

ATRION CORP
Form DEF 14A
April 10, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Atrion Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

␣No fee required.

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(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):

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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

April 10, 2014

Dear Stockholder:

You are cordially invited to attend the 2014 annual meeting of stockholders of Atrion Corporation to be held at our offices in Allen, Texas on Thursday, May 22, 2014 at 10:00 a.m., Central Time. A notice of the annual meeting and the Company's proxy statement accompany this letter. The business to be conducted at the annual meeting is described in our proxy statement. We have also made a copy of our 2013 Annual Report to Stockholders available with our proxy statement.

As we have done over the past several years, we are furnishing our proxy materials to stockholders primarily on the Internet. We have mailed to our stockholders a Notice of Internet Availability of Proxy Materials with instructions on how our proxy materials may be accessed and reviewed on the Internet and how votes may be cast. We believe that this method of distribution permits us to provide you with the information you need efficiently and reduce the environmental impact of our annual meeting.

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

Thank you for your continued interest in the Company.

Sincerely,

David A. Battat
President and Chief Executive Officer

ATRION CORPORATION
One Allentown Parkway
Allen, Texas 75002

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Atrion Corporation:

Notice is hereby given that the 2014 annual meeting of stockholders of Atrion Corporation (the “Company”) will be held at the Company’s offices, One Allentown Parkway, Allen, Texas on Thursday, May 22, 2014 at 10:00 a.m., Central Time, for the following purposes:

1. To elect two Class I directors.
2. To ratify the appointment of Grant Thornton LLP as independent accountants to audit the Company’s financial statements for the year 2014.
3. To conduct an advisory vote to approve executive officer compensation.
4. To transact such other business as may properly come before the meeting.

The Board of Directors fixed the close of business on March 26, 2014 as the record date for the determination of stockholders entitled to notice of and to vote at the annual meeting and at any adjournment thereof.

By Order of the Board of Directors

Jeffery Strickland
Vice President and Chief Financial
Officer, Secretary and Treasurer

April 10, 2014

IMPORTANT

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

ATRION CORPORATION
One Allentown Parkway
Allen, Texas 75002

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
MAY 22, 2014

GENERAL INFORMATION

This proxy statement is being furnished to the stockholders of Atrion Corporation (sometimes referred to herein as “Atrion,” “we,” “us,” “our,” or the “Company”) in connection with the solicitation of proxies by our Board of Directors to be voted at the 2014 annual meeting of stockholders to be held at the Company’s offices, One Allentown Parkway, Allen, Texas on Thursday, May 22, 2014 at 10:00 a.m., Central Time, and at any adjournment of such meeting. The notice of annual meeting, proxy statement and form of proxy and the Company’s 2013 Annual Report are first being made available to stockholders on or about April 10, 2014.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS
AND OUR ANNUAL MEETING

Q: What is the purpose of the annual meeting?

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

election of two Class I directors;
ratification of the appointment of Grant Thornton LLP as independent accountants to audit the Company’s financial statements for the year 2014; and
on an advisory basis, to approve executive officer compensation.

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

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

A: The rules of the Securities and Exchange Commission, or SEC, allow us to provide our proxy materials to our stockholders over the Internet if they have not requested that printed materials be provided to them on an ongoing basis. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials, or Notice of Internet Availability, to our stockholders who have not previously requested that printed materials be provided to them on an ongoing basis. Instructions on how to access our proxy materials over the Internet or to request a printed copy by mail may be found in the Notice of Internet Availability.

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

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

Q: Who is entitled to vote at the annual meeting?

A: **Stockholders Entitled to Vote.** Stockholders of record at the close of business on March 26, 2014, the record date for the meeting, will be entitled to notice of, and to vote at, the annual meeting and at any adjournment thereof. At the close of business on the record date, we had outstanding and entitled to vote 1,970,613 shares of common stock, our only voting securities. Holders of record of shares of common stock outstanding on the record date will be entitled to one vote for each share held of record on that date upon each matter presented to the stockholders to be voted upon at the meeting.

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

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

Q: Can I attend the annual meeting in person?

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

Q: How can I vote my shares?

A: **Registered Stockholders.** Registered stockholders may vote (i) by attending the annual meeting, (ii) by following the instructions on your Notice of Internet Availability for voting by telephone or on the Internet at www.proxyvote.com or (iii) by signing, dating and mailing in a proxy card. Please note that the Internet and telephone voting facilities will close at 11:59 p.m., Eastern Time, on May 21, 2014.

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

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

A: Unless you revoke your proxy instructions, as described below under "Can I change my vote?," shares of common stock represented by your proxy will be voted at the annual meeting as you specify over the Internet, by telephone or on the proxy card. If you do not specify how to vote your shares, the shares represented by your proxy will be voted For the election as directors of the nominees of the Board of Directors named herein; For ratification of the appointment of Grant Thornton LLP as independent accountants to audit our financial statements for the year 2014; and For approval, on an advisory basis, of our executive officer compensation. In addition, in their discretion the persons designated as proxies will vote upon such other business as may properly come before the meeting, including voting for any adjournment of the meeting proposed by the Board of Directors.

Q: Can I change my vote?

A: You may change your vote at any time prior to the vote at the annual meeting. To revoke your proxy instructions and change your vote if you are a holder of record, you must (i) attend the annual meeting and vote your shares in person, (ii) advise our Secretary at our principal executive office in writing before the proxy holders vote your shares, (iii) deliver later dated and signed proxy instructions or (iv) cast a new vote by the Internet or by telephone (not later than 11:59 p.m., Eastern Time, on May 21, 2014). If your shares are held by a broker, bank or other nominee, you must request instructions as to how to revoke your proxy from the bank, broker or other nominee that holds your shares.

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

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

Q: What is a quorum?

A: The annual meeting will be held if a majority of the shares of our common stock outstanding on the record date entitled to vote is represented in person or by proxy at the meeting, constituting a quorum. Abstentions and broker non-votes will be counted as present and represented at the annual meeting for purposes of determining a quorum.

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

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

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

A: Pursuant to the Company's Bylaws, directors are elected by a plurality of the votes cast by the stockholders present in person or by proxy and entitled to vote. Abstentions and broker non-votes have no effect on the election of directors. Ratification of the appointment of Grant Thornton LLP and approval, on an advisory basis, of our executive officer compensation each requires the affirmative vote of a majority of the shares present, in person or by proxy, at the meeting and entitled to vote thereon. Abstentions will have the same effect as a negative vote, and broker non-votes will have no effect, on the proposal to ratify the appointment of Grant Thornton LLP and on the proposal to approve, on an advisory basis, our executive officer compensation.

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

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

Item No. 1

ELECTION OF DIRECTORS

Our Board of Directors is divided into three classes: Class I, Class II and Class III. Two Class I directors are to be elected at the annual meeting, to serve until the annual meeting of stockholders to be held in 2017 and until the election and qualification of their successors in office. The nominees for election as Class I directors named below are

members of our Board of Directors and were previously elected by our stockholders. It is intended that the persons named as proxies will vote for the election of the nominees named below. If the nominees named below, who have indicated their willingness to serve as directors if elected, are not candidates when the election occurs, proxies may be voted for the election of any substitute nominees.

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

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Name, Age, Service as a Director of the Company
Principal Occupation, Positions and Offices, Other Directorships and Business Experience

Nominees for Election as Directors

Class I - Term Ending in 2017

Emile A Battat

Mr. Battat, age 76, has been a director since 1987 and has served as Chairman of the Board of the Company since January 1998 and as Chairman of Halkey-Roberts Corporation, or Halkey-Roberts, one of our subsidiaries, since October 1998. He served as Chief Executive Officer of the Company from October 1998 until May 2011, as President of the Company from October 1998 until May 2007 and as Chairman or President of each of the Company's subsidiaries, other than Halkey-Roberts, from October 1998 until May 2011. Mr. Battat holds Bachelor of Science and Master of Science degrees in Mechanical Engineering from Massachusetts Institute of Technology and a Master of Business Administration degree from Harvard University. He is an associate member of Sigma Xi, a scientific honor society. Mr. Battat's many years of executive-level experience at other companies, his education and training and his in-depth knowledge of the Company's operations and finances gained through his 27 years as a director and 13 years as our Chief Executive Officer enable him to provide our Board of Directors with strong and capable leadership.

Ronald N. Spaulding

Mr. Spaulding, age 50, has been a director since February 2006 and has been a private investor since 2008. Prior to May 2008, Mr. Spaulding was the President of Worldwide Commercial Operations of Abbott Vascular and a Vice President and corporate officer of Abbott Laboratories, which he joined in April 2006 upon its acquisition of Guidant Corporation's vascular intervention assets. Between 2005 and April 2006, Mr. Spaulding served as the President of International Operations of Guidant Corporation, and also served on the Guidant Management Committee from 2002 until 2005. From 2003 to 2005, he was the President of Europe, Middle East, Africa and Canada of Guidant Corporation. From 2000 to 2003, Mr. Spaulding served as President of Guidant's cardiac surgery business. Mr. Spaulding holds a Master's degree in Biomedical Engineering and a Bachelor of Science degree in Mechanical Engineering from the University of Miami. Mr. Spaulding's over 21 years of healthcare experience, including service as an officer of publicly-held companies with medical device operations, his knowledge of regulatory and operational matters affecting the development and marketing of medical devices and his educational background enable Mr. Spaulding to bring a valuable and unique perspective to our Board of Directors.

Directors Continuing in Office

Class II - Term Ending in 2015

Hugh J. Morgan, Jr.

Mr. Morgan, age 85, has been a director since 1988 and a private investor since 2003. He served as Chairman of the Board of National Bank of Commerce of Birmingham from February 1990 until April 2003. Previously, Mr. Morgan spent over 26 years at Southern Natural Gas Company and spent 14 years at Sonat Inc., its parent company, after its formation in 1973. At the time of his retirement in 1987, Mr. Morgan was serving as the Chairman of the Board of Southern Natural Gas Company and as Vice Chairman of the Board of Sonat Inc. Mr. Morgan holds a Bachelor of Arts degree from Princeton University and is a graduate of the Vanderbilt University Law School and the Advanced Management Program at Harvard Business School. Mr. Morgan's legal and business background, including his substantial experience as a senior officer and director of Sonat Inc. and its subsidiary Southern Natural Gas Company,

and his long-term service as a director of the Company enable him to provide our Board of Directors valuable insight into corporate operations and governance and financial matters.

Class III - Term Ending in 2016

Roger F. Stebbing

Mr. Stebbing, age 73, has been a director since 1992 and has been our lead director since December 2007. Mr. Stebbing is President and Chief Executive Officer of Stebbing and Associates, Inc., an engineering consulting company, and has served in such capacities since 1986. Mr. Stebbing is a licensed professional engineer and has a BSc honors degree in Chemical Engineering from Salford University. Mr. Stebbing has extensive experience in the design and development of complex projects and provides our Board of Directors valuable engineering knowledge, expertise and insight, as well as an in-depth knowledge of the Company gained through his long-time service as a director.

John P. Stupp, Jr.

Mr. Stupp, age 64, has been a director since 1985. He is President of Stupp Bros., Inc., a diversified holding company, and has served in such capacity since March 2004. From April 1995 until March 2004, he served as Executive Vice President and Chief Operating Officer of Stupp Bros., Inc., and since August 1995 he has also served as Chief Executive Officer of Stupp Corporation, a division of Stupp Bros., Inc. Mr. Stupp holds a Bachelor of Science degree in Business and Economics from Lehigh University. He serves as a director of The Laclede Group, Inc., and as the Chairman of its audit committee and a member of its compensation and corporate governance committees. Mr. Stupp's substantial experience as President of Stupp Bros., Inc., as Chief Executive Officer of Stupp Corporation and as a director of public companies and non-profit organizations, as well as his long-term relationship with the Company, provides our Board of Directors valuable financial and operational expertise.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ELECTION OF ITS NOMINEES,
EMILE A BATTAT AND RONALD N. SPAULDING

Information Regarding Board of Directors and Committees

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

In determining whether our directors are independent, the Board of Directors applies the requirements for director independence set forth in The NASDAQ Stock Market, or Nasdaq, listing rules. Our Board of Directors has determined that the following directors are "independent" within the meaning of those rules: Messrs. Morgan, Spaulding, Stebbing and Stupp, and that Mr. Emile Battat is not independent. In making such determination, the Board of Directors took into account that Mr. Stebbing provided certain engineering services to the Company in 2011 and 2012 and was paid consulting fees for such services. Our Audit, Compensation and Corporate Governance Committees are comprised solely of independent directors. Our independent directors meet regularly in executive sessions without management present. Mr. Stebbing, who is currently the Chair of the Corporate Governance Committee, is serving as our lead director. As such, he is responsible for calling, establishing agendas for and moderating the Board of Directors' executive sessions.

Meetings. Our Board of Directors held five meetings during 2013. Each director attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings of all committees on which he served that were held in 2013 during the time he served as a director or as a member of such committees.

Nominating Process. Because of the small number of directors, our Board of Directors has determined, and has adopted a resolution providing, that nominees for election to the Board of Directors will be selected by a majority vote of the directors meeting the Nasdaq independence requirements (Messrs. Morgan, Spaulding, Stebbing and Stupp). Accordingly, our Board of Directors does not have a separate nominating committee or a nominating committee charter. In accordance with resolutions adopted by the Board of Directors, in selecting nominees for election as directors, our Board of Directors, with the assistance of our Corporate Governance Committee, will review

and evaluate candidates submitted by directors and management and by our stockholders. Stockholders who would like to suggest qualified candidates for selection by our independent directors as nominees of our Board of Directors should provide written notification thereof to the Secretary of the Company at our principal executive offices and include the candidates' qualifications. In considering possible nominees, our independent directors are to take into account the following: (a) each director should be an individual of the highest character and integrity; (b) each director should have substantial experience that is relevant to our Company; (c) each director should have sufficient time available to devote to the affairs of the Company; and (d) each director should represent the best interest of all of our stockholders. Our Board of Directors believes that having directors with diverse backgrounds and business experience is in our best interest, and these factors are considered in connection with the selection of nominees for election as directors. Our current directors have diverse industry backgrounds, including substantial experience in medical device, industrial,

engineering, financial and energy companies. All possible nominees are to be reviewed in the same manner, regardless of whether they have been submitted by stockholders, directors or management.

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

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

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

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

Our Corporate Governance Committee, which is currently comprised of Messrs. Morgan, Spaulding and Stebbing, assists in the evaluation of possible nominees for election to the Board of Directors as requested by the Board of Directors, reviews annually and advises the Board of Directors with respect to the compensation of directors, administers the Company's stock ownership guidelines and recommends to the Board of Directors (a) the number of directors to be fixed in connection with each annual meeting of our stockholders, (b) the directors to be appointed to each of the committees of the Board of Directors, after considering the recommendation of our Chairman of the Board, (c) corporate governance guidelines if the Corporate Governance Committee deems them appropriate and (d) proposed changes to the charter of the Corporate Governance Committee. In making recommendations to the Board of Directors as to director compensation, our Corporate Governance Committee considers our directors' responsibilities and time devoted by them in fulfilling their duties as directors, the skills required and market data on director compensation and takes into account recommendations made by Mr. Emile Battat. Except for Mr. Emile Battat, who is Chairman of our Board of Directors, our executive officers are not involved in determining or recommending the amount or form of director compensation. Our Board of Directors has adopted a written charter for the Corporate Governance Committee, a copy of which is available at our website at www.atrioncorp.com. The Corporate Governance Committee met two times in 2013.

Our Compensation Committee, which is currently comprised of Messrs. Morgan, Spaulding and Stupp, makes recommendations to the Board of Directors as to the remuneration of our executive officers, administers the Amended and Restated Atrion Corporation 2006 Equity Incentive Plan, or 2006 Equity Plan, the Atrion Corporation Non-Employee Director Stock Purchase Plan, or Stock Purchase Plan, and the Atrion Corporation Deferred Compensation Plan for Non-Employee Directors, or Deferred Compensation Plan, and makes recommendations to our Board of Directors with respect to annual cash incentive bonuses for our executive officers who participate in the

Atrion Corporation Short-Term Incentive Compensation Plan, or Short-Term Incentive Plan. The primary processes and procedures for the consideration and determination of executive compensation, the role of executive officers in determining or recommending the amount and form of executive officer compensation, the extent of delegation of authority and the role of compensation consultants in determining or recommending executive officer compensation are set forth in “Compensation Discussion and Analysis” at page 9 of this proxy statement. Our Board of Directors has adopted a written charter for the Compensation Committee, a copy of which is available on our website at www.atrioncorp.com. The Compensation Committee met four times in 2013.

Mercer, an outside compensation consultant, has been engaged from time to time at the request of the Compensation Committee to provide information as to the compensation of chief executive officers, chief operating officers, chief financial officers and directors of public companies with annual revenues similar to those of the

Company. For further information regarding the services provided by Mercer, see “Director Compensation” below and “Compensation Discussion and Analysis” at page 9 of this proxy statement.

Our Audit Committee, the current members of which are Messrs. Morgan, Spaulding, Stebbing and Stupp, appoints, determines the appropriate compensation for and oversees the work of the Company’s independent auditors, assists the Board of Directors in its oversight of our accounting and financial reporting principles and policies and internal audit controls and procedures and oversees related-party transactions. Our Board of Directors has adopted a written charter for the Audit Committee, a copy of which is available on our website at www.atrioncorp.com. The Audit Committee reviews and assesses, at least annually, the Audit Committee Charter and is to recommend any changes to the Audit Committee Charter to the Board of Directors. Our Board of Directors has determined that each member of the Audit Committee meets the independence rules and other criteria for Audit Committee membership set forth above and that Mr. Stupp qualifies as an audit committee financial expert. Our Audit Committee met seven times in 2013.

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

Attendance at Stockholder Meetings. The Board of Directors has a policy encouraging each director to attend, if practicable, our annual meetings of stockholders. The 2013 annual meeting was attended by all of our directors.

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

Stock Ownership Guidelines for Directors. We have stock ownership guidelines that apply to our directors, executive officers and certain other officers of the Company. Each non-employee director is required to own not less than 1,000 shares of our common stock within three years of the date of election to the Board of Directors except that non-employee directors who elect to receive at least 25% of the cash portion of their annual cash retainers in shares of our common stock under the Stock Purchase Plan or in stock units under the Deferred Compensation Plan and continue such election annually are permitted five years to meet the guidelines. Stock that counts toward these guidelines is described in “Stock Ownership Guidelines for Officers” at page 13 of this proxy statement.

Director Compensation

Under our director compensation program that was in place in 2013, each non-employee director is paid an annual cash retainer of \$60,000 for his service as a director and is annually awarded fully-vested shares of our common stock under our 2006 Equity Plan having a market value on the date of the award of \$30,000. The equity awards are made each year immediately following our annual meeting of stockholders. In addition, the Chairmen of the Corporate Governance Committee and the Compensation Committee are each paid an annual cash retainer of \$6,000, and the Chairman of the Audit Committee is paid an annual cash retainer of \$12,000. Mr. Emile Battat, our only employee director, does not receive any compensation for his service as a director. We reimburse our directors for travel and out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors. In early 2014, Mercer was engaged by us and provided a report that included a market review of non-employee director compensation. Based in part on that report, in March 2014 our Corporate Governance Committee recommended, and our Board of Directors approved, the following two changes to our director compensation program that became effective on April 1, 2014: (a) increasing the annual award of fully-vested shares of our common stock from shares having a market value on the award date of \$30,000 to shares having a market value on the award date of \$60,000 and

(b) increasing the annual cash retainer from \$60,000 to \$66,000.

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

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

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

The following table sets forth summary information concerning the compensation of our non-employee directors for the year ended December 31, 2013:

Name	Director Compensation Table				Total (\$)
	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	All Other Compensation (\$)		
Hugh J. Morgan, Jr.	66,000	30,000	—		96,000
Ronald N. Spaulding	60,000	30,000	—		90,000
Roger F. Stebbing	66,000	30,000	—		96,000
John P. Stupp, Jr.	72,000 (3)	30,000	4,069 (4)		106,069

(1) In 2013, each non-employee director received a cash retainer of \$60,000 for his service as a director. In addition, the Chairmen of the Corporate Governance Committee and the Compensation Committee were each paid a cash retainer of \$6,000 and the Chairman of the Audit Committee was paid a cash retainer of \$12,000.

(2) Amounts shown reflect the aggregate fair value of the awards on the date they were granted, computed in accordance with Financial Accounting Standard Board's Accounting Standards Codified Topic 718, or ASC 718. The amount shown for each director includes \$189.78 paid in cash in lieu of fractional shares.

(3) Mr. Stupp elected to defer \$7,200 of his cash fees for 2013 into stock units, pursuant to the Deferred Compensation Plan. As a result, Mr. Stupp's stock unit account was credited with 36.73 stock units, which amount was based on \$196.00 per share, the closing market price of our common stock on December 31, 2012, the last trading date prior to the date of issuance.