NUCOR CORP
Form DEF 14A
March 28, 2006

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

Filed by the Registrant x   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))**
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

Nucor 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):

x No fee required.

¨ 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 the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the 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 the transaction:

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¨ Fee paid previously with preliminary materials.

¨ 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.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

2100 Rexford Road Charlotte, North Carolina 28211 Phone 704/366-7000 Fax 704/362-4208

NOTICE OF 2006 ANNUAL MEETING OF STOCKHOLDERS AND PROXY STATEMENT

ANNUAL MEETING

The 2006 annual meeting of stockholders of Nucor Corporation will be held in Morrison A & B of the Charlotte Marriott SouthPark (formerly The Park Hotel), 2200 Rexford Road, Charlotte, North Carolina, at 10:00 a.m. on Thursday, May 11, 2006, for the following purposes:

(1) To elect two directors to a term of three years;

(2) To ratify the appointment of PricewaterhouseCoopers LLP as Nucor s independent registered public accounting firm for the year ending December 31, 2006;

(3) To approve an amendment to Nucor s Restated Certificate of Incorporation increasing its authorized common stock from 400,000,000 shares to 800,000,000 shares;

(4) To consider and vote on a stockholder proposal; and

(5) To conduct such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 13, 2006 are entitled to notice of and to vote at the meeting.

It is important that you vote. To ensure that you will be represented at the meeting, please vote by one of the following three methods: (1) via mail by signing and promptly returning the enclosed proxy card in the enclosed envelope; (2) via telephone using the toll-free number and instructions shown on the enclosed proxy card; or (3) via the Internet by using the website information and instructions listed on the enclosed proxy card. Your prompt attention is requested.

By order of the Board of Directors,

TERRY S. LISENBY

Chief Financial Officer, Treasurer

and Executive Vice President

March 28, 2006

PLEASE SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD

IN THE ENCLOSED ENVELOPE, OR VOTE VIA THE TELEPHONE OR INTERNET.

GENERAL INFORMATION

The enclosed proxy is being solicited by the Board of Directors of Nucor Corporation (Nucor or the Company) for use at the 2006 annual meeting of stockholders to be held on Thursday, May 11, 2006, and any adjournment or postponement. The proxy may be revoked by the stockholder by letter to the Nucor Corporate Secretary received before the meeting, or by attending and voting at the meeting.

The record date for the meeting is March 13, 2006. Only holders of record of Nucor s common stock at the close of business on that date will be entitled to vote. The presence in person or by proxy of the holders of a majority of the votes entitled to be cast at the annual meeting is necessary to constitute a quorum. As of the record date for the annual meeting, 155,716,871 shares of Nucor common stock were outstanding. Each share of common stock is entitled to one vote except with respect to the election of directors. With respect to the election of directors, each share of common stock is entitled to cumulative voting rights, which means that when voting for nominees for director, each share is entitled to a number of votes equal to the number of nominees for election as directors. Accordingly, when voting for nominees for director, all of the votes a share of common stock is entitled to may be voted in favor of one nominee or the votes may be distributed among the nominees. The holders of the enclosed proxy will have the discretionary authority to cumulate votes in the election of directors.

Stockholders who wish to cumulate their votes must submit a proxy card or cast a ballot and make an explicit statement of their intent to do so, either by so indicating on the proxy card or by indicating in writing on their ballot when voting at the annual meeting. If a person who is the beneficial owner of shares held in street name wishes to cumulate votes, the stockholder will need to contact the broker, bank, trustee or other nominee who is the record owner of the shares.

The two director nominees receiving the highest number of all votes cast for directors will be elected. A properly submitted proxy marked Vote Withheld with respect to the election of one or more director nominees will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum. Any shares not voted with respect to a director nominee will have no effect, because the two directors receiving the highest number of all votes cast will be elected.

Nucor s Board of Directors has adopted a Corporate Governance Principle intended to give further effect to withheld votes in uncontested elections for director under certain circumstances. This Corporate Governance Principle is set forth in this proxy statement under the heading Election of Directors.

