MERIT MEDICAL SYSTEMS INC
Form DEF 14A
April 25, 2007
**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:

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

Merit Medical Systems, Inc.
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(3) Filing Party:

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**May 23, 2007**

**MERIT MEDICAL SYSTEMS, INC.**

You are cordially invited to attend the Annual Meeting of Shareholders of Merit Medical Systems, Inc. (the Company ), which will be held on Wednesday, May 23, 2007, at 2:00 p.m., at the Company s corporate offices at 1600 West Merit Parkway, South Jordan, Utah, 84095 (the Annual Meeting ), for the following purposes:

(1) To elect three directors of the Company, to serve until the Annual Meeting of the Company s Shareholders in 2010 and until their respective successors have been duly elected and qualified;

(2) To consider and vote upon a proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2007; and

(3) To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on April 12, 2007 as the record date for the determination of shareholders entitled to receive notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof.

By Order of the Board of Directors,

KENT W. STANGER

April 25, 2007 Chief Financial Officer, Secretary and Treasurer

**IMPORTANT**

**Whether or not you expect to attend the Annual Meeting in person, to assure that your shares will be represented, please complete, date, sign and return the enclosed proxy without delay in the enclosed envelope, which requires no additional postage if mailed in the United States. Your proxy will not be used if you are present at the Annual Meeting and desire to vote your shares personally.**

# MERIT MEDICAL SYSTEMS, INC.

1600 West Merit Parkway

South Jordan, Utah 84095

**PROXY STATEMENT**

**Annual Meeting of Shareholders**

**May 23, 2007**

## SOLICITATION OF PROXIES

This Proxy Statement is being furnished to the shareholders of Merit Medical Systems, Inc., a Utah corporation (the Company ), in connection with the solicitation by the Board of Directors of the Company of proxies from holders of outstanding shares of the Company s common stock, no par value (the Common Stock ), for use at the Annual Meeting of Shareholders of the Company to be held on Wednesday, May 23, 2007, at 2:00 p.m., at the Company s corporate offices at 1600 West Merit Parkway, South Jordan, Utah, and at any adjournment or postponement thereof (the Annual Meeting ). This Proxy Statement, the Notice of Annual Meeting of Shareholders and the accompanying form of proxy are first being mailed to shareholders of the Company on or about April 25, 2007.

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

## VOTING

The Board of Directors has fixed the close of business on April 12, 2007 as the record date for determination of shareholders entitled to receive notice of and to vote at the Annual Meeting (the Record Date ). As of the Record Date, there were issued and outstanding 27,362,198 shares of Common Stock. The holders of record of the shares of Common Stock on the Record Date entitled to be voted at the Annual Meeting are entitled to cast one vote per share on each matter submitted to a vote at the Annual Meeting.

### Proxies

Shares of the Common Stock that are entitled to be voted at the Annual Meeting and are represented by properly executed proxies will be voted in accordance with the instructions on those proxies. If no instructions are indicated, those shares will be voted FOR the election of each of the three director nominees, FOR the ratification of the appointment of Deloitte & Touche LLP to be the Company s independent registered public accounting firm for the fiscal year ending December 31, 2007, and, in the discretion of the proxy holder, as to any other matters that may properly come before the Annual Meeting if the Company did not receive notice of such matters a reasonable time prior to the Annual Meeting. The Company is not currently aware of any other matters that may be presented at the Annual Meeting.

A shareholder who has executed and returned a proxy may revoke it at any time prior to its exercise at the

Annual Meeting by executing and returning a proxy bearing a later date, by filing with the Secretary of the Company, at the address set forth above, a written notice of revocation bearing a later date than the proxy being revoked, or by voting the Common Stock covered thereby in person at the Annual Meeting.

**Vote Required**

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

Holders of shares of Common Stock are entitled to one vote at the Annual Meeting for each share of Common Stock held of record on the Record Date. In the election of directors, shareholders will not be allowed to cumulate their votes. The three nominees receiving the highest number of votes will be elected. For approval of the proposed ratification of Deloitte & Touche LLP to serve as the independent registered public accountants of the Company for the fiscal year ending December 31, 2007, the votes cast in favor of the proposal must exceed the votes cast against the proposal. Accordingly, abstentions and broker non-votes will not affect the outcome of the election of directors or the ratification of the appointment of the independent registered public accountants. Any other matter presented for approval by the shareholders at the Annual Meeting will generally be approved if the number of votes cast in favor of a matter exceeds the number of votes cast in opposition. With respect to any such matter, abstentions and broker non-votes are not likely to affect the outcome of a vote on such matter.

