ballot enclosed with this Proxy Statement in the subject line.

Requests, instructions and other inquiries sent to this e-mail address will **not** be forwarded to your investment advisor. Please make the request as instructed above on or before May 10, 2018 to facilitate timely delivery.

To view these proxy materials online, please have the 12-digit control number printed on the ballot enclosed with this proxy statement and visit *www.proxyvote.com*.

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CORPORATE GOVERNANCE

AND RELATED MATTERS

PROPOSAL NO. 1:
ELECTION OF NOMINEE DIRECTORS

At the Annual Meeting, three directors will be elected to serve until our 2021 annual meeting of shareholders and until their successors are duly elected and qualified. If any of the below nominees become unavailable to serve, proxies solicited by this Proxy Statement will be voted for other persons designated by the Board in their stead.

Classification of Board of Directors

Our Articles provide for a classified, or staggered, Board. Our directors are divided into three classes, with directors in each class serving a three-year term. Approximately one-third of our directors terms expire at each annual shareholders meeting. Based upon the existing classification of the Board, the terms of A. Scott Anderson, Fred P. Lampropoulos, and Franklin J. Miller, M.D., are scheduled to expire in connection with the Annual Meeting.

Board Recommendation

The Board unanimously recommends a vote FOR each of the below director nominees

Nominees for Election as Directors

Our Board and Governance Committee believe that each of the following nominees possesses the experience and qualifications that directors of the Company should possess, as described in detail below, and that the experience and qualifications of each nominee complement the experience and qualifications of the other nominees.

The experience and qualifications of each nominee, including information regarding the specific experience, qualifications, attributes and skills that led the Board and the Governance Committee to conclude that he or she should be nominated to serve as a director of the Company, in light of our business and structure, are set forth below:

	A. SCOTT ANDERSON **Independent Director** **Age**: 71	**Director Since**: November 2011 **Committees**: Compensation (Chair); Governance **Other Public Boards**: None Education**:** B.A. (philosophy, economics), Columbia University; M.S. (economics, international studies), Johns Hopkins University

Career Highlights

- President and CEO of Zions First National Bank (commercial bank based in the intermountain U.S.), 1998 to present

- Member of Board of Trustees of Intermountain Healthcare (integrated healthcare system in Utah and Idaho), 2005 to present (Chair, 2012 to present)

- Director of the Federal Reserve Bank of San Francisco (Salt Lake City Branch), 2003 to 2008

Qualifications of Particular Relevance to Merit

Mr. Anderson contributes to the Board s deliberations more than 40 years of experience in the banking and financial services industries. The Board believes Mr. Anderson provides insight regarding national and international financial and credit markets, as well as lending practices, which are valuable as we continue to implement our growth strategy. Mr. Anderson also contributes extensive business and corporate governance experience to the strategic planning and operational discussions of the Board.

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	FRED P. LAMPROPOULOS **Chair, President, CEO** **Age**: 68	**Director Since**: July 1987 **Committees**: None **Other Public Boards**: None

Career Highlights

- Chair of the Board, CEO, and President of the Company since its formation in July 1987
- Chair of the Board and President of Utah Medical Products, Inc. (medical device manufacturer), 1983 to 1987
- Filed more than 200 domestic and international patents and applications on medical devices
- Serves on several community and advisory boards
- Recipient of numerous awards, including 2003 Utah Governor s Medal for Science and Technology

Qualifications of Particular Relevance to Merit

The Board believes the Company benefits immensely from Mr. Lampropoulos experience as founder, President and Chief Executive Officer of the Company. He plays an essential role in communicating the expectations, advice, concerns and encouragement of the Board to our employees. Mr. Lampropoulos has a deep knowledge and understanding of the Company, as well as the industry and markets in which our products compete. Mr. Lampropoulos also performs an essential function as the Chair of the Board, providing decisive leadership and direction to the activities and deliberations of the Board. The Board also believes Mr. Lampropoulos leadership, drive and determination are significant factors in our growth and development and continue to be tremendous assets to the Company and its shareholders.

	FRANKLIN J. MILLER, M.D. **Independent Director**	**Director Since**: May 2005 **Committees**: Audit, Compensation **Other Public Boards**: None **Education**: B.S. (pre-med), Pennsylvania State University; M.D., Temple University Medical School; Resident and fellowship, Johns Hopkins University

	Age: 77	

Career Highlights

- Consultant to the Company, assisting in product testing and development, 1997 to 2005
- Professor of Radiology and Surgery at the University of Utah Department of Radiology, 1976 to 2005 (Director of Interventional Radiology, 1976 to 2001)
- Clinical Professor of Radiology at the University of California, San Diego (began the Hereditary Hemorrhagic Telangiectasia Clinic, one of only eight such clinics in the United States), 2002 to 2011
- Served on advisory boards to several medical device companies and member of editorial and review boards for numerous medical journals

Qualifications of Particular Relevance to Merit

Dr. Miller contributes a valuable set of skills, training and experience to the Board s deliberations. During his service as a director, Dr. Miller has provided significant advice regarding our product development strategy and plays a significant role in our evaluation of acquisition and other growth opportunities. Based, in part, on his extensive medical training and his experience with various medical devices, Dr. Miller provides the Board valuable insight regarding the needs and preferences of the medical professionals who use and purchase our products.

Retirement Policy

Our Corporate Governance Guidelines require that, upon reaching 75 years of age, each director must submit to the Board a letter of resignation to be effective at the next annual meeting of shareholders. The Board will generally accept all such resignations unless the Governance Committee or the Board determines to nominate the director for another term. Upon reaching 75 years of age, Dr. Miller tendered to the Board such a letter of resignation, which was considered by our Governance Committee and the Board. Following such consideration, the Board declined to accept Dr. Miller s resignation. The Governance Committee and the Board also considered our director retirement policy when nominating Dr. Miller to serve for another term. The Governance Committee has determined that, despite being beyond the retirement age set forth in our Corporate Governance Guidelines, Dr. Miller continues to provide significant contributions to our Board and the Company and his unique perspective and extensive skills and experience continue to provide a valuable asset to the Board and the Company.

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DIRECTORS WHOSE TERMS OF OFFICE CONTINUE

In its regular discussions regarding Board composition, the Governance Committee works with the Board to determine the appropriate mix of professional experience, areas of expertise, educational background and other qualifications that are particularly desirable for our directors to possess in light of our current and future business strategies.

The Board believes that its current members have the right combination of experience and qualifications to continue to lead the Company to success. Information regarding the specific experience, qualifications, attributes and skills that led the Board and the Governance Committee to conclude that each continuing director should serve on the Board are set forth below:

Governance Highlights

The Board believes good governance is integral to achieving long-term shareholder value and is committed to governance policies and practices that benefit the Company and its shareholders. This belief is manifest in:

- Strong lead independent director
- Majority voting for all directors
- No shareholder rights plan (poison pill)
- No dual class capitalization structure
- Annual   say on pay   advisory votes
- Robust code of ethics
- Share ownership requirements for directors
- Board oversight of Company strategy
- Prohibition of short-term stock trading, short sales and option trading
- Responsiveness to shareholder input
- Commitment to corporate responsibility
- Strong alignment between pay and performance for executive compensation

NOLAN E. KARRAS

Lead Independent Director (since May 2017)

Director Since: November 2011

Committees: Audit (Chair)

Other Public Boards: PacifiCorp, Scottish Power

Age: 73

Education: B.A., Weber State University; M.B.A., University of Utah; Certified Public Accountant

Term Expires: 2020

Career Highlights

- Chair and CEO of The Karras Company, Inc. (investment advisory firm), 1997 to present
- Chair of Utah Governor s Education Excellence Commission, 2015 to present
- Member of Board of Trustees of Weber State University (chair of audit committee), 2013 to present
- Community Board of Directors of University of Utah Hospitals and Clinics (chair of finance committee), 2009 to 2014
- CEO of Western Hay Company, Inc. (agricultural products company in Utah), 1995 to 2012 (remains board member)
- Board of Directors of Beneficial Life Insurance Company (privately-held life insurance company headquartered in Utah) (chair of finance committee and member of executive committee), 1996 to 2009,
- Member of the Utah State Board of Regents, 2001 to 2013 (chair, 2002 to 2006)
- Former director and member of audit and compensation committees of boards of directors of PacifiCorp (a public utility operating in the northwestern United States) and Scottish Power (multinational energy company)
- Several positions in public service, including ten years as Speaker of the House and House Majority Leader of the Utah House of Representatives

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Qualifications of Particular Relevance to Merit

Mr. Karras experience and skills qualify him to work constructively with our management and directors, especially in connection with our pursuit of growth and expansion opportunities. The Board believes Mr. Karras financial acumen and experience in corporate governance are valuable to its deliberations and strategic planning and in his service as Chair of the Audit Committee. Mr. Karras also has a keen awareness of the social, political and economic environment in which the Company operates.

	KENT W. STANGER **Director** **Age**: 63	**Director Since**: September 1987 **Committees**: Governance **Other Public Boards**: None **Education**: B.A. (accounting), Weber State University; former Certified Public Accountant **Term Expires**: 2020

Career Highlights

- Member of Board of Directors and Executive Committee of Utah Taxpayers Association, 2012 to 2016
- Chief Financial Officer, Secretary and Treasurer of the Company, 1987 to 2015
- Controller of Utah Medical Products, Inc. (medical device manufacturer), 1985 to 1987
- Corporate Controller for Laser Corporation, American Laser and Modulaire Industries, Inc., 1982 to 1985
- Hansen, Barnett and Maxwell (former Utah accounting firm that merged with Eide Bailly LLP in 2013) as practicing certified public accountant, 1979 to 1982

Qualifications of Particular Relevance to Merit

Mr. Stanger was a founder of the Company and, through more than 25 years of service as the principal financial manager of the Company, developed a broad understanding of our business and operations, as well as the industry and markets in which the

Company competes. The Board values Mr. Stanger s accounting and financial management skills and benefits greatly from his extensive knowledge of our history, achievements, competitive position and strategic objectives.