All other matters to be voted on, other than the proposed amendment to the Restated Certificate of Incorporation, must receive affirmative votes from more than 50% of the shares that are voted in order for the matter to be adopted. The proposed amendment to the Restated Certificate of Incorporation must receive the affirmative vote of a majority of the outstanding shares entitled to vote in order for the matter to be adopted. Under current New York Stock Exchange (NYSE) rules, the proposals to elect directors, approve the amendment to the Restated Certificate of Incorporation and ratify the independent registered public accounting firm are considered discretionary matters. This means that brokerage firms may vote in their discretion on these matters on behalf of clients who have not furnished voting instructions.

In contrast, the stockholder proposal is a non-discretionary matter. This means brokerage firms that have not received voting instructions from their clients on this matter may not vote on the proposal. These broker non-votes will not be considered in determining the number of votes necessary for approval and, therefore, will have no effect on the outcome of the vote for this proposal. Shares held of record by a broker or its nominee (broker shares) that are voted on any matter will be included in determining whether a quorum is present. Broker shares that are not voted will not be included in determining whether a quorum is present.

A properly submitted proxy marked Abstain with respect to any matter other than election of directors will not be voted, although it will be counted for purposes of determining whether there is a quorum. Accordingly, an abstention will have the effect of a negative vote.

The shares represented by each proxy you properly submit to us will be voted by one of the individuals indicated on the proxy as you direct. If you submit a proxy but do not indicate how you wish to vote, your shares will be voted FOR the election of the two director nominees, FOR the ratification of PricewaterhouseCoopers LLP as Nucor s independent registered public accounting firm for the year ending December 31, 2006, FOR the approval of the amendment to Nucor s Restated Certificate of Incorporation and AGAINST the approval of the stockholder proposal.

The 2005 annual report of Nucor, including financial statements, is being mailed to all stockholders of record together with this proxy statement and form of proxy on or about March 29, 2006.

PROPOSAL 1

ELECTION OF DIRECTORS

Nucor s Board of Directors is divided into three classes with two or three directors serving in each class. Each director serves for a three-year term with one class of directors being elected at each annual meeting. All directors will hold office until their successors have been duly elected and qualified. Our Board of Directors has determined that Drs. Haynes and Hlavacek and Messrs. Browning, Daley, Gantt and Milchovich have no material relationships with Nucor (other than as directors) and are independent within the meaning of the NYSE s current listing standards.

The terms of two directors, Clayton C. Daley, Jr. and Harvey B. Gantt, will expire at this annual meeting. The Board s Governance and Nominating Committee has recommended and the Board of Directors has nominated Mr. Daley and Mr. Gantt for reelection for three-year terms ending at the annual meeting in 2009. Shares represented by all proxies received by the Board of Directors and not marked to withhold authority to vote for these nominees will be voted for their election. The Board of Directors knows of no reason why these nominees should be unable or unwilling to serve, but if that should be the case, proxies received will be voted for the election of such other persons, if any, as Nucor s Board of Directors may designate.

Nucor s Board of Directors has adopted the following Corporate Governance Principle entitled Effect of Withheld Votes in Uncontested Elections for Director.

Any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for such election shall promptly tender his or her resignation for consideration by the Governance and Nominating Committee. The Committee shall evaluate the director s tendered resignation taking into account the best interests of the Company and its stockholders and shall recommend to the Board whether to accept or reject such resignation. In making its recommendation, the Committee may consider, among other things, the effect of the exercise of cumulative voting in the election. The Board shall act within 120 days following certification of the stockholder vote and shall disclose its decision and the reasons therefore in an 8-K filing with the SEC. Any director who tenders his or her resignation pursuant to this principle shall not participate in any committee or board consideration of it. This governance principle will be summarized or included in the Company s annual proxy statement.

Nucor s Board of Directors recommends a vote FOR the election of the two nominees as directors.