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

At the Annual Meeting, three directors of the Company are to be elected to serve until the Annual Meeting of the Company s Shareholders in 2010 and until their successors are duly elected and qualified. If any of the nominees should be unavailable to serve, which is not now anticipated, the proxies solicited by this proxy statement will be voted for other persons as may be designated by the present Board of Directors. The three nominees receiving the highest number of votes at the Annual Meeting will be elected.

**Classification of Board of Directors**

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

**Nominees for Election as Directors**

Certain information with respect to each director nominee is set forth below.

**Rex C. Bean**, 77, has been a director of the Company since 1988. Mr. Bean retired from the U.S. Air Force in 1987 and is principally engaged in the management of private investments.

**Richard W. Edelman**, 66, has been a director of the Company since 1988. From 2006 to the present, Mr. Edelman has served as the Managing Director and Senior Vice President of Sanders Morris Harris, a stock brokerage firm. From 2000 to 2006, he was the managing director and Dallas branch manager of Sanders Morris Harris. From 1998 to 2000, he was a Senior Vice President of Southwest Securities, Inc., a stock brokerage firm located in Dallas, Texas. From 1996 to 1998, he was Managing Director of Rodman & Renshaw, Inc., a stock brokerage firm. From 1987 to 1996, he was employed by Southwest Securities, Inc., as Senior Vice President. Prior to joining Southwest Securities, Inc., in 1987, Mr. Edelman was a securities analyst and Vice President for Schneider, Bernet and Hickman, a Dallas, Texas

securities firm. Mr. Edelman obtained a Masters of Business Administration degree from Columbia University in 1966.

**Michael E. Stillabower, M.D.**, 63, has been a director of the Company since 1996. Dr. Stillabower has been a physician in private practice in Wilmington, Delaware since 1980. In 1999, Dr. Stillabower was appointed Director, Cardiovascular Research, Christiana Care Health Systems. From 1988 to 1999, he was Chief of Cardiology at the Medical Center of Delaware, where he had held a number of appointments including Director, Coronary Care Unit, from 1984 to 1988. In May 1995 he was appointed Clinical Associate Professor of Medicine, Jefferson Medical College in Philadelphia, Pennsylvania, where he obtained his M.D. degree in 1976. He is an Elected Fellow of the American College of Cardiology and a member of other professional associations and is actively engaged in cardiology research, instruction and publication of related papers and abstracts.

**The Board of Directors recommends that shareholders vote FOR each of the foregoing nominees for the respective terms indicated above.**

**Directors Whose Terms of Office Continue**

**Fred P. Lampropoulos**, 57, has been Chairman of the Board, Chief Executive Officer and President of the Company since its formation in July 1987. From 1983 to June 1987, Mr. Lampropoulos was Chairman of the Board and President of Utah Medical Products, Inc. ( Utah Medical ), a medical device company. Mr. Lampropoulos term expires in 2009.

**Kent W. Stanger**, 52, has been Chief Financial Officer, Secretary, Treasurer and a director of the Company since 1987. Prior to joining the Company, Mr. Stanger was the controller for Utah Medical from 1985 to August 1987. Prior to 1985, he was the corporate controller for Laser Corporation, American Laser and Modulaire Industries, Inc. Mr. Stanger s term expires in 2008.

**James J. Ellis**, 73, has been a director of the Company since November 1995. He has been Managing Partner of Ellis/Rosier Financial Services since 1992. Mr. Ellis served as General Manager of MONY Financial Services, Dallas, Texas, from 1979 until his retirement in 1992. He also serves as a director of Jack Henry & Associates, a publicly-traded company engaged in the sales and service of software for the banking industry. Mr. Ellis term expires in 2008.

**Franklin J. Miller, M.D.**, 66, has been a director of the Company since 2005. Since January 2002, Dr. Miller has been the Director of the Hereditary Hemorrhagic Telagiectasia (HHT) Clinic at the University of California San Diego ( UCSD ), one of twenty-eight worldwide clinics, and has also been a Professor of Interventional Radiology at UCSD. Since 1976, Dr. Miller has been a Professor of Radiology and Surgery at the University of Utah. He has also been the Director of the HHT Clinic in Utah since 1996. From 1997 to March 2005, Dr. Miller served as a consultant to the Company, assisting in the testing and development of the Company s products. Dr. Miller received a medical degree from Temple University in 1966, and served his residency and fellowship at Johns Hopkins Hospital from 1969-1973. Dr. Miller s term expires in 2009.

## CORPORATE GOVERNANCE

**Board of Directors Committees and Meetings**

The Board of Directors has standing Audit, Compensation, and Nominating and Corporate Governance Committees. The members of the Audit Committee are Richard W. Edelman (Chairman), James J. Ellis and Rex C. Bean. The members of the Compensation Committee are James J. Ellis (Chairman), Rex C. Bean and Frank Miller. The members of the Nominating and Corporate Governance Committee are Rex C. Bean (Chairman), James J. Ellis, and Michael E. Stillabower, M.D. The Company believes each of the directors serving on the Audit, Compensation and Nominating and Corporate Governance Committee is an independent director for purposes of the Marketplace Rules of the NASDAQ National Market on which the Common Stock is currently quoted and that each of the directors serving on the Compensation Committee is an independent director for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

The Nominating and Corporate Governance Committee makes recommendations to the Board of Directors of

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candidates for election as directors of the Company and the amount of director compensation. The Nominating and Corporate Governance Committee met twice in 2006. The Board of Directors will consider recommendations for director nominees by shareholders if the names of those nominees and relevant biographical information are submitted in writing to the Secretary of the Company in the manner described for shareholder nominations below under the heading Proposals of Shareholders. All director nominees, whether submitted by a shareholder or the Board of Directors, will be evaluated in the same manner. The current director nominees were recommended by the Nominating and Corporate Governance Committee and nominated by the Board of Directors including the independent members thereof. The Board of Directors has adopted a Nominating and Corporate Governance Committee Charter, a copy of which was attached as Exhibit A to the Company s proxy statement filed with the Securities and Exchange Commission in connection with the Company s 2005 Annual Meeting of Shareholders and is also available on the Company s Internet website www.merit.com.

The Compensation Committee met three times during 2006. The Compensation Committee oversees, reviews and approves all executive compensation and benefit programs of the Company. The Board of Directors has adopted a Compensation Committee Charter, a copy of which is available on the Company s Internet website www.merit.com. Additional information regarding the functions, procedures and authority of the Compensation Committee is provided in the Compensation Discussion and Analysis beginning on page 6 below.

The Audit Committee met five times during 2006 to review and discuss the Company s accounting practices and procedures with the Company s management and independent public accountants and to review the quarterly and annual financial statements of the Company. The Board of Directors has determined that Richard W. Edelman, who serves as the Audit Committee Chairman, is an audit committee financial expert as defined by Item 401(h) of Regulation S-K under the Securities Exchange Act of 1934. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which was attached as Exhibit A to the Company s proxy statement filed with the Securities and Exchange Commission in connection with the Company s 2004 Annual Meeting of Shareholders and is also available on the Company s Internet website www.merit.com.

During the fiscal year ended December 31, 2006, there were eleven meetings held by the Board of Directors. No director attended fewer than 75% of the total number of meetings of the Board of Directors and of any committee on which he served.

**Code of Ethics and Whistleblower Hotline**

The Company has adopted a Code of Ethics applicable to its principal executive officer and principal financial officer. The Code of Ethics is posted on the Company s Internet website www.merit.com.

The Company has established a whistleblower hotline that enables Company employees, customers, suppliers and shareholders, as well as other interested parties, to submit confidential and anonymous reports of suspected or actual violations of the Code of Ethics. The Company s whistleblower hotline is (877) 874-8416 or online at www.silentwhistle.com.

**Section 16(a) Beneficial Ownership Reporting Compliance**

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

**Shareholder Communication with the Board of Directors**

The Board of Directors will receive communications from shareholders. All communications, except those related to shareholder proposals that are discussed below under the heading Proposals of Shareholders, must be sent to the Chairman of the Board of Directors at the Company s executive offices at 1600 West Merit Parkway, South Jordan, Utah 84095. Communications submitted to the Board of Directors (other than communications received through the Company s whistleblower hotline, which are reviewed and addressed by the Audit Committee) are reported to the other directors of the Company at the next regular meeting of the Board of Directors. All members of the Board of Directors are strongly encouraged to attend the Annual Meetings of Shareholders. All members of the Board of Directors were present at the 2006 Annual Meeting of Shareholders.

## EXECUTIVE OFFICERS

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

**Martin R. Stephens**, 53, was appointed Executive Vice President of Sales in November 2004, from his previous position as Vice President of Business Development of the Company where he served since June 2004. Prior to joining the Company, Mr. Stephens was employed at Zions Utah Bancorporation, Salt Lake City, Utah, where he as served Vice President of Sales from 1989 to 2003. From 1988 to 2004, Mr. Stephens served as an elected Representative in the Utah House of Representatives and served as Speaker of the House from 1998 to 2004. Mr. Stephens earned a Bachelors of Business Administration from Weber State University.

**Gregory L. Barnett**, 45, was appointed Chief Accounting Officer in November of 2003. Prior to this appointment, Mr. Barnett served as the Company s Controller from June 1990 to November 2003. Prior to joining Merit, Mr. Barnett worked as an auditor for the accounting firm of Price Waterhouse. Mr. Barnett earned a Bachelors of Accounting from the University of Utah.

**Arlin D. Nelson**, 66, joined the Company in 1988 as a Manufacturing and Research & Development Engineer. He became Director of the Company s Research and Development Department in 1999, Vice President of the Company s Research and Development Department in 2004 and Chief Operating Officer in December 2006. Prior to joining the Company, Mr. Nelson served as the Vice President of Operations of Intermountain Packing, Inc. from 1985 to 1987 and served as Co-Founder and Vice President of Operations of Willow Technology, Inc. from 1979 to 1984.

## COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis provides information regarding the Company s executive compensation objectives and principles, procedures, practices and decisions, and is provided to help give perspective to the numbers and narratives that follow in the tables in this section. This discussion focuses on the Company s objectives, principles, practices and decisions with regards to the compensation of the following named executive officers of the Company (the Named Executive Officers ):

Fred P. Lampropoulos, Chief Executive Officer and President

Martin R. Stephens, Executive Vice President of Sales

Kent W. Stanger, Chief Financial Officer

B. Leigh Weintraub, former Chief Operating Officer

Gregory L. Barnett, Chief Accounting Officer

Arlin D. Nelson, Chief Operating Officer

**Executive Compensation Objectives**

The Company s philosophy is that compensation paid to executive officers should be closely aligned with the values, objectives and performance of the Company on both a short- and long-term basis. The Company s executive compensation program is designed to achieve the following objectives:

- Attract and retain highly qualified individuals who are capable of making significant contributions to the long-term success of the Company;
- Reward executive officers for long-term strategic management and the enhancement of shareholder value; and
- Promote a performance-oriented environment that encourages Company and individual achievement.

**Executive Compensation Procedures**

In an effort to attain the Company s executive compensation objectives, the Company has established and implemented the following procedures.

*Role of the Compensation Committee*. The Compensation Committee has responsibility for establishing and monitoring the executive compensation programs of the Company and for making decisions regarding the compensation of the Named Executive Officers. The agenda for meetings of the Compensation Committee is determined by the Chairman of the Compensation Committee, in consultation with the Chief Executive Officer and Chief Legal Officer of the Company. Compensation Committee meetings are often attended by the Chief Executive Officer and the Chief Legal Officer. The Compensation Committee also meets in executive session. In determining compensation of the Named Executive Officers, the Compensation Committee reviews data which it believes is representative of the medical products industry, primarily by reviewing public disclosure of other public companies, as filed with the U.S. Securities and Exchange Commission. The Compensation Committee considers, among other factors, the Company s performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, the awards given to the Chief Executive Officer in past years, and other factors considered relevant by the Committee. The Compensation Committee attempts to benchmark companies in the medical device or medical products industries with similar annual revenue, size and other factors. The Compensation Committee believes these are the companies with whom the Company is most likely to compete to attract and retain senior executives. Such benchmark companies include: Align Technology, Inc.; Closure Medical Corporation; Encore Medical; NPS Pharmaceuticals, Inc.; Nutraceutical International Corporation; Myriad Genetics, Inc.; Advanced

Neuromodulation Systems, Inc.; Sonosite, Inc.; Angiodynamics, Inc.; ICU Medical, Inc.; Cantel Medical Corp.; Conceptus, Inc.; Conmed Corporation; Datascope Corp; DHB Industries, Inc.; Kensey Nash Corporation; Molecular Devices Corporation; and Polymedica Corporation.

The Compensation Committee sets the compensation package of the Chief Executive Officer. The Compensation Committee also reviews the recommendations of the Chief Executive Officer with respect to the compensation of the other Named Executive Officers and, after reviewing such recommendations, sets the compensation of the other Named Executive Officers. The Compensation Committee also monitors, administers and approves awards under the Company s various incentive compensation plans for all levels within the Company, including awards under the Company s 2006 Long-Term Incentive Plan.

The Compensation Committee typically meets toward the end or shortly after the end of the Company s fiscal year to approve base salaries of the Named Executive Officers for the coming year and to consider annual incentive bonus awards for the previous year for the Named Executive Officers. At that meeting, the Compensation Committee also reviews the status of long-term incentives available to the Named Executive Officers (historically limited to options to purchase shares of Common Stock) and considers whether any additional long-term incentive awards are appropriate. The Compensation Committee reviews and approves bonus and merit increase recommendations.

The Compensation Committee relies on its experience and judgment in making executive compensation decisions after reviewing the performance of the Company for the applicable fiscal year and evaluating the executive s performance and responsibilities with the Company, and current compensation arrangements. The compensation program for the Named Executive Officers and the Compensation Committee assessment process are designed to be flexible so as to better respond to the evolving business environment and individual circumstances.

*Role of Consultants*. The Company and the Compensation Committee has in limited circumstances, but not regularly, engaged the services of compensation consultants, but either or both may do so upon a case-by-case basis as circumstances warrant.

**Executive Compensation Program**

The following components of the Company s executive compensation program and the policies that govern their implementation are outlined briefly below:

- Base Salary
- Incentive Bonus
- Long-Term Equity Awards
- Retirement Benefits
- Other Personal Benefits

*Base Salary.* The base salary for the Chief Executive Officer is set at a level that the Compensation Committee believes is generally competitive with levels of compensation paid to chief executive officers of other comparably-sized medical device manufacturers. The overall performance of the Company, shareholder return, and the Company s progress toward achieving specific objectives are also important factors in setting compensation for the Chief Executive Officer. The Compensation Committee also considers, among other factors, the value of similar incentive awards to chief executive officers at comparable companies, the awards given to the Chief Executive Officer in past years, and other factors considered relevant by the Committee. The base salary for Named Executive Officers other than the Chief Executive Officer is based generally upon market data reflecting base salaries paid by comparably sized medical device manufacturers, internal review of the Named Executive Officer s compensation, both individually and relative to other officers of the Company, and individual performance of the executive. The Chief Executive Officer and Chief Legal Officer historically gather information about benchmark companies, and present it to the Compensation Committee for review. Compensation of the other Named Executive Officers is also based, in part, upon the executive s responsibilities as compared to similar positions in comparable companies. It is the practice of the Compensation Committee to solicit and review recommendations of the Chief Executive Officer when determining salary levels for the Named Executive Officers other than the Chief Executive Officer.

*Incentive Bonus*. The Compensation Committee has established a quarterly and annual incentive bonus program (the Bonus Program ) for the Named Executive Officers and other officers of the Company. The Bonus Program is intended to reward short-term performance and help attract and retain qualified executive officers. Under the Bonus Program, the Named Executive Officers are eligible to receive a cash bonus periodically throughout each fiscal year and following the conclusion of the fiscal year, contingent on the attainment during the year of predetermined performance goals and continued employment through year-end. The amount of the quarterly and annual incentive bonuses payable to each Named Executive Officer is determined by the Compensation Committee, following the conclusion of each quarter or fiscal year. In determining the amount of the incentive bonus payable to each Named Executive Officer, the Compensation Committee considers the Company s attainment of pre-determined performance goals, the assessment of the contribution of the particular Named Executive Officers, and the input of the Chief Executive Officer.

The Named Executive Officers are eligible to receive annual and quarterly incentive bonuses based upon the Company s achievement of performance objectives approved by the Compensation Committee. If the Company exceeds or fails to meet the performance objectives set by the Compensation Committee, the amounts of incentive bonuses paid to the Named Executive Officers are set at levels which the Compensation Committee determines appropriate. For the Named Executive Officers, the performance targets for 2006 were based on the Company s sales, earnings, implementation of savings programs, control of inventory growth, assimilation of acquisitions and development of new products. The payment of incentive bonuses to the Named Executive Officers is made periodically as well as toward the close of the quarter or fiscal year to which the bonuses relate, once the Compensation Committee has finally determined the amount actually earned and payable. The Chief Executive Officer and Named Executive Officers establish performance objectives and criteria for the Compensation Committee to consider. The Compensation Committee and Board of Directors may exercise discretion to adjust bonus amounts.

The amount of incentive bonuses payable to the Named Executive Officers for each fiscal year is set at levels which the Compensation Committee believes are competitive with the Company s peers such that the combination of base salary and incentive bonuses results in an aggregate rate of cash salary and incentive bonus compensation within competitive, market standards when the Company meets the performance objectives set by the Compensation Committee.

For 2006, the Chief Executive Officer qualified for a partial incentive bonus because the Company achieved most of its goals established by the Compensation Committee in the categories of sales, earnings, implementation of savings programs, assimilation of acquisitions and development of new products, but did not achieve goals established by the Compensation Committee in the category of inventory growth. As a result, the incentive bonus was paid based on reaching seven out of eight goals. For 2006, the other Named Executive Officers qualified for a partial incentive bonus based upon the Company s achievement of seven of the eight goals.

For 2007, the Chief Executive Officer will be eligible to receive the full amount of the targeted incentive bonus if the Company achieves goals established by the Compensation Committee in the following categories: sales growth, earnings growth, expense reduction, assimilation of acquisitions, implementation of offshore manufacturing to reduce costs, increased productivity per employee, and development of new products. If a goal for a particular category is not completely achieved, a discretionary pro-rated portion of the targeted incentive bonus may be paid for that category. In addition, the Compensation Committee may declare and pay to the Chief Executive Officer additional bonus amounts in recognition of exceptional performance.

For 2007, the other Named Executive Officers will be eligible to receive the full amount of their targeted incentive bonuses if the Company achieves goals established by the Compensation Committee in the following categories: assimilation of acquisitions, expense reduction, sales growth, earnings growth, implementation of offshore manufacturing to reduce costs, increased productivity per employee and research and development of new products. If a goal for a particular category is not completely achieved, a pro-rated discretionary portion of the targeted incentive bonus may be paid for that category. In addition, the Compensation Committee may in its discretion declare and pay to the Named Executive Officers additional bonus amounts in recognition of exceptional performance.

Incentive bonus amounts earned by the Named Executive Officers for 2006 are reported under the caption heading Non-Equity Incentive Plan Compensation in the Summary Compensation Table that appears on page 11 below.

*Long-Term Equity Awards*. Long-term equity awards, in the form of stock options are granted at the Compensation Committee s discretion to the Named Executive Officers annually in an effort to provide long-term performance-based compensation, to encourage the Named Executive Officers to continue their engagement with the Company throughout the vesting periods and to align management and shareholder interests. In making awards under the Company s 2006 Long-Term Incentive Plan, the Compensation Committee considers grant size and the appropriate combination of equity-based awards. The amount of long-term equity awards granted to the Named Executive Officers is generally based upon the Compensation Committee s assessment of each Named Executive Officer s expected future contributions to the Company. The Company generally grants long-term equity awards at the regularly scheduled Compensation Committee meeting held in December of each year. In 2006, there were no equity awards granted to the Named Executive Officers, except for Fred P. Lampropoulos and Kent W. Stanger, each of whom received a grant of 15,000 stock options for his service as a director.

Options are granted to Named Executive Officers with an exercise price equal to the closing price per share on the date of grant, (or if the market is closed, with the most immediately available recent closing price), and historically vest on an immediate, three-year, or five-year pro-rated basis. The 2006 Long-Term Incentive Plan allows for a minimum three-year vesting schedule. The Company does not grant options with an exercise price below 100% of the trading price of the underlying shares of Common Stock on the date of grant or grant options that are priced on a date other than the grant date (unless granted on a Saturday or day when the market is closed). Stock options only have a value to the extent the value of the underlying shares of Common Stock on the exercise date exceeds the exercise price. Accordingly, stock options provide compensation to the Named Executive Officers only if the underlying share price increases over the option term and the Named Executive Officers employment continues with the Company until the vesting date.

In granting stock options to the Named Executive Officers, the Company also considers the impact of the grant on the Company s financial performance, as determined in accordance with the requirements of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* ( SFAS 123(R) ). For long-term equity awards, the Company records expense in accordance with SFAS 123(R). The amount of expense the Company records pursuant to SFAS 123(R) may vary from the corresponding compensation value used by the Company in determining the amount of the awards.

*Retirement Benefits.* The Company s policy is to provide an attractive benefit package to all employees. Named Executive Officers of the Company are generally eligible to participate, on the terms and conditions applicable to all eligible employees of the Company, in the Merit Medical Systems, Inc. 401(k) Profit Sharing Plan, a broad-based, tax-qualified contributory savings and profit sharing plan (the 401(k) Plan ).

The Company also maintains the Merit Medical Systems, Inc. Deferred Compensation Plan, a nonqualified deferred compensation plan, for the benefit of certain of its highly-compensated management employees, including the Named Executive Officers. Under the non-qualified deferred compensation plan (the Deferred Compensation Plan ), eligible executives, including the Named Executive Officers, 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 Named Executive Officer, which account is deemed invested in and earns a rate of return based upon certain notational, self-directed investment options offered under the plan. In its direction, the Company can credit each eligible employee s account under the Deferred Compensation Plan with an employer matching contribution; however, the Company has never made such a matching contribution. Participant account balances under the Deferred Compensation Plan are fully-vested and will be paid by the Company to each Named Executive Officer upon retirement or separation from employment, or on other specified dates, in a lump sum form or in installments according to a schedule elected in advance by the participant.

Effective in 2007, the Company adopted an early retiree program allowing certain Company employees, including the Named Executive Officers, to continue to purchase health benefits through the Company at the rate available to current employees plus ten percent (the Early Retiree Program ). The Early Retiree Program applies only to retirees who served as Vice Presidents of the Company at the time of their retirement and is available for periods subsequent to December 31. 2006. In order to participate in the Early Retiree Programs, individuals must meet specific criteria, such as having a minimum of ten years of service, being at least 45 years old at the time of their retirement, and having participated in the Company-sponsored medical plan for a minimum of two years prior to retirement date. Retiree coverage ceases when the participant elects any other group health insurance coverage or when the participant becomes eligible for Medicare.

The Company and its subsidiaries do not maintain any other pension or retirement plans for the Named Executive Officers.

*Other Personal Benefits.* The Company also provides other traditional welfare benefits and limited perquisites to the Named Executive Officers in order to achieve a competitive pay package as detailed in the Summary Compensation Table on page 11 below. The Compensation Committee believes that those benefits are reasonable, competitive and consistent with the Company s overall executive compensation objectives. Those benefits consist primarily of Company-paid premiums for health, life and disability insurance.

**Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code ), imposes a $1 million annual limit on the amount that a public company may deduct for compensation paid to the company s Chief Executive Officer during a tax year or to any of the company s four other most highly compensated executive officers who are still employed at the end of the tax year. The limit does not apply to compensation that meets the requirements of Code 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 the Company s shareholders).

The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Code. In certain situations, the Compensation Committee may approve compensation that will not meet the requirements of Code Section 162(m) in order to ensure competitive levels of total compensation for its executive officers. No Named Executive Officer s compensation in 2006 exceeded the $1 million deduction limit.

## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the foregoing Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and discussed the Compensation Discussion and Analysis with the Company s management. Based on such review and discussions with management, the Compensation Committee recommended to the Board of Directors of the Company that the foregoing Compensation Discussion and Analysis be included in this Proxy Statement.

compensation committee

James J. Ellis, Chairman

Rex C. Bean

Dr. Franklin J. Miller

**EXECUTIVE COMPENSATION TABLES AND DISCUSSION**

**Summary Compensation Table**

The following Summary Compensation Table summarizes the total compensation paid or earned by each of the Named Executive Officers for the year ended December 31, 2006.

| (a)<br>**Name and Position** | **(b)**<br>**Year** | **(c)**<br>**Salary ($)** | | **(d)**<br>**Bonus ($) (2)** | **(e)**<br>**Option Awards ($) (3)** | **(f)**<br>**Non-Equity Incentive Plan Compensation ($) (2)** | **(g)**<br>**All Other Compensation ($)** | | **(h)**<br>**Total ($)** |
|---|---|---|---|---|---|---|---|---|---|
| **Fred P. Lampropoulos**<br>Chairman of the Board, Chief Executive Officer and President | 2006 | 456,400 | (1) | 300 | 162,551 | 200,000 | 18,904 | (4)(5) | 838,155 |
| **Martin R. Stephens**<br>Executive Vice President of Sales | 2006 | 248,077 | | 5,100 | 7,706 | 100,000 | | | |