Appointment to Governance Committee

Shares of our Common Stock are listed on The NASDAQ Global Select Market (NASDAQ). NASDAQ does not require that companies maintain a separate nominations committee, but does require that director nominees be selected either by a vote of (a) all independent directors of the Board (in which vote, non-independent directors may not participate) or (b) of a nominations committee composed of independent directors (within the meaning of NASDAQ Rule 5605(a)(2)). As Mr. Stanger was employed by the Company until November 2015, he does not meet that definition of independent director. However, NASDAQ Rule 5605(e)(3) provides an exception to this rule that allows one director who does not otherwise meet the definition of independent director and who is not then an executive officer of the company to be appointed to the company s nominations committee if (a) the nominations committee is comprised of at least three members and (b) under exceptional and limited circumstances, the board of directors determines that such individual s membership on the committee is required in the best interests of the company and its shareholders.

Having considered all relevant factors, including Mr. Stanger s significant background with the Company, his substantial industry experience and his contributions in orienting and providing onboarding training for new directors, the Board concluded in 2017 that appointing Mr. Stanger to the Governance Committee was in the best interests of the Company and its shareholders and did not believe that Mr. Stanger s former employment by, and compensation received as an executive officer of, the Company would interfere with his exercise of independent judgment in carrying out the responsibilities of a member of the Governance Committee.

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	DAVID M. LIU, M.D. **Independent Director** **Age**: 44	**Director Since**: July 2016 **Committees**: Governance **Other Public Boards**: None **Education**: M.D., University of Toronto; Radiology residency at University of British Columbia; Interventional radiology fellowship at Northwestern Memorial Hospital **Term Expires**: 2020

Career Highlights

- Interventional radiologist (certified in the U.S. and Canada), practicing at the Vancouver General Hospital, University of British Columbia Hospital, and BC Cancer Agency (with cross appointment in surgery department), 2008 to present
- Clinical Associate Professor of Radiology at the University of British Columbia, 2008 to present
- Medical Director at Eva Vein Care (team of physicians specializing in diagnostic assessment, endovascular therapy and interventional radiology), 2012 to present
- Co-founder and co-chair of the international liver cancer symposium, SHOW
- Credited with 7 book chapters, over 60 publications, and 100 invited lectures around the world
- Inducted Fellow of the Society of Interventional Radiology

Qualifications of Particular Relevance to Merit

In addition to bench side and clinical research in the fields of novel embolic platforms, ablative technologies and cancer-related thromboembolic disease, Dr. Liu maintains an interventional oncology practice incorporating multiple aspects of embolization, ablation, venous access, and palliative therapy in organ systems. Fluent in mandarin, Dr. Liu is an active member of the interventional radiology community and has served as an advisor on multiple global advisory boards and technology development committees for various scientific and commercial organizations. The Board believes Dr. Liu s extensive industry experience, scientific credentials and active clinical practice provide him with vital insights into the trends, risks and opportunities in many of our core interests. Dr. Liu also contributes valuable clinical and industry perspective to the Board s analysis of prospective acquisitions, product development and other strategic decisions.

	F. ANN MILLNER, Ed.D **Independent Director** **Age**: 66	**Director Since**: July 2015 **Committees**: Governance (chair) **Other Public Boards**: None **Education**: B.S. (education), University of Tennessee; M.S. (allied health education and management), Southwest Texas State University; Ed.D (education administration), Brigham Young University; Completed medical technology program, Vanderbilt University **Term Expires**: 2019

Career Highlights

- Regents Professor and Professor of Health Administrative Services at Weber State University, 2013 to present
- Member of the Utah State Senate (member of multiple committees and subcommittees), 2015 to present
- Member of Utah Governor s Task Force on Educational Excellence, 2015 to present
- Member of Board of Trustees of Intermountain Healthcare (integrated healthcare system in Utah and Idaho), 2005 to present (serving as Vice Chair, 2017 to present)
- President of Weber State University, 2002 to 2012 (first female president of a Utah state university)
- Vice President of University Relations at Weber State University, 1993 to 2002
- Associate Dean of Continuing Education and Assistant Vice President of Community Partnerships at Weber State University, 1985 to 1993

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CORPORATE GOVERNANCE AND RELATED MATTERS

Qualifications of Particular Relevance to Merit

The Board believes Dr. Millner s qualifications to serve as a director of the Company include her executive leadership skills and her experience in the areas of organizational administration, operations and financial management, and business strategy. During her service as the Chair of our Governance Committee, Dr. Millner has played a significant role in the development of our corporate governance practices and engagement with our shareholders.

	MICHAEL E. STILLABOWER, M.D. **Independent Director** **Age**: 74	**Director Since**: March 1996 **Committees**: Compensation; Governance **Other Public Boards**: None **Education**: B.S. (electrical engineering, Purdue University; M.D., Sidney Kimmel Medical College; Residency, Wilmington Medical Center; Fellowship, Washington D.C. VA Medical Center **Term Expires**: 2019

Career Highlights

- Director of Cardiovascular Clinical Trials at Christiana Care Health Systems, 1999 to 2014
- Chief of Cardiology at Medical Center of Delaware, 1988 to 1999 (director of coronary care unit, 1984 to 1988)
- Clinical Associate Professor of Medicine, Sidney Kimmel Medical College, 1995 to present
- Elected Fellow of the American College of Cardiology and a member of other professional associations and is actively engaged in cardiology research, instruction and publication of related papers and abstracts

Qualifications of Particular Relevance to Merit

Dr. Stillabower s service reflects the Board s recognition of his expertise in the medical profession, his valuable role in developing and evaluating existing and proposed Company products and his understanding of the medical community and the markets for our products. Dr. Stillabower contributes more than 30 years of specialized training and experience in cardiology and related fields to the Board, and has actively participated in the development and commercialization of many of our products. He has used our products in cardiac procedures and provides valuable insights from a practitioner s viewpoint.

	THOMAS J. GUNDERSON **Independent Director** **Age**: 67	**Director Since**: May 2017 **Committees**: Audit **Other Public Boards**: None **Education**: B.A. (biology focus), Carleton College; M.S. (cell biology), University of Minnesota; M.B.A., University of St. Thomas **Term Expires**: 2019

Career Highlights

- Chair of the Board of Directors at the Minneapolis Heart Institute Foundation, 2015 to present
- Executive in Residence at the University of Minnesota s Medical Industry Leadership Institute, 2016 to present
- Member of American Heart Association Science and Technology Accelerator Committee, 2015 to 2017

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- Managing director and senior research analyst at Piper Jaffray (focus on medical technology companies), 1992 to 2016

- Project Director at American Medical Systems (private medical device company acquired by Pfizer in 1983), 1979 to 1992

- Recognized by several industry publications, including the Wall Street Journal, Institutional Investor, First Call, Thomson Reuters, and Medical Device and Diagnostic Industry (e.g., in 1996 and 2000, he was named an All-Star Analyst for medical stocks by the Wall Street Journal and in 2014, Thomson-Reuters named him Top Stock Picker in the medical technology sector)

Qualifications of Particular Relevance to Merit

Mr. Gunderson provides the Board with more than 25 years of substantive experience in the medical device industry, with a seasoned perspective on the challenges, trends and opportunities of publicly-traded medical device manufacturers, as well as a keen understanding of the Company s competitive position within its industry. Mr. Gunderson also contributes a strong background in financial and economic analysis and valuable insights regarding business development and acquisition opportunities.

PROPOSAL NO. 2:

APPROVE AMENDMENT TO INCREASE MAXIMUM BOARD SIZE (FROM 9 TO 11)

Board Recommendation

The Board unanimously recommends a vote FOR this proposal

The Board has, subject only to receiving shareholder approval, voted to adopt the Second Amended and Restated Articles of Incorporation (the Revised Articles), which has been amended to increase the maximum number of directors from nine to eleven. If the holders of at least two-thirds of the outstanding shares of Common Stock approve the Revised Articles, we intend to (a) promptly file the Revised Articles with the Division of Corporations of the State of Utah (at which time, they will become effective) and (b) amend our Second Amended and Restated Bylaws (the Bylaws) to reflect the same change. The amendment to our Bylaws does not require shareholder approval.

Our current Amended and Restated Articles of Incorporation and Bylaws provide that the number of directors of the Company shall be not less than three nor more than nine (as may be determined and established from time to time by the Board). As of the date of this Proxy Statement, the Board has fixed the number of directors at nine.

Any vacancy occurring in the Board, including any vacancy created by an increase in the number of directors, may be filled by the vote of a majority of the directors then in office.

The Board believes that the size of the Board should be increased to allow the Governance Committee to seek and add additional directors with diverse experience, backgrounds or skills that the Board believes will provide added perspective and value to the Company and its shareholders. The Board has not selected any nominees to fill vacancies on the Board which might be created if the Revised Articles are approved. If the Revised Articles are approved and our Board votes to increase the size of the Board, any vacancies which would be created by such increase would be filled by the Board; however, any directors appointed by the Board to fill such vacancies would serve only until the next election of directors by our shareholders.

The Revised Articles will also remove an obsolete provision related to the minimum paid-in-capital of the Company (Article V of the current Amended and Restated Articles of Incorporation), which no longer applies. The remaining articles (and any applicable cross-references) will be renumbered accordingly

The text of Article V in the Revised Articles is set forth below (with changes marked in blue for ease of review). The full text of the Revised Articles is included as **Exhibit 1** to this Proxy Statement.

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CORPORATE GOVERNANCE AND RELATED MATTERS

ARTICLE VI

DIRECTORS

The board of directors shall consist of such number of members, which number shall not be less than three and not more than ~~nine~~ **eleven** as may be determined and established from time to time by the board of directors and shall be divided into three classes, as nearly equal in size as possible. No increase in the maximum number of members shall be made except upon the affirmative vote of not less than two-thirds of the outstanding capital stock of the corporation entitled to vote thereon. ~~The initial terms of directors first elected or reelected by the shareholders after the adoption of this amendment and revision of the Articles of Incorporation shall be for the following terms of office:~~

~~Class A Directors - One Year~~

~~Class B Directors - Two Years~~

~~Class C Directors - Three Years~~

~~Upon the expiration of the initial term specified for each class of directors, their successors~~

Directors shall be elected for three-year terms or until such time as their successors shall be elected and qualified, with one class of directors to be elected each year.

Vacancies on the board of directors, whether the result of removal (with or without cause), death, resignation or otherwise, shall be filled by majority vote of the remaining members of the board of directors, regardless of whether such remaining members constitute a quorum.

The corporation shall nominate persons to serve as members of the board of directors upon the expiration of the term of each class of directors, which nominations shall be submitted to the shareholders at the annual meeting of shareholders for approval. Any nominations for election to the board of directors shall be received, with respect to any annual meeting of shareholders, not later than the date specified by the board of directors for submission of such nominations. Failure to submit timely nominations shall prevent consideration of the nominations at such annual shareholders meetings.

Directors of the corporation may be removed for cause only upon the affirmative vote of the holders of a majority of the outstanding capital stock entitled to vote thereon. A director may be removed for cause only after a finding that (i) the director engaged in fraudulent or dishonest conduct or gross abuse of authority or discretion, with respect to the corporation and (ii) removal is in the best interests of the corporation. Directors of the corporation may be removed for any reason other than cause only upon the affirmative vote of the holders of not less than two-thirds of the outstanding capital stock of the corporation entitled to vote thereon.

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OUR BOARD OF DIRECTORS

Our business affairs are managed subject to the oversight of the Board, which represents and is accountable to the shareholders of the Company. The Board advises and oversees management, which is responsible for the day-to-day operations of the Company. The primary mission of the Board is to represent and protect the interests of our shareholders. As a result, the basic responsibility of our directors is to act in good faith and with due care so as to exercise their business judgment on an informed basis in what they reasonably and honestly believe to be in the best interests of the Company and its shareholders. The Board reviews and assesses our strategic, competitive and financial performance.

Board Leadership Structure

Chair of the Board

The Chair of the Board provides leadership to the Board and works with it to define its structure, agenda and activities in order to fulfill its responsibilities. The Chair works with senior management to help ensure that matters for which management is responsible are appropriately reported to the Board.

Fred P. Lampropoulos currently serves as the Chair of the Board and CEO of the Company. The Board and Governance Committee believe that the traditional practice of combining the roles of chair of the board and chief executive officer currently provides the preferred form of leadership for the Company. Given Mr. Lampropoulos vast experience since founding the Company in 1987, his role as an inventor and his involvement in filing more than 200 patents and pending applications, the respect which he has earned from our employees, business partners and shareholders, and his proven leadership skills, the Board believes Mr. Lampropoulos continued service in both capacities serves the best interests of our shareholders. Further, the Board believes Mr. Lampropoulos fulfillment of both responsibilities encourages accountability and effective decision-making and provides strong leadership for employees and other stakeholders.

Lead Independent Director

In May 2017, the independent directors of the Company selected Mr. Karras to serve as the Lead Independent Director. The position of Lead Independent Director comes with clearly delineated and comprehensive duties, as set out in the Board s Corporate Governance Guidelines, adopted on February 12, 2015 (as amended from time to time, the Governance Guidelines).

These duties include:

BOARD MEETINGS AND EXECUTIVE SESSIONS	• Authority to call meetings of the independent directors • Presides at all meetings of the Board at which the Chair is not present, including executive sessions of the independent directors

COMMUNICATING WITH MANAGEMENT	• Serves as principal liaison between the Chair/CEO and the independent directors
AGENDAS	• Approves meeting agendas for the Board and information sent to the Board by the Chair/CEO, including supporting materials
MEETING SCHEDULES	• Approves meeting schedules for the Board to assure that there is sufficient time for discussion of all agenda items
COMMUNICATING WITH SHAREHOLDERS	• Ensures availability for consultation and direct communication with major shareholders of the Company upon reasonable request

Our independent directors meet in executive session without the CEO/Chair present regularly, generally at least quarterly.

During these sessions, independent directors discuss topics such as executive (including the CEO) succession planning, corporate governance, business strategy and Board responsibilities.

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CORPORATE GOVERNANCE AND RELATED MATTERS

Composition and Selection of Board Members

The Governance Committee is responsible for reviewing annually with the Board the desired skills and characteristics of directors, as well as the composition of the Board as a whole. Directors should be individuals who have succeeded in their particular field and who demonstrate integrity, reliability, knowledge of corporate affairs, and an ability to work well together. Directors should have:

- demonstrated management ability at senior levels in successful organizations;
- current or recent employment in positions of significant responsibility and decision-making;
- expertise in the medical device industry, medical profession or related areas of training; or
- current and prior experience related to anticipated Board and committee responsibilities in other areas of importance to the Company.

The Governance Committee reviews the skills and characteristics required of directors in the context of the current composition of the Board. There is currently no set of specific minimum qualifications that must be met by a nominee recommended by the Governance Committee, as different factors may assume greater or lesser significance at particular times and the needs of the Board may vary in light of its composition and the Governance Committee s perceptions about future issues and needs. Additionally, in considering the composition of the Board and identifying nominees, the Governance Committee does not have a formal policy regarding the

- capacity to evaluate strategy and reach sound conclusions;
- availability of time to devote to the Board; and
- awareness of relevant social, political, and economic trends affecting the Company.

The Governance Committee utilizes a variety of methods for identifying and evaluating director nominees. The Governance Committee assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Governance Committee through various means, including recommendations from current directors, shareholders or other individuals. To date, the Governance Committee has not engaged a professional search firm to assist in identifying candidates for service on the Board.

Shareholder Recommendations

The Governance Committee considers properly-submitted director-nominee recommendations from shareholders prior to the issuance of the proxy statement for the next annual meeting of shareholders. Materials provided by a shareholder in connection with such a recommendation are forwarded to the Governance Committee. In evaluating those recommendations, the Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria described below.

consideration of gender, race, sexual preference, religion and other traits typically associated with the term diversity.

However, the Governance Committee considers it important that the Board be composed of directors with a diverse range of experience, areas of expertise and skills and considers several factors, including a candidate s:

- age;
- skills;
- integrity and moral responsibility;
- policy-making experience;
- ability to work constructively with our management and other directors;
- diversity;

Any shareholder wishing to recommend a candidate for consideration by the Governance Committee should submit a recommendation in writing indicating the candidate s qualifications and other relevant biographical information and provide confirmation of the candidate s consent to serve as a director.

Interested shareholders should send recommendations to:

Merit Medical Systems, Inc.

Attn: Brian G. Lloyd

1600 West Merit Parkway

South Jordan, Utah 84095

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The table below shows some of the relevant experience of our directors identified by the Governance Committee.

	EXPERIENCE						
DIRECTOR NAME	**MEDICAL DEVICE INDUSTRY**	**MEDICAL PROFESSIONAL**	**FINANCIAL OR ACCOUNTING**	**PUBLIC COMPANY**	**CAPITAL MARKETS**	**ORGANIZATIONAL AND POLICY MAKING**	**OWNERSHIP OR INVENTORSHIP**
A. SCOTT ANDERSON			•	•	•	•	
THOMAS J. GUNDERSON			•		•		
NOLAN E. KARRAS			•	•	•		
FRED P. LAMPROPOULOS	•			•	•		•
DAVID M. LIU, M.D.	•	•				•	•
FRANKLIN J. MILLER, M.D.	•	•		•		•	•
F. ANN MILLNER, ED.D			•			•	
MICHAEL STILLABOWER, M.D.	•	•					
KENT W. STANGER	•		•	•	•	•	•

Independence Determinations for Directors

Under our Governance Guidelines, a significant majority of our Board members should be independent directors who meet the director independence guidelines set forth in the NASDAQ Marketplace Rules, on which shares of the Common Stock are currently quoted. Among other things, each independent director should be free of significant business connections with competitors, suppliers, or customers of the Company.

In 2017, the Governance Committee undertook its annual review of director and nominee

independence and recommended that the Board determine that Mr. Anderson, Mr. Gunderson, Mr. Karras, Dr. Liu, Dr. Miller, Dr. Millner and Dr. Stillabower each be designated as an independent director. Mr. Lampropoulos is not independent because of his employment as President and CEO of the Company. Mr. Stanger may not be considered to be independent for some purposes because of his employment as Chief Financial Officer of the Company until 2016.

Board Meetings and Committees

In 2017, the Board met 12 times. Directors are expected to attend regular Board meetings, Board committee meetings and annual shareholder meetings. The independent directors met in executive session four times during 2017.

As further described below, the Board has a standing Audit Committee, Compensation Committee, and Governance Committee. The Company believes each of the directors serving on the Audit, Compensation, and Governance Committees (other than Mr. Stanger s service on the Governance Committee) is an independent director for

All directors attended at least 75% of the total number of meetings of the Board and of any committee on which he or she served.

purposes of the Marketplace Rules of NASDAQ and that each of the directors serving on the Compensation Committee is a non-employee director for purposes of Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act).

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CORPORATE GOVERNANCE AND RELATED MATTERS

Audit Committee

The Audit Committee meets to review and discuss our accounting practices and procedures and quarterly and annual financial statements with our management and independent public accountants. The Audit Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and reporting practices.

The Audit Committee s primary duties include:

- reviewing the scope and adequacy of internal accounting and financial controls;
- reviewing the independence of our independent registered public accounting firm;
- approving the scope and results of the audit activities of our independent accountants;
- approving fees of, and non-audit related services by, our independent accountants;
- reviewing our compliance and enterprise risk management programs;

AUDIT COMMITTEE MEMBERS
• Nolan E. Karras (Chair) • Franklin J. Miller • Thomas J. Gunderson
FINANCIAL EXPERTS ON AUDIT COMMITTEE

The Board has determined that Mr. Karras and Mr. Gunderson are audit committee financial experts, as defined in Item 407(d) of Regulation S-K under the Exchange Act.

- reviewing the objectivity and effectiveness of our internal audit function;
- reviewing our financial reporting activities and the accounting standards and principles followed; and
- reviewing and approving related person transactions.

The Audit Committee met five times during 2017.

Compensation Committee

The Compensation Committee is responsible for overseeing, reviewing and approving executive compensation and benefit programs of the Company. Additional information regarding the functions, procedures and authority of the Compensation Committee is provided in the Compensation Discussion and Analysis beginning on page 28 below. The Compensation Committee Report appears on page 37 below.

The Compensation Committee met three times formally during 2017, although members of the Compensation Committee also met informally and discussed compensation issues at other times throughout the year.

Nominating and Corporate Governance Committee

The Governance Committee is responsible for nomination of our directors and oversight of our corporate governance activities. As discussed earlier, the Governance Committee selects, evaluates and recommends to the full Board qualified candidates for election to the Board. The Governance Committee also provides oversight of our corporate governance practices, including the practices set forth in our Governance Guidelines.

COMPENSATION COMMITTEE MEMBERS

- A. Scott Anderson (Chair)
- Franklin J. Miller, M.D.
- Michael E. Stillabower, M.D.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee is currently, or has formerly been, an officer or employee of the Company or any of its subsidiaries. The Company had no relationship during 2017 requiring disclosure under Item 404 of Regulation S-K with respect to any of the persons who served on the Compensation Committee during 2017.

GOVERNANCE COMMITTEE MEMBERS
• F. Ann Millner, Ed.D. (Chair)
• A. Scott Anderson
• Michael E. Stillabower, M.D.
• David M. Liu, M.D.
• Kent W. Stanger

The Governance Committee met three times during 2017.

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Risk Management

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

When the Board determines to delegate any risk management oversight responsibilities, typically such delegation is made to the applicable standing committee(s) of the Board. The Audit Committee is generally responsible for oversight of risks such as those relating to the quality and integrity of our financial reports, the independence and qualifications of our independent registered public accounting firm, our compliance with disclosure and financial reporting requirements

and overall enterprise risk management. The Governance Committee is generally responsible for oversight of risks addressed through the identification and recommendation of individuals qualified to become directors of the Company, director and management succession planning and development and implementation of corporate governance principles. The Compensation Committee is generally responsible for oversight of risks such as those relating to executive employment policies and our compensation and benefits systems. These committees exercise their oversight responsibilities through reports from and meetings with officers of the Company responsible for each of these risk areas, including our Chief Financial Officer, Chief Legal Officer, Chief Compliance Officer and Director of Internal Audit. In such meetings, committee members discuss and analyze such risks, and, when necessary, consult with outside advisors.

Shareholder Communication with the Board of Directors

The Board will receive communications from Company shareholders. All communications, except those related to shareholder proposals that are discussed below under the heading Shareholder Proposals for Annual Meeting 2019, must be sent to our Corporate Secretary (Brian G. Lloyd) at our principal executive offices at 1600 West Merit Parkway, South Jordan, UT 84095. Communications submitted to the Board (other than communications received through our whistleblower

hotline, which are reviewed and addressed by the Audit Committee) are generally reported to our directors at the next regular meeting of the Board.

All directors of the Company are strongly encouraged to attend our annual meetings of shareholders. Eight of the nine directors then serving on the Board were present at our 2017 annual meeting of shareholders.

Governance Guidelines and Code of Ethics

Governance Guidelines

The Governance Guidelines set forth the responsibilities of our directors.

The Governance Guidelines were amended in May 2016 to require each director to submit a letter of resignation upon reaching 75 years of age, which resignation becomes effective at the next succeeding annual meeting of shareholders and will be accepted by the Board absent a determination

by the Governance Committee or the entire Board to nominate the director for an additional term.

The Governance Guidelines were further amended in October 2017 to include director stock ownership guidelines that, among other things, require directors to maintain minimum stock ownership equal to at least three times the annual retainer received. The Board expects directors to meet this requirement by December 31, 2020. The Governance Committee will determine compliance and may allow waivers on a case-by-case basis.

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GOVERNANCE MATERIALS

The following materials relating to corporate governance are available via our website at:
www.merit.com/investors/corporate-governance/

• **Code of Business Conduct and Ethics**	• **Compensation Committee Charter**
• **Corporate Governance Guidelines** • **Audit Committee Charter**	• **Nominating and Corporate Governance Committee Charter**

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics (Code of Conduct) applies to our directors and employees, including the principal executive, financial and accounting officers, and is supplemented by additional provisions applicable to our CEO and senior financial and accounting officers. All Merit directors, officers and employees are required to act ethically at all times and in accordance with the principles and policies set forth in the Code of Conduct.

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

The Code of Conduct obligates employees, officers and directors to promptly disclose conflicts of

interest to a supervisor, management, or the Board. Any directors who have a conflicting interest in a potential conflicting interest transaction may not participate in the review of that transaction by the Board. Any waiver of the Code of Conduct may be made only by the Board and is required to be promptly disclosed as required by law or the regulations of any exchange on which our securities are traded, including NASDAQ.

Whistleblower Hotline

As contemplated by the Code of Conduct, we have established a whistleblower hotline that enables our employees, vendors, customers, and shareholders, as well as other interested parties, to submit confidential and anonymous reports of suspected or actual violations of the Code of Conduct.

Our whistleblower hotline may be accessed:

- by telephone at (877) 874-8416
- online at *www.merit.alertline.com*

The Audit Committee regularly reviews all complaints we receive through the whistleblower hotline.

Securities Trading Restrictions

We have adopted a corporate policy regarding trading in our Common Stock (Insider Trading Policy) which is applicable to all of our directors and officers, as well as certain other Merit employees who are most likely to have access to material, non-public information regarding our business operations and financial condition (Insiders). The Insider Trading Policy imposes restrictions on Insiders with respect to transactions which may violate federal or state securities laws. Among its provisions, the Insider Trading Policy prohibits trading in Our Common Stock on a short-term basis, engaging in short sales of Our Common Stock and purchasing or selling options in Our Common Stock.

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NON-EMPLOYEE

DIRECTOR COMPENSATION

We use a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve as directors. In setting director compensation, the Board considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill level required by the Company of its directors.

Cash Compensation Paid to Directors

For the year ended December 31, 2017, all non-employee directors of the Company (except Nolan E. Karras) received an annual cash retainer of $60,000. Mr. Karras, as lead independent director, received an annual cash retainer of $110,000.

Committee-specific retainers are set forth in the opposite schedule.

SCHEDULE OF DIRECTOR RETAINERS		
Lead Independent Director		$110,000
Other Directors		$60,000
Audit Chair		$20,000
Audit Member		$10,000
Compensation Chair		$15,000
Compensation Member		$7,500
Governance Chair		$10,000
Governance Member		$5,000

Directors are also reimbursed for (a) out-of-pocket travel and related expenses incurred in attending Board and committee meetings and other Company events, and (b) up to $5,000 for annual educational expenses.

Stock Awards

Directors are eligible to participate in our equity incentive programs. During the year ended December 31, 2017, each non-employee director received an award of options under the 2006 Incentive Plan to purchase 25,000 shares of Common Stock at an exercise price

of $34.40 per share, the per share market closing price on the date of the grant. Director stock options vest over five years at the rate of 20% per year.

The following table shows amounts paid to each of our non-employee directors in 2017.

NON-EMPLOYEE DIRECTOR SUMMARY COMPENSATION

Name (1)	Fees Earned or Paid in Cash ($)	Options Awards (2)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total Compensation ($)
A. Scott Anderson	80,000	282,170			362,170
Thomas J. Gunderson (3)	70,000	282,170		5,000	357,170
Nolan E. Karras	130,000	282,170			412,170
Franklin J. Miller, M.D.	77,500	282,170			359,670
F. Ann Millner, Ed.D.	70,000	282,170			352,170
David M. Liu, M.D.	65,000	282,170			347,170
Kent W. Stanger	65,000	282,170			347,170
Michael E. Stillabower, M.D.	72,500	282,170			354,670

(1) Fred P. Lampropoulos served as a director of the Company during 2017 but is not identified in the foregoing director summary compensation table because of his dual status as an NEO and director. Information regarding Mr. Lampropoulos s 2017 compensation can be found under Executive Compensation and Related Matters below.

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(2) The amounts shown for the option awards reflect the aggregate grant date fair value of all equity awards granted to the non-employee directors in 2017. We calculated these amounts in accordance with financial statement reporting rules, using the same assumptions we used for financial statement reporting purposes pursuant to our long-term incentive plans. Assumptions used in the calculation of these amounts are included in footnotes to our 2017 audited financial statements. As of December 31, 2017, each non-employee director had outstanding options for the following number of shares: Mr. Anderson, 79,000; Mr. Gunderson, 25,000; Mr. Karras, 125,000; Dr. Miller, 155,000; Dr. Millner, 57,739; Dr. Liu, 46,000; Mr. Stanger, 103,375; and Dr. Stillabower, 165,000.

(3) Prior to his appointment as a director of the Company, Mr. Gunderson provided financial consulting services to the Company on a limited basis. The amount shown for Mr. Gunderson reflects a consulting payment in the amount of $5,000 paid to Mr. Gunderson prior to his appointment as a director.

Related Person Transactions

Policies and Procedures Regarding Transactions with Related Persons

Our Code of Conduct requires that every employee avoid situations where loyalties may be divided between our interests and the employee s own interests. Employees and directors must avoid conflicts of interest that interfere with the performance of their duties or are not in our best interests.

Pursuant to its written charter, the Audit Committee reviews and approves all related party transactions (as such term is used by ASC Topic 850 Related Party Disclosures) involving executive officers and directors, or as otherwise may be required to be disclosed in our financial statements or periodic filings with the Securities and Exchange Commission (the SEC) (including under Item 404 of Regulation S-K under the Securities Act of 1933), other than:

(a) grants of stock options made by the Board or any committee thereof or pursuant to an automatic grant plan; and

(b) payment of compensation authorized by the Board or any committee thereof.

A Related Person Transaction is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the

Company (including any of its subsidiaries) was, is or will be a participant and, as relates to directors or shareholders who have an ownership interest in the Company of more than 5%, the amount involved exceeds $120,000, and in which any Related Person (defined below) had, has or will have a direct or indirect material interest.

A Related Person includes officers, directors, nominees, five percent beneficial owners and their respective immediate family members (which in turn includes person s spouse, parents, siblings, children, in-laws, step relatives, and any other person sharing the household (other than a tenant or household employee).

Related Person Transactions include transactions between the Company and its executive officers and directors. We have adopted written policies and procedures regarding the identification of Related Persons and Related Person Transactions and the approval process for such transactions. The Audit Committee considers each Related Person Transaction in light of the specific facts and circumstances presented, including but not limited to the risks, costs and benefits to the Company and the availability from other sources of comparable services or products.

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Certain Related Person Transactions

The Board, acting through the Audit Committee, believes that the following Related Party Transactions are reasonable and fair to the Company:

- Joseph C. Wright, President of Merit International, a division of the Company, is the brother-in-law of Fred P. Lampropoulos, Chair of the Board, CEO and President of the Company. In 2017, we provided to Mr. Wright total cash and equity compensation of $943,467.

- Justin J. Lampropoulos, Executive Vice President of Sales, Marketing & Strategy of the Company, is the son of Fred P. Lampropoulos, Chair of the Board, CEO and President of the Company. In 2017, we provided to Mr. Justin Lampropoulos total cash and equity compensation of $785,801.

- Charles Wright, Director of Business Development of the Company, is the brother-in-law of Fred P. Lampropoulos, Chair of the Board, CEO and President of the Company. In 2017, we provided to Mr. Wright total cash and equity compensation of $555,006.

- Anne-Marie Wright, Vice President of Corporate Communications of the Company, is the wife of Fred P. Lampropoulos, the Chair of the Board, CEO and President of the Company. During the year ended December 31, 2017, we paid to Ms. Wright total compensation of $162,226.

- Frank Wright, OEM Business Development Manager of the Company, is the brother-in-law of Fred P. Lampropoulos, Chair of the Board,

CEO and President of the Company. In 2017, we paid to Mr. Wright total compensation of $208,529.

- Before his appointment as a director, Dr. David M. Liu was engaged from time to time as a consultant to the Company on a contract basis. Dr. Liu also has received payments under the terms of a technology license agreement dated August 1, 2014 (the License Agreement) from the Company to license technology created by Dr. Liu and one of his colleagues. During 2016, and before his appointment as a director, Dr. Liu received approximately $50,000 pursuant to the terms of the License Agreement. During 2015, the Company paid Dr. Liu approximately $9,000 in his role as an external consultant. It is possible that Dr. Liu may provide additional services in this capacity in the future, and future payments to Dr. Liu, in the form of consulting fees, royalties, and lump-sum milestone payments, may be made. The terms of the License Agreement and the consulting arrangement with Dr. Liu described above were negotiated in arms-length transactions.

- Prior to his appointment as a director, Thomas J. Gunderson provided financial consulting services to the Company on a limited basis. During 2017, and before Mr. Gunderson s appointment as a director, the Company paid Mr. Gunderson approximately $5,000 as remuneration for such services. The Company does not intend to pay any such fees to Mr. Gunderson during his service as a director.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

EXECUTIVE SUMMARY

We are a leading manufacturer and marketer of proprietary disposable medical devices used in interventional, diagnostic and therapeutic procedures, particularly in cardiology, radiology, oncology, critical care and endoscopy. We have delivered year-over-year revenue growth and maintained profitability since 1990.

The Compensation Committee believes there are multiple factors that have contributed to our strong record of financial and operating performance, but two of the key factors have been our outstanding employees and the leadership provided by our executive officers. Accordingly, the Compensation Committee seeks to implement and advance an executive compensation program that recognizes Company performance and individual contribution, while encouraging long-term motivation and retention. The Compensation Committee believes our executive compensation program has been instrumental in helping the Company sustain its strong financial performance over many years.

Under the oversight of the Compensation Committee, our compensation philosophy is to offer compensation programs to the NEOs that align the interests of management and shareholders for the purpose of maximizing shareholder value, while considering the interests of other significant stakeholders such as employees, customers, business partners and the communities in which we operate. Among other

objectives, those programs are designed to:

- focus executives on achieving or exceeding measurable performance targets;
- influence executives to lead our employees in the implementation of cost saving plans;
- continue our entrepreneurial spirit;
- attract and retain highly-qualified and motivated executives; and
- promote a highly ethical environment and maintain health and safety standards

Our executive compensation programs specific to the NEOs are overseen by the Compensation Committee. In pursuit of our compensation philosophy and objectives, the Compensation Committee believes that the compensation packages provided to the NEOs should generally include both cash and equity-based compensation, generally in the form of stock options. Base pay and benefits are set at levels considered necessary to attract and retain qualified and effective executives. Variable incentive pay is used to align the compensation of the NEOs with our short-term business and performance objectives, such as income and overall financial performance. Equity awards have historically been used to retain key employees and to motivate executives to create long-term shareholder value.

SELECTED 2017 HIGHLIGHTS

- Successful completion of three-year plan to accelerate growth and improve profitability and extension of the plan for two additional years
- Achievement of net sales, non-GAAP gross margin, and GAAP and non-GAAP earnings per share financial performance objectives
- Completed multiple significant acquisition transactions, including the critical care division of Argon Medical Devices, Inc. and Catheter Connections, Inc., with expanded Merit presence in Asia Pacific
- Completed transition to limited direct sales model in Japan, designed to increase Merit responsiveness and profitability
- Cumulative total return on our Common Stock from December 31, 2012 to December 31, 2017 of 211% (1)

(1) See Item 5 of our Annual Report on Form 10-K filed on March 1, 2018. Past results are not necessarily an indicator of future results.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

Named Executive Officers

In addition to Mr. Lampropoulos (whose biography is included under Proposal 1: Election of Nominee Directors), we have included below information related to our NEOs:

BERNARD J. BIRKETT

Chief Financial Officer

and Treasurer

Age: 49

Current Position Since: November 2015

Education: B.Comm, National University of Ireland Galway; MSc Finance, Michael Smurfit Graduate Business School at University College Dublin; Strategic leadership program at Stanford s Graduate School of Business

Fellow Chartered and Certified Accountant

Highlights

- Previous positions at Merit include Executive Vice President of Finance, Vice President of International Finance, and Controller for Europe, the Middle East and Africa (EMEA), 2000 to 2015
- Before joining Merit, held accounting and finance related positions with several companies, including SPS Technologies, Inamed and Strix Ltd.

RONALD A. FROST

Chief Operating Officer

Current Position Since: January 2014

Education: Manufacturing Engineering Technology, AAS, Machine Tooling, Weber State University

Age: 56

Highlights

- More than 26 years of service to Merit and its shareholders
- Previous positions at Merit include Vice President (Materials and Operations), Quality Engineer, Manufacturing Engineer, Custom Kits Manager, Customer Service Manager, Production Planning and Warehouse Manager, General Manager of our Richmond, Virginia operations, and Vice President (Technology Transfer), 1991 to 2014

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EXECUTIVE COMPENSATION AND RELATED MATTERS

JOSEPH C. WRIGHT

President,

International Division

Age: 48

Current Position Since: July 2015

Education: B.A., (political science), Columbia University; M.B.A., (finance) Columbia University; Speaks Japanese

Mr. Wright is the brother-in-law of Fred P. Lampropoulos, Merit s CEO, President and Chair of the Board

Highlights

- Previous positions at Merit include (a) President, Technology Group overseeing Merit OEM, Merit Sensor Systems, Inc., and Merit s coating division, (b) Vice President of Marketing, and (c) Vice President, International responsible for sales in Canada, Asia Pacific, and Latin America, 2005 to 2015
- Manages businesses in all global markets outside the U.S. and EMEA
- Before joining Merit, held sales, marketing and business development positions with several companies, including Motorola and Micron

BRIAN G. LLOYD

Chief Legal Officer,

Corporate Secretary

Current Position Since: April 2016

Education: B.S. (finance), Brigham Young University; J.D., Columbia Law School

Age: 57

Highlights

- Practiced as an attorney, specializing in corporate governance, securities regulation and mergers and acquisitions, with the law firm of Parr Brown Gee & Loveless in Salt Lake City, Utah for more than 20 years.

- Also practiced law in those areas of specialization as a partner with the law firm of Stoel Rives, LLP for four years.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis is designed to explain our philosophy and objectives underlying our compensation policies, the processes we follow in setting compensation, and the components of compensation that we utilize in compensating our NEOs, who are listed below.

The Summary Compensation Table and other compensation tables under Executive Compensation Tables below should be read in conjunction with this section.

Fred P. Lampropoulos	Chair, President and Chief Executive Officer
Bernard J. Birkett	Chief Financial Officer and Treasurer
Ronald A. Frost	Chief Operating Officer
Joseph C. Wright	President, International
Brian G. Lloyd	Chief Legal Officer and Corporate Secretary

Process for Establishing Compensation

Procedure

The Compensation Committee has oversight responsibility for establishing compensation practices for our Chief Executive Officer (CEO) and the other NEOs.

Performance reviews of the CEO are conducted by the Compensation Committee based on our performance during a given year, compared with our performance objectives, as well as other factors intended to maximize short-term and long-term shareholder value.

Performance reviews of other NEOs are based on the CEO s evaluation of individual officer and Company performance for that year, with the objective of maximizing shareholder value. With respect to the compensation levels for the other NEOs, the Compensation Committee considers input and recommendations from the CEO. The CEO makes recommendations concerning salary adjustments, cash bonus programs and equity awards for the other NEOs, and the Compensation Committee considers those recommendations in determining the compensation of the other NEOs.

Role of Consultants

In prior years (most recently in 2015), the Compensation Committee has engaged Pearl Meyer & Partners (Pearl Meyer), an independent compensation consulting firm, to review our executive officer and director compensation practices and advise the Compensation Committee with respect to those compensation practices, including

salary, bonus, benefits and equity awards for our executive officers and retainers, meeting fees and equity awards for our directors, based on practices of our 2017 peer group companies. The Compensation Committee has evaluated Pearl Meyer s reports in prior years and, as they considered appropriate to achieve the best interests of the Company and its shareholders, implemented some of Pearl Meyer s recommendations.

In conducting its review of our compensation practices for 2017, the Compensation Committee did not engage Pearl Meyer. The Compensation Committee reviewed industry and peer compensation data for medical device companies included in published surveys issued by Radford, Aon Hewitt s medical device consulting group (Radford)During 2017, we participated in the Radford Global Technology Survey (Radford Survey), which includes 84 medical device companies with headquarters located in the United States. The Radford Survey which we believe is generally considered a standard source of information for executive compensation provides valuable information regarding industry and peer executive compensation practices. Our management utilizes the Radford Survey to determine the reasonableness of compensation for various levels of employees, including executives. The Compensation Committee also directed management to perform an internal review of Company executive compensation practices, as well as the executive compensation practices of other U.S. publicly-traded companies in the medical device industry.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

Neither the Radford Survey nor the internal review yielded any significant concerns at the Compensation Committee level regarding our executive compensation practices.

Evaluation

In evaluating compensation of the NEOs for the year ended December 31, 2017, the Compensation Committee considered, among other factors, our performance and relative shareholder return in 2017, as compared to our performance targets for the 2017, and other factors considered relevant by the Compensation Committee.

Notwithstanding the Compensation Committee s use of the information supplied by Pearl Meyer in 2015, and information obtained from the Radford Survey and our management s review of executive compensation practices, the decisions of the Compensation Committee with regard to the NEOs for 2017 were based principally on objective and subjective evaluations of the individual NEOs.

Other Considerations

The Compensation Committee also relied on its experience and judgment in making executive compensation decisions after reviewing our performance on a quarterly and annual basis, and evaluating each NEO s individual performance and responsibilities with the Company, as well as current compensation arrangements. The compensation program for the NEOs and the Compensation Committee assessment process have been designed to be flexible in an effort to respond to the evolving business environment and individual circumstances relative to Company and individual performance, shareholder value, as well as internal equity for compensation levels among our executives.

Our executive compensation program is divided into the following two general categories:

- fixed pay; and
- variable pay.

Fixed pay consists of base salary and is intended to provide each NEO with a level of assured cash compensation appropriate for his or her position within the Company.

Variable pay includes annual cash bonus awards and equity-based awards in the form of stock options, each as explained in more detail below.

The Compensation Committee believes that a portion of total compensation of the NEOs should be both at-risk and tied to our achievement of its performance goals.

Generally, at the beginning of each year, the CEO identifies performance goals which are intended to align the efforts of our executive officers, including the NEOs, with our achievement of our strategic business plan to maximize shareholder value. The CEO then reviews those performance goals with the Compensation Committee. Those goals then become targets for the variable annual performance bonus component of our executive compensation program. Because the performance goals are generally established at the beginning of each year and market conditions fluctuate throughout the year, the performance goals may not correspond to subsequent annual earnings estimates released by the Company.

Compensation Committee Consideration of Shareholder Advisory Votes

At our annual meeting of shareholders held on May 24, 2017, we submitted the compensation of our executive officers to our shareholders in a non-binding vote. Our executive compensation program received the support of holders of approximately 56.1% of the shares represented at the meeting. The 56.1% support level was abnormally low, compared to our historical experience. For example, in 2016, 2015 and 2014, the number of shares voted in support of our executive compensation program were approximately 93.7%, 84.1% and 93.1%, respectively.

Given the abnormally low support registered for our executive compensation program at our 2017 annual meeting, the Compensation Committee undertook extensive discussions regarding the 2017 voting results among itself, with other members of the Board, with management and with shareholders of the Company. In the course of those discussions, the Committee received information that one of the principal factors which resulted in the abnormally low support of our executive compensation practices was a concern expressed by some of our shareholders and their advisors that our Employment Agreements contained provisions providing

for tax gross-up payments to our NEOs in connection with a change in control and change-in-control payments to our NEOs based solely upon the occurrence of a change in control of the Company.

Based upon those discussions, and after an extensive review of the concerns raised by our shareholders, as well as the corporate governance practices of other companies, the Compensation Committee recommended that the Board enter into discussions with the executive officers of the Company regarding amendment of the Employment Agreements to remove the features which appeared to cause concern for our shareholders. Based upon those discussions, on December 11, 2017 we entered into a First Amendment to Employment Agreement with each of the NEOs for the purpose of addressing the concerns identified by our shareholders. Following the execution of those amendments, we have no employment agreements with our NEOs that either include a parachute payment tax gross-up provision or allow any of the NEOs to qualify for change-in-control benefits solely upon a change in control. The Compensation Committee believes the amendment of the Employment Agreements is responsive to the concerns expressed by our shareholders and consistent with good corporate governance practices.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

Pay Mix

The allocation between cash and non-cash NEO compensation is influenced by the practices of subjective and objective analysis conducted by the Compensation Committee, and is intended to reflect the Compensation Committee s determination of the appropriate compensation mix among base pay, annual cash incentives and long-term equity incentives. Actual cash and equity-based incentive awards are determined based on the performance of the Company or the individual NEO, depending on the position of the NEO, the type of award and our performance, compared to established goals.

For 2017, the elements of the compensation mix for the NEOs included:

- base salary (designed to attract and retain executives over time);
- annual performance bonus (designed to focus on business objectives established by the Compensation Committee for a particular year);
- long-term equity-based incentive compensation in the form of stock option awards (designed to further align NEO pay with performance);
- broad-based employee retirement, welfare and fringe benefits programs, and other personal benefits; and
- executive deferred compensation.

Fixed Compensation

Base Salary. The Compensation Committee does not use a specific formula for evaluating individual performance of the NEOs. The performance of the NEOs other than the CEO is assessed by the Compensation Committee taking into account the CEO s input regarding each NEO s contributions to our performance for the applicable year. The CEO s performance is assessed by the Compensation Committee in formal and informal meetings with the CEO, as well as executive sessions conducted by the Compensation Committee.

The criteria used in setting the base salary for each NEO, including the CEO, vary depending on the NEO s function, but generally include the Compensation Committee s assessment of the NEO s:

- advancement of our interests with shareholders and customers and in other strategic business relationships;

- achievement of our financial results;

- position and experience (in an effort to avoid gender or age discrimination);

Among the factors the Compensation Committee considered when establishing NEO base salaries for 2017 were:
Fred P. Lampropoulos
• our 2016 financial performance;
• successful completion of acquisition transactions and integration of acquired enterprises and products;
• operational management, including cost savings, product development (including inventions and patent prosecution), international expansion, subsidiary development, risk management, and manufacturing capacity planning;
• shareholder relations; and
• strategic business development, management development and oversight, and impact on overall shareholder value.
Bernard J. Birkett
• our 2016 financial results;
• responsibility for the financial affairs of an increasingly large and complex organization;
• shareholder relations;
• oversight of our cash flow and budgeting practices; and
• accounting for, and financing of, acquired enterprises and products.
Ronald A. Frost
• conducting our worldwide operations within the budget established by the Board;
• helping to integrate acquired enterprises and products; and
• efforts to achieve cost savings throughout our operations.
Joseph C. Wright
• management of our international division, including oversight of our international growth and sales;
• identifying potential new markets for expansion and growth and development of our international sales strategy; and
• budget management.
Brian G. Lloyd
• oversight of our legal department, with responsibility for supporting our worldwide operations;
• corporate counsel and support of the Board in fulfilling its corporate governance obligations; and
• negotiation and coordination of acquisition and financing transactions.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

- leadership inside and outside the Company;
- contribution to our product quality and development; and
- advancement in skills and responsibility.

Given the subjective nature of the criteria identified above, the Compensation Committee has not attempted to develop numeric measurements in determining base salaries for the NEOs. Instead, the Compensation Committee establishes base salaries at levels commensurate with the Compensation Committee s evaluation of each NEO s contribution to our business success.

Based on its evaluation, the Compensation Committee approved the following NEO base salaries for the year ended December 31, 2017, which are also reflected in the Summary Compensation Table under Executive Compensation Tables below.

NAMED EXECUTIVE OFFICER		BASE SALARY
Fred P. Lampropoulos	$	1,412,308
Bernard J. Birkett	$	514,687
Ronald A. Frost	$	400,000
Joseph C. Wright	$	473,078
Brian G. Lloyd	$	515,385

(1) Base salary amounts reflect amounts paid to the NEOs as reported in the Summary Compensation Table shown on page 45. Base salary amounts as of December 31, 2017, as approved by the Compensation Committee were: Mr. Lampropoulos, $1,700,000; Mr. Birkett, $500,000; Mr. Frost, $400,000, Mr. Wright, $500,000; and Mr. Lloyd, $600,000.

Broad-Based Benefits Programs

We offer multiple broad-based benefits programs to our employees, including our NEOs. Those programs include benefits such as health, dental, vision, disability and life insurance, health savings accounts, health care reimbursement accounts, employee stock purchase plan, paid vacation time and discretionary Company contributions to a 401(k) profit sharing plan.

Benefits are provided to our executives in accordance with practices the Compensation Committee believes are consistent with industry standards. The Compensation Committee believes such benefits are a necessary element of compensation in attracting and retaining employees. In addition, the NEOs receive limited perquisites in an attempt to achieve a competitive pay package, as further detailed in the Summary Compensation Table.

Deferred Compensation Plan

We provide a non-qualified deferred compensation plan for the benefit of certain of our highly-compensated management employees, including the NEOs. Under the non-qualified deferred compensation plan, eligible executives may elect in advance of each calendar year to defer up to 100% of their cash salary and bonus compensation earned with respect to such year. Amounts deferred are credited to an unfunded liability account maintained by the Company on behalf of the applicable NEO, which account is deemed invested in and earns a rate of return based upon certain notational and self-directed investment options offered under the plan. In our discretion, we may elect to credit each eligible participant s account under the deferred compensation plan with an employer matching contribution but, to date, we have never elected to do so. Participant account balances under the deferred compensation plan are fully-vested and will be paid by the Company to each participant upon retirement or separation from employment, or on other specified dates, in a lump sum or in installments according to a schedule elected in advance by the participant.

The Company and its subsidiaries do not maintain any other executive pension or retirement plans for the NEOs.

Variable Compensation

In general, our variable compensation programs are designed to align the interests of our executive officers, including the NEOs, with our operating and financial results.

Annual Performance Cash Bonuses

Our general practice is to provide NEOs with the opportunity to earn annual performance bonus compensation under a program that recognizes attainment of key objectives. The key objectives that underlie our annual incentive compensation programs are established annually by the Compensation Committee based upon

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EXECUTIVE COMPENSATION AND RELATED MATTERS

recommendations made by the CEO, and may vary between years and between NEOs, but generally include objectives that reward attainment of targeted sales, earnings, gross margins and cost savings.

In setting the performance bonus amounts that an NEO is eligible to earn for achieving specified objectives, the Compensation Committee and the CEO consider bonus and total cash compensation levels for each NEO. Although bonus opportunities for achieving objectives are generally established for each NEO based on job scope and contribution, the Compensation Committee retains discretion to positively or negatively adjust performance bonus amounts based on factors that are not included in the pre-determined objectives. NEOs also have the opportunity to earn additional discretionary bonuses for extraordinary performance, as determined by the Compensation Committee.

The decision as to whether to provide an annual performance bonus program to any NEO for any year, the type and funding of any program offered, and the objectives that underlie any program, are subject to the discretion of the Compensation Committee based on the recommendation of the CEO and industry-specific conditions existing during the applicable year. The Compensation Committee may also exercise positive or negative discretion based on its assessment of the individual NEO s contribution and accountability

for the objectives that are the subject of the bonus recommendations from the CEO and any other factors the Compensation Committee considers relevant.

For 2017 (and after considering the CEO s recommendations), the Compensation Committee established incentive cash bonus objectives for Messrs. Lampropoulos and Wright, but did not establish specific incentive cash bonus objectives for other NEOs. The incentive cash bonus objectives for Mr. Lampropoulos were based on sales, gross margins (calculated on a GAAP and non-GAAP basis), and earnings per share (calculated on a GAAP and non-GAAP basis). The incentive cash bonus objectives for Mr. Wright were based on sales of the Company s products in all global markets other than the U.S. and EMEA.

The specific 2017 goals established by the Compensation Committee for Mr. Lampropoulos in the performance bonus categories, together with the level of our actual 2017 performance in those categories, are as follows.

PERFORMANCE BONUS OBJECTIVES	2017 GOALS	2017 RESULTS
Sales	$722 727 million	$727.9 million
Gross Margin (GAAP)	45.0 45.5%	44.8%
Gross Margin (Non-GAAP) (1)	48.0 48.5%	48.1%
Earnings Per Share (GAAP)	$0.55 - $0.61	$0.55
Earnings Per Share (Non-GAAP) (2)	$1.23 - $1.28	$1.28

(1) Non-GAAP Gross Margin is calculated by adjusting gross profit by amounts recorded for amortization of intangible assets, inventory mark-up related to acquisitions and severance expense. See Non-GAAP Financial Measures in this Proxy Statement for additional information.

(2) Non-GAAP Earnings Per Share is calculated as GAAP net income excluding intangible amortization expense, acquisition related costs, intangible asset impairment charges, contingent consideration benefits, certain legal expenses, and severance costs. All excluded items are tax affected and total Non-GAAP net income is divided by the weighted average diluted shares outstanding. See Non-GAAP Financial Measures in this Proxy Statement for additional information.

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The specific 2018 goals for Mr. Lampropoulos in the performance bonus categories align with the guidance we issued on February 28, 2018.

With respect to Mr. Wright, the Compensation Committee approved performance bonus objectives based on the following sales targets for our international operations for which Mr. Wright has supervisory responsibility.

2017 GOAL	2017 RESULTS
$141.6 million	$155.7 million

Although the Compensation Committee did not establish specific 2017 incentive cash bonus objectives for Messrs. Birkett, Frost and Lloyd, the Compensation Committee based its determination of discretionary bonuses (see Discretionary Bonuses below) paid to Messrs. Birkett, Frost and Lloyd upon the Company s achievement of the annual cash bonus objectives established for Mr. Lampropoulos. The Compensation Committee believes that the annual cash bonus objectives provided meaningful motivation to Mr. Lampropoulos and the other NEOs and were instrumental in influencing Company performance during 2017.

The Compensation Committee s evaluation of our achievement of the performance bonus goals shown above indicated that we achieved the goals established for sales, non-GAAP gross margins, GAAP earnings per share and non-GAAP earnings per share. The Company did not achieve the goal for GAAP gross margins. The Compensation Committee noted, however, that a principal factor which contributed to our failure to achieve the goal for GAAP gross margin was the variability in GAAP gross margin associated with acquisition and integration costs we incurred in connection with multiple acquisition transactions we completed during 2017, including the critical care division of Argon Medical Devices, Inc. and Catheter Connections. The Compensation Committee recognized that those acquisition transactions were undertaken consistent with our growth strategy, were approved by the Board, and reflected the Board s belief that the transactions would increase shareholder value in the long term, but would result in significant unbudgeted expenses in the short term. Based upon its assessment of the Board s objective of increasing shareholder value, the Compensation Committee determined to award to

Mr. Lampropoulos the full amount of the annual cash bonus objective established for him.

Discretionary Bonuses

In addition to the cash bonus opportunities under the performance bonus program described above, the Compensation Committee (with the input of the CEO) may choose to reward extraordinary performance and achievements by awarding discretionary bonuses to the NEOs and other executives from time to time that are not part of the annual incentive plan or any other plan. Based upon the Compensation Committee s review of the performance bonus objectives discussed above, and following a review of the performance of each of Messrs. Lampropoulos, Birkett, Frost and Lloyd, the Compensation Committee determined to grant discretionary bonuses to each of those NEOs in the amounts set forth in Summary Compensation Table set forth on page 45**.** There is no standing expectation that all (or any) NEOs will receive discretionary performance bonuses in any particular year, and the criteria for such bonuses are not established in advance.

Long-Term Incentive Compensation

Historically, long-term equity awards, in the form of stock options, have been granted at the Compensation Committee s discretion to the NEOs annually in an effort to provide long-term performance-based compensation, to encourage the NEOs to continue their engagement with the Company throughout the vesting periods, and to align management and shareholder interests.

In making awards under the 2006 Incentive Plan, the Compensation Committee considers grant size, the appropriate combination of equity-based awards, the impact of the grant on the our financial performance (as determined in accordance with the requirements of the Financial Accounting Standards Board ASC Topic 718 (ASC Topic 718)), and the corresponding compensation value used by the Company in determining the amount of the awards (which may vary from the ASC Topic 718 expense).

Generally, the amount of long-term equity awards granted to the NEOs has been based upon the Compensation Committee s assessment of each NEO s expected future contributions to the Company and other factors. The amount or existence of those awards may

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also be influenced by external factors such as general economic or industry-specific conditions. We generally grant long-term equity awards at the regularly-scheduled Compensation Committee meeting held in February or May of each year, but may vary the date of grant from year to year.

During 2017, the Compensation Committee granted stock option awards to NEOs under the 2006 Incentive Plan in the following amounts:

NAMED EXECUTIVE OFFICER	NUMBER OF OPTIONS GRANTED
Fred P. Lampropoulos	200,000
Bernard J. Birkett	50,000
Ronald A. Frost	50,000
Joseph C. Wright	25,000
Brian G. Lloyd	50,000

Employment Agreements

The Compensation Committee has determined that executive employment agreements are necessary to provide competitive compensation arrangements to our NEOs, particularly because such agreements are common in our industry. Moreover, the Compensation Committee believes that the change in control provisions within the executive employment agreements help to retain the NEOs by reducing personal uncertainty and anxiety that may arise from the possibility of a future business combination.

We have entered into employment agreements (collectively, the Employment Agreements) with each of the NEOs. The annual base salaries payable under the Employment Agreements, as adjusted for 2017, were:

NAMED EXECUTIVE OFFICER		BASE SALARY
Fred P. Lampropoulos	$	1,412,308
Bernard J. Birkett	$	514,687
Ronald A. Frost	$	400,000
Joseph C. Wright	$	473,078
Brian G. Lloyd	$	515,385

(1) Base salary amounts reflect amounts paid to the NEOs as reported in the Summary Compensation Table shown on page 45. Base salary amounts as of December 31, 2017, as approved by the Compensation Committee were: Mr. Lampropoulos, $1,700,000; Mr. Birkett, $500,000; Mr. Frost, $400,000, Mr. Wright, $500,000; and Mr. Lloyd, $600,000.

The amount of the base salary payable to each NEO may be subject to change based on review by the Compensation Committee on an annual basis. Although the employment status of each of the NEOs is at will, the Employment Agreements provide for mandatory severance payments to each NEO in the event the

NEO s employment terminates for certain reasons in connection with a Change in Control (as defined below). Those severance arrangements are discussed in greater detail below under the heading Executive Compensation Tables Potential Payments upon Termination or Change in Control.

In addition to the annual base salary described above, the Employment Agreements also allow the NEOs to receive an annual cash bonus payment in an amount to be determined in the sole discretion of the Board (which has delegated that authority to the Compensation Committee). Notably, in fiscal years ending after a Change in Control, the annual bonus must be at least equal to an NEO s average annual cash bonus for the last three full fiscal years ending prior to the Change in Control.

The NEOs (and to the extent applicable, their spouses and eligible dependents) are eligible to participate in all incentive, savings and retirement, health insurance, term life insurance, long-term disability insurance, deferred compensation, employee stock purchase and other employee benefit plans, policies or arrangements we maintain for our employees generally and, at the discretion of the Compensation Committee, in the 2006 Incentive Plan and other benefit plans maintained by the Company for our executives.

The terms of the Employment Agreements reflect in part the concern of the Compensation Committee that a future threatened or actual change in control, such as through an acquisition or merger, could cause disruption and harm to the Company in the event of the resulting loss of any of its key executives. The change in control provisions in the Employment Agreements are intended to provide a measure of incentive and security to our key

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executives until the resolution of any such threatened or actual change in control. However, the Compensation Committee believes that such agreements should not include provisions that would obligate a potential acquirer of the Company to make large payouts to the NEOs simply because a change in control has occurred. Because of this concern, the occurrence of a change in control event alone will not trigger any payment obligations to the NEOs under their respective Employment Agreements. Additional change in control payment obligations under the Employment Agreements

only arise in the event the NEO s employment is terminated without Cause in connection with the change in control or the NEO resigns for Good Reason (with each capitalized term in this sentence defined in the Employment Agreements and described under the heading Potential Payments Upon Termination or Change in Control Employment Agreements below) in connection with a change in control. Thus, the Compensation Committee regards the employment agreements as double trigger change in control agreements.

Tax Deductibility and Executive Compensation

Section 162(m) (Section 162(m)) of the Internal Revenue Code of 1986, as amended (the Code) imposes a $1.0 million annual limit on the amount that a public company may deduct for compensation paid to a company s chief executive officer during a tax year or to any of the company s three other most highly compensated executive officers who are still employed at the end of the tax year. For tax years beginning before 2018, the limit does not apply to compensation that meets the requirements of Section 162(m) for qualified performance-based compensation (i.e., compensation paid only if the executive meets pre-established, objective goals based upon performance criteria approved by our shareholders).

The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) and attempts, to the extent practical, to implement compensation policies and practices that maximize the potential income tax deductions available to the Company including for tax years before 2018 by qualifying such policies and practices as performance-based compensation exempt from the deduction limits of Section 162(m).

In certain situations, the Compensation Committee may approve compensation that will exceed the deduction limitations of Section 162(m) in order to ensure competitive levels of total compensation for its executive officers. In such situations, the portion of the compensation payable to the executive officer that exceeds the $1.0 million limit will not be deductible for tax purposes. Although deductibility of executive compensation for tax purposes is generally preferred, tax deductibility is not the sole objective of our executive compensation programs. The Company and the Compensation Committee believe that meeting the compensation objectives described above is more important than the benefit of being able to deduct the compensation for tax purposes.

All compensation paid to the NEOs, other than Mr. Lampropoulos, during 2017 was intended to be deductible under Section 162(m). Although Mr. Lampropoulos compensation for 2017 exceeded the deduction limits of Section 162(m), the Compensation Committee approved that compensation amount in order to provide Mr. Lampropoulos with a compensation package that the Compensation Committee considers competitive and in the best interests of the Company and its shareholders.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

Compensation Policies and Practices Relating to Risk Management

The Compensation Committee has reviewed our company-wide compensation program, which applies to all of our full-time employees, including the NEOs. Based on the Compensation Committee s review of the various elements of our executive compensation practices and policies, the Compensation Committee believes our compensation policies and practices are designed to create appropriate and meaningful incentives for our employees without encouraging excessive or inappropriate risk taking.

After undertaking this review, the Compensation Committee came to the following conclusions:

- Our compensation policies and practices are designed to include a significant level of long-term compensation, which discourages short-term risk taking;

- The base salaries we provide to our employees are generally consistent with salaries paid for comparable positions in our industry, and provide our employees with steady income while reducing the incentive for employees to take risks in pursuit of short-term benefits;

- Our incentive compensation is capped for some NEOs at levels established by the Compensation Committee, which it believes reduces the incentive for excessive risk-taking;

- We have established and adopted codes of ethics and business conduct, which are designed to reinforce the balanced compensation objectives established by the Compensation Committee; and

- We have adopted equity ownership guidelines for its executive officers, which the Compensation Committee believes discourages excessive risk-taking.

Based on the review outlined above, the Compensation Committee has further concluded that the risks arising from our compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

Additionally, at our annual meeting of shareholders held on May 24, 2017, our shareholders voted on an advisory basis with respect to the frequency of future advisory votes on executive compensation. Holders of approximately 77.1% of the shares represented at that meeting expressed their preference for an annual advisory vote. Consequently, we intend to hold an annual advisory vote on executive compensation until the next say-on-frequency vote at our annual meeting of shareholders in 2023.

The Compensation Committee will continue to review future shareholder voting results, including the voting results with respect to Proposal No. 3 - Advisory Vote on Executive Compensation, as described further in this Proxy Statement, and determine whether to make any changes to our executive compensation program in light of such voting results.

Compensation Committee Report

The Compensation Committee establishes and oversees the design and function of our executive compensation programs.

The members of the Compensation Committee have reviewed and discussed the foregoing Compensation Discussion and Analysis with the management of the Company and recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE:
A. Scott Anderson (Chair)
Franklin J. Miller, M.D.
Michael E. Stillabower, M.D.

PROPOSAL NO. 3 ADVISORY VOTE ON EXECUTIVE COMPENSATION

Section 14A of the Exchange Act (Section 14A), which was enacted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires that we provide shareholders with the opportunity to vote on an advisory (non-binding) resolution to approve the compensation of the NEOs disclosed in this Proxy Statement (colloquially referred to as a Say-on-Pay

Board recommendation
The Board unanimously recommends a vote FOR this proposal

proposal).

Accordingly, the following resolution will be submitted to our shareholders for approval at the Annual Meeting:

RESOLVED, that the Company s shareholders APPROVE, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company s proxy statement for the 2018 Annual Meeting of Shareholders, pursuant to the compensation disclosure rules of the U.S. Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosures.

As described above under the heading Compensation Discussion and Analysis, the Board believes our compensation of the NEOs achieves the primary goals of:

- focusing our executives on achieving or exceeding measurable performance targets;
- encouraging continuation of our entrepreneurial spirit;
- attracting and retaining highly-qualified and motivated executives;
- promoting our guiding principles for adherence to a high ethical environment, as well as health and safety standards; and

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EXECUTIVE COMPENSATION AND RELATED MATTERS

- aligning management compensation with shareholder value.

The Board encourages shareholders to review in detail the Compensation Discussion and Analysis beginning on page 28 of this Proxy Statement and the Executive Compensation Tables beginning on page 45 of this Proxy Statement. In light of the information set forth in such sections, the Board believes the compensation of the NEOs for the fiscal year ended December 31, 2017 was fair and reasonable and that our compensation programs and practices are in the best interests of the Company and our shareholders.

The advisory vote on this Say-on-Pay resolution is not intended to address any specific element of compensation; rather, the vote relates to all aspects of the compensation of the NEOs, as described in this Proxy Statement. While this vote is only advisory in nature, which means that the vote is not binding on the Company, the Board or the Compensation Committee

(which is composed solely of independent directors), the Board and the Compensation Committee value the opinion of our shareholders and will consider the outcome of the vote when addressing future compensation arrangements.

In the 2017 annual meeting of shareholders, held on May 24, 2017, our shareholders recommended that they be given an opportunity to vote on a Say-on-Pay resolution every year at our annual meeting of shareholders. Consequently, we intend to hold an annual advisory vote on executive compensation until the next say-on-frequency vote at our annual meeting of shareholders in 2023 (as required by Section 14A).

Approval of the resolution above (on a non-binding, advisory basis) requires that the number of votes cast at the Annual Meeting, in person or by proxy, in favor of the resolution exceeds the number of votes cast in opposition to the resolution.

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EXECUTIVE COMPENSATION AND RELATED MATTERS

PROPOSAL NO. 4 APPROVE THE COMPANY'S NEW 2018 LONG-TERM INCENTIVE PLAN

Since 2006, the Company has maintained the 2006 Incentive Plan, which provides opportunities for employees, non-employee directors and other eligible participants to receive equity-based awards designed to align the interests of participants with the long-term objectives of the Company. Since the adoption of the 2006 Incentive Plan, we have amended the plan five times, in order to increase the number of shares of Common Stock available for the grant of awards under the plan (for a current total of 6,250,000), to extend the maturity of the 2006 Incentive Plan (to February 13, 2025) and for operational and administrative purposes.

After taking into account option awards with respect to 492,002 shares already granted in 2018 under the 2006 Incentive Plan, there are only approximately 2,290 shares available for future issuance under the 2006 Incentive Plan. The limited number of shares which remain available for issuance under the 2006 Incentive Plan would not be sufficient for anticipated future awards under the 2006 Incentive Plan. We are therefore requesting that our shareholders approve a new 2018 Long-Term Incentive Plan (the 2018 Incentive Plan) to permit the Company to continue to grant awards.

Board recommendation
The Board unanimously recommends a vote FOR this amendment

We are seeking approval for 3.1 million shares under the 2018 Incentive Plan for future grants.