The following table sets forth certain information about all of the directors, including the nominees, as of February 28, 2006:

Name (and age)	Principal occupation and directorships in other public companies	Director since	Term expires
Peter C. Browning (64)	Non-Executive Chairman of Nucor (effective September 2000); Former Dean, McColl Graduate School of Business (from 2002 to 2005), Former President and Chief Executive Officer (from 1998 to 2000) and President and Chief Operating Officer (from 1995 to 1998), Sonoco Products Company, a manufacturer of industrial and consumer packaging products; Director, Wachovia Corporation, Lowe s Companies, Inc., The Phoenix Companies, Inc., Acuity Brands, Inc. and EnPro Industries, Inc.	1999	2008
Clayton C. Daley, Jr. (54)	Chief Financial Officer, The Procter & Gamble Company, a consumer products company (from 1998 to present); previously Senior Vice President (from 1998 to 1999) and Vice President and Treasurer (from 1994 to 1998), The Procter & Gamble Company	2001	2006
Daniel R. DiMicco (55)	Vice Chairman (effective June 2001); President and Chief Executive Officer (effective September 2000); previously Executive Vice President (from 1999 to 2000) and Vice President (from 1992 to 1999), Nucor Corporation	2000	2007
Harvey B. Gantt (63)	Principal Partner, Gantt Huberman Architects, PLLC	1999	2006
Victoria F. Haynes, Ph.D. (58)	President and Chief Executive Officer, Research Triangle Institute, an independent, non-profit corporation that performs scientific research and develops technology (effective 1999); Former Vice President and Chief Technical Officer, Goodrich Corporation, a specialty chemicals and aerospace company (from 1992 to 1999); Director, The Lubrizol Corporation and PPG Industries, Inc.	1999	2008
James D. Hlavacek, Ph.D. (62)	Chairman and Chief Executive Officer, The Corporate Development Institute, Inc.; Managing Director, Market Driven Management, a management development firm	1996	2007
Raymond J. Milchovich (56)	Chairman, President and Chief Executive Officer, Foster Wheeler Ltd., a company that engineers and constructs facilities for the oil and gas, liquid natural gas, refining, chemical, pharmaceutical and power industries (effective 2001); Former Chairman, President and Chief Executive Officer (from 1999 to 2001), and President and Chief Operating Officer (from 1997 to 1999), Kaiser Aluminum & Chemical Corporation, a producer and marketer of alumina, aluminum and aluminum fabricated products; Director, Delphi Corporation	2002	2007

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following tables give information concerning the beneficial ownership of Nucor s common stock by all directors, each executive officer listed in the Summary Compensation Table on page 15, all directors and executive officers as a group, and the persons who are known to Nucor to be the owners of more than five percent of the outstanding common stock of Nucor. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the SEC).

Executive Officers and Directors

	Shares Owned as of February 28, 2006				
Name	**Sole Voting and Investment Power**	**Shared Voting and Investment Power**	**Shares Subject to Options**	**Total Beneficial Ownership**	**Percent of Class**
Peter C. Browning	6,962		5,339	12,301	*
Clayton C. Daley, Jr.	3,000		9,221	12,221	*
Daniel R. DiMicco	133,764		34,115	167,879	*
John J. Ferriola	49,618		54,626	104,244	*
Harvey B. Gantt	1,628		13,727	15,355	*
Victoria F. Haynes	1,834		13,727	15,561	*
James D. Hlavacek	2,200	400	5,441	8,041	*
Terry S. Lisenby	75,737		10,078	85,815	*
Hamilton Lott, Jr.	63,338		36,294	99,632	*
Raymond J. Milchovich	4,158		5,441	9,599	*
D. Michael Parrish	65,777		19,924	85,701	*
Joseph A. Rutkowski	68,110	340	46,590	115,040	*
All 13 directors and executive officers as a group	484,570	4,506	260,821	749,897	*

* Represents holdings of less than 1%.

Principal Stockholders

Name and Address	Amount of Beneficial Ownership	Percent of Class
Barclays Global Investors, NA and related entities (1) 45 Fremont Street San Francisco, California 94105	15,121,363	9.75%
State Farm Mutual Automobile Insurance Company and related entities (2) One State Farm Plaza Bloomington, Illinois 61710	15,055,177	9.71%

(1) Based on Schedule 13G filed with the SEC on or about January 31, 2006, reporting beneficial ownership as of December 31, 2005. That filing indicates that Barclays Global Investors, NA has sole voting power as to 10,563,968 of the shares shown, sole dispositive power as to 12,325,264 of the shares shown and unspecified beneficial ownership of 1,761,296 of the shares shown; that Barclays Global Fund Advisors has sole voting power as to 1,051,619 of the shares shown, sole dispositive power as to 1,069,257 of the shares shown and unspecified beneficial ownership of 17,638 of the shares shown; that Barclays Global Investors, Ltd. has sole voting power as to 1,468,979 of the shares shown, sole dispositive power as to 1,588,136 of the shares shown and unspecified beneficial ownership of 119,157 of the shares shown; and that Barclays Global Investors Japan Trust and Banking Company Limited has sole voting and sole dispositive power as to 138,706 of the shares shown. The shares reported on the Schedule 13G are held by the reporting persons in trust accounts for the economic benefit of the beneficiaries of those accounts.

(2) Based on Schedule 13G/A filed with the SEC on or about February 2, 2006, reporting beneficial ownership as of December 31, 2005. That filing indicates that State Farm Mutual Automobile Insurance Company has sole voting and sole dispositive power as to 10,818,400 of the shares shown and shared dispositive power of 43,512 of the shares shown; State Farm Life Insurance Company has sole voting and sole dispositive power as to 266,200 of the shares shown and shared dispositive power of 4,040 of the shares shown; State Farm Fire and Casualty Company has sole voting and sole dispositive power as to 1,400,000 of the shares shown and shared dispositive power of 5,330 of the shares shown; State Farm Investment Management Corp. has sole voting and sole dispositive power as to 484,000 of the shares shown and shared voting and shared dispositive power as to 7,115 of the shares shown; State Farm Insurance Companies Employee Retirement Trust has sole voting and sole dispositive power as to 933,600 of the shares shown and shared dispositive power of 4,580 of the shares shown; and State Farm Insurance Companies Savings and Thrift Plan for U.S. Employees has sole voting and sole dispositive power as to 1,088,400 of the shares shown.

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

Corporate Governance Principles. The Board has adopted Corporate Governance Principles setting forth a framework for our corporate governance with respect to the role and composition of the Board and Nucor s management, responsibilities of directors, director qualification standards, the functioning of the Board and its Committees, the compensation of directors, and annual performance evaluations of the Board and our Chief Executive Officer. These Corporate Governance Principles are posted on our website at www.nucor.com. The information on our website is not a part of this proxy statement. You may also obtain a written copy of the Corporate Governance Principles by contacting Nucor s Corporate Secretary at our executive offices.

Codes of Ethics. Nucor s Standards of Business Conduct and Ethics applies to all employees and directors of the Company. Nucor has also adopted a Code of Ethics for Senior Financial Professionals that applies to the Company s Chief Executive Officer, Chief Financial Officer, Corporate Controller and other senior financial professionals. Both of these documents are available on our website at www.nucor.com. You may also obtain a written copy of these codes of ethics by contacting Nucor s Corporate Secretary at our executive offices.

Director Independence. The Corporate Governance Principles provide that a majority of the members of Nucor s Board of Directors must be independent under the listing standards of the NYSE. For a director to be considered independent, he or she cannot have any of the disqualifying relationships enumerated by the corporate governance rules of the NYSE. In addition, the Board of Directors must determine that the director does not otherwise have any direct or indirect material relationship with the Company. As permitted by the corporate governance rules of the NYSE, the Board of Directors has adopted categorical standards to assist its members in determining whether a particular relationship a director has with the Company is a material relationship that would impair the director s independence. These categorical standards, which are set forth below, establish thresholds at which directors relationships with the Company are deemed to be not material and, therefore, shall not disqualify any director or nominee from being considered independent.

Relationships involving (1) the purchase or sale of products or services, (2) the purchase, sale or leasing of real property or (3) lending, deposit, banking or other financial service relationships, either by or to the Company or its subsidiaries and involving a director, his or her immediate family members, or an organization of which the director or an immediate family member is a partner, shareholder, officer, employee or director if the following conditions are satisfied:

any payments made to, or payments received from, the Company or its subsidiaries in any single fiscal year within the last three years do not exceed the greater of (i) $1,000,000 or (ii) 2% of such other organization s consolidated gross revenues;

the products and services are provided in the ordinary course of business and on substantially the same terms and conditions, including price, as would be available to similarly situated customers;

the relationship does not involve consulting, legal or accounting services provided to the Company or its subsidiaries; and

any extension of credit was in the ordinary course of business and was made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other similarly situated borrowers.

Any other relationship between the Company or one of its subsidiaries and a company (including a limited liability company) or partnership to which a director is connected solely as a shareholder, member or partner as long as the director is not a principal shareholder or partner of the organization. For purposes of this categorical standard, a person is a principal shareholder of a company if he or she directly or indirectly, or acting in concert with one or more persons, owns, controls or has the power to vote more than 10% of any class of voting securities of the company. A person is a principal partner of a partnership if he or she directly or indirectly, or acting in concert with one or more persons, owns, controls or has the power to vote a 25% or more general partnership interest, or more than a 10% overall partnership interest. Shares or partnership interests owned or controlled by a director s immediate family member who shares the director s home are considered to be held by the director.

Contributions made or pledged by the Company, its subsidiaries or by any foundation sponsored by or associated with the Company or its subsidiaries to a charitable organization of which a director or an immediate family member is an executive officer, director or trustee if the following conditions are satisfied:

within the preceding three years, the aggregate amount of such contributions during any single fiscal year of the charitable organization did not exceed the greater of (i) $1,000,000 or (ii) 2% of the charitable organization s consolidated gross revenues for that fiscal year; and the charitable organization is not a family foundation created by the director or an immediate family member.

For purposes of this categorical standard, contributions made to any charitable organization pursuant to a matching gift program maintained by the Company or by its subsidiaries or by any foundation sponsored by or associated with the Company or its subsidiaries shall not be included in calculating the materiality threshold set forth above.

If the director, or an immediate family member, is an executive officer of another organization in which the Company owns an equity interest and if the amount of the Company s interest is less than 10% of the total voting interest in the other organization.

A relationship involving a director s relative who is not an immediate family member of the director.

In the last five years, the director has not been an executive officer, founder or principal owner of a business organization acquired by the Company, or of a firm or entity that was part of a joint venture or partnership including the Company.

In February 2006, the Board of Directors reviewed the independence of each director, applying the independence standards of the corporate governance rules of the NYSE and those set forth in Nucor s Corporate Governance Principles. The review considered relationships and transactions between each director (and his or her immediate family and affiliates) and each of the Company and its management and the Company s independent registered public accounting firm. The Board of Directors has determined that those relationships that do exist or did exist within the last three years (except for Mr. DiMicco s) all fall below the thresholds contained in the categorical standards adopted by the Board of Directors to assist it in making determinations of independence.

Based on this review, the Board of Directors affirmatively determined that all of the nominees and directors continuing in office, with the exception of Daniel R. DiMicco, the Company s Vice Chairman, President and Chief Executive Officer, are independent as defined in Nucor s Corporate Governance Principles and the corporate governance rules of the NYSE.

Attendance at the Board of Directors and Committee Meetings. The Board of Directors of Nucor held nine meetings during 2005. Each of the directors attended 75% or more of the aggregate number of meetings of the Board and committees of the Board on which the director served.

Executive Sessions of the Non-Management Directors. The non-management directors, all of whom are independent, meet in executive session prior to or after each quarterly board meeting at regularly scheduled executive sessions and as necessary prior to or after other board meetings. Mr. Browning presides over these executive sessions.

Attendance at Annual Meetings of Nucor s Stockholders. In accordance with Nucor s policy requiring all directors to attend the annual meeting of stockholders, all of Nucor s directors attended last year s annual meeting.

Committees of the Board of Directors and their Charters. The Board of Directors of Nucor has three standing committees: the Audit Committee, the Compensation and Executive Development Committee, and the Governance and Nominating Committee. Each of these committees acts pursuant to a written charter adopted by the Board of Directors. A copy of each charter is available on our website at www.nucor.com. You may also obtain a written copy of these charters by contacting Nucor s Corporate Secretary at our executive offices.

The Audit Committee. The Audit Committee assists the Board in its oversight of the integrity of the Company s financial statements, the Company s compliance with legal and regulatory requirements, the qualifications and independence of the public accounting firm engaged to prepare an audit report with respect to the Company s financial statements and the performance of the Company s internal audit function. Pursuant to its written charter, the Audit Committee is directly responsible for, among other things, (1) the appointment, compensation and oversight of the independent auditors for the Company, (2) approving in advance all auditing services and permitted non-auditing services to be provided by the Company s independent auditors, (3) reviewing with the auditors the plan and scope of the audit and audit fees, (4) monitoring the adequacy of the Company s reporting and internal controls, and (5) meeting periodically with internal auditors, independent auditors and management.

The Audit Committee is composed entirely of independent directors: Mr. Daley (Chairman), Mr. Browning, Mr. Gantt, Dr. Haynes, Dr. Hlavacek and Mr. Milchovich. All of the members of the Audit Committee are independent as defined in the NYSE listing standards and the applicable SEC regulations for audit committee members. In the opinion of the Board, these directors are free of any relationship that would interfere with their exercise of independent judgment as members of the Audit Committee. All members of the Audit Committee are financially literate as the Board in its business judgment interprets such qualification. The Board has determined that Mr. Daley, the Chairman of the Audit Committee, is qualified as an audit committee financial expert within the meaning of SEC regulations and that he has accounting and related financial management expertise within the meaning of the NYSE listing standards. The Audit Committee held seven meetings during 2005.

The Compensation and Executive Development Committee. The Compensation and Executive Development Committee is responsible for, among other things, (1) reviewing and approving the goals and objectives relevant to the compensation of the Company s chief executive officer and evaluating the chief executive officer s performance against established corporate goals and objectives, (2) reviewing and evaluating the compensation of Nucor s senior officers, including the chief executive officer, to ensure they are compensated effectively and consistently with the stated compensation strategy and that compensation is tied to the performance of the Company, (3) ensuring that the profit sharing plans for employees of Nucor are consistent with the Company s performance and its compensation philosophy, (4) reviewing management development and succession plans and (5) administering the Company s stock option and other equity incentive compensation plans.

The Compensation and Executive Development Committee is composed entirely of independent directors: Dr. Haynes (Chairman), Mr. Browning, Mr. Daley, Mr. Gantt, Dr. Hlavacek and Mr. Milchovich. All of the members of the Committee meet the independence requirements of the NYSE listing standards for compensation committee members. In the opinion of the Board, these directors are free of any relationship that would interfere with their exercise of independent judgment as members of the Committee. The Compensation and Executive Development Committee held four meetings during 2005.

The Governance and Nominating Committee. The Governance and Nominating Committee is responsible for, among other things, (1) developing and recommending to the Board of Directors specific guidelines and criteria for selecting nominees for election to the Board of Directors, (2) reviewing the qualifications of and making recommendations to the Board regarding nominees for election as a director at each annual meeting of stockholders and the nominees for directors to be elected by the Board of Directors to fill any vacancies or newly created directorships, (3) making recommendations to the Board concerning the size and composition of the Board, the size and composition of each standing committee of the Board and the responsibilities of each standing committee of the Board of Directors, (4) overseeing and arranging the annual process of evaluating the performance of the Board of Directors and the Company s management and (5) developing and recommending to the Board of Directors a set of corporate governance principles for the Company.

The Governance and Nominating Committee is composed entirely of independent directors: Mr. Browning (Chairman), Mr. Daley, Mr. Gantt, Dr. Haynes, Dr. Hlavacek and Mr. Milchovich. All of the members of the Committee meet the independence requirements of the NYSE listing standards for nominating committee members. In the opinion of the Board, these directors are free of any relationship that would interfere with their exercise of independent judgment as members of the Committee. The Committee held six meetings during 2005.

Annual Evaluation of Directors and Committee Members. Our Board of Directors evaluates the performance of each director standing for re-election, each Committee of the Board and the Board of Directors as a whole on an annual basis. In connection with this annual self-evaluation, each director anonymously records his or her views on the performance of each director standing for re-election, each committee and the Board of Directors. The entire Board of Directors reviews these reports and determines what, if any, actions should be taken in the upcoming year to improve its effectiveness and the effectiveness of each director and committee.

How to Communicate with the Board of Directors and Non-management Directors. Stockholders wishing to communicate with our Board of Directors, or any of our individual directors, may do so by sending a written communication to Peter Browning or any other individual director in care of Nucor Corporation, 2100 Rexford Road, Charlotte, North Carolina 28211. Stockholders wishing to communicate with Mr. Browning, as presiding director, or with the non-management directors as a group may do so by sending a written communication addressed to Mr. Browning at our executive offices. Any communication addressed to Mr. Browning or any individual director that is received at the executive offices of Nucor shall be delivered or forwarded to Mr. Browning or the individual director as soon as practicable. Nucor will forward all communications from its stockholders that are addressed simply to the Board of Directors to the chairman of the committee of the Board of Directors whose purpose and function is most closely related to the subject matter of the communication.

NOMINATING DIRECTORS

Stockholders may recommend a director candidate for consideration by the Governance and Nominating Committee by submitting the candidate s name in accordance with provisions of Nucor s bylaws that require advance notice to Nucor and certain other information. In general, under the bylaws, the written notice must be received by Nucor s Corporate Secretary not less than sixty (60) and not more than ninety (90) days prior to the annual meeting. The notice must contain certain information about the nominee and the stockholder submitting the nomination including, (i) with respect to the nominee, the nominee s name, age, business and residential address, principal occupation or employment, the number of shares beneficially owned by the nominee and any other information required to be disclosed in solicitations for proxies to elect directors pursuant to the SEC s rules and regulations and (ii) with respect to the stockholder submitting the nomination, the stockholder s name and address, as they appear on our books and records and the number of shares beneficially owned by that stockholder. A stockholder who is interested in recommending a director candidate should request a copy of Nucor s bylaw provisions by writing to Nucor s Corporate Secretary at Nucor s executive offices, 2100 Rexford Road, Charlotte, North Carolina 28211.

The Governance and Nominating Committee has a process of identifying and evaluating potential nominees for election as members of the Board. The Committee has a policy that potential nominees shall be evaluated no differently regardless of whether the nominee is recommended by a stockholder, a board member or Nucor s management. The Committee considers potential nominees from all these sources, develops information from many sources concerning the potential nominee, evaluates the potential nominee as to the qualifications that the Committee and the Board have established and in light of the current skill, background and experience of the Board s members and the future, ongoing needs of the Company and makes a decision whether to recommend any potential nominee for consideration for election as a member of the Board. In the past, Nucor has engaged third party search firms to assist the Board of Directors in identifying and evaluating potential nominees for director. Nucor may do so again in the future.

In evaluating potential nominees for election as members of the Board, the Committee considers the following to be minimum qualifications that any nominee must possess. The potential nominee must:

be a person of the highest integrity and must be committed to ethical standards of personal and corporate behavior;

have significant business experience or other organizational leadership experience that will allow the nominee to contribute significantly to the Company as a member of the Board;

if not a member of the Company s management, not have any relationships, directly or indirectly through an immediate family member, with the Company that would make them not able to serve as an independent director within the meaning of any rules and laws applicable to the Company;

have a willingness and an ability to make the necessary time commitment to actively participate as a member of the Board; and

be able to represent the interests of all of Nucor s stockholders and not merely those of one stockholder or a special interest group.

The Committee also believes there are certain specific qualities or skills that one or more members of the Board of Directors must possess. These include:

the skills and experience necessary to serve as an audit committee financial expert;

experience serving as the chief executive officer of, or in another senior management position with, a major manufacturing company;

significant and successful merger and acquisition experience; and diversity in terms of race or gender.

DIRECTOR COMPENSATION

Directors who are not senior officers of Nucor are paid standard directors fees of $15,000 quarterly, including meeting fees. The Non-Executive Chairman of Nucor is paid $22,500 quarterly, including meeting fees. The chairmen of the Governance and Nominating Committee and the Compensation and Executive Development Committee receive an additional $1,500 quarterly. The chairman of the Audit Committee receives an additional $3,000 quarterly. Directors who are not senior officers of Nucor are annually granted restricted stock units under the Company s 2005 Stock Option and Award Plan with a fair market value of $60,000. The Non-Executive Chairman is annually granted restricted stock units with a fair market value of $90,000. The restricted stock units granted to each non-employee director are fully vested on the grant date and are payable to the non-employee director in the form of shares of Nucor common stock as soon as practicable after the termination of the director s service on the Board of Directors.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee s report with respect to the Company s audited financial statements for the fiscal year ended December 31, 2005 is as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements with Nucor s management.

2. The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company s independent registered public accounting firm, the matters required to be discussed by Statement of Auditing Standards (SAS) No. 61 (Communications with Audit Committees), as amended by SAS No. 99.

3. The Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with PricewaterhouseCoopers LLP their independence.

4. The Audit Committee has reviewed and discussed with management and PricewaterhouseCoopers LLP management s report on Nucor s internal control over financial reporting and PricewaterhouseCoopers LLP s attestation report on management s assessment of the effectiveness of Nucor s internal control over financial reporting.

5. Based on the review and the discussions referred to in paragraphs (1) through (4) above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005, for filing with the SEC.

THE AUDIT COMMITTEE

Clayton C. Daley, Jr., Chairman

Peter C. Browning

Harvey B. Gantt

Victoria F. Haynes

James D. Hlavacek

Raymond J. Milchovich

Fees Paid to Independent Registered Public Accounting Firm

For the fiscal years ended December 31, 2004 and 2005, fees billed for services provided by PricewaterhouseCoopers LLP (PwC) were as follows:

	2004	2005
Audit Fees (1)	$ 1,006,080	$ 1,579,445
Audit-Related Fees (2)	195,051	272,819
Tax Fees (3)	102,879	167,553
All Other Fees		

(1) Audit fees consist of fees for professional services rendered in connection with the audit of Nucor s consolidated annual financial statements, for the review of interim consolidated financial statements in Forms 10-Q and for services normally provided in connection with statutory and regulatory filings or engagements. Audit fees also include fees for professional services rendered for the audits of (i) management s assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting.

(2) Audit-related fees consist of fees billed for assurance and related services reasonably related to the performance of the audit or review of Nucor s audited or interim consolidated financial statements and are not reported under the heading Audit Fees. This category includes fees associated with evaluations of acquisition candidates.

(3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning.

In 2004 and 2005, all audit-related services, tax services and other services were pre-approved by the Audit Committee, which concluded that the provision of such services by PwC was compatible with the maintenance of that firm s independence in the conduct of its auditing functions. The Audit Committee is responsible for the pre-approval of all auditing services and permitted non-audit services performed for Nucor by PwC. The Audit Committee has delegated its authority to approve in advance all permitted non-audit services to be provided by PwC to the Chairman of the Audit Committee; provided, however, any such services approved by its Chairman shall be presented to the full Audit Committee at its next regularly scheduled meeting.

REPORT OF THE COMPENSATION AND EXECUTIVE DEVELOPMENT COMMITTEE

ON SENIOR OFFICER COMPENSATION

This is our report to the stockholders on the compensation paid to the senior officers of Nucor Corporation. The Compensation and Executive Development Committee of Nucor s Board of Directors is composed solely of directors who are considered to be independent under all applicable legal and regulatory standards. We are directly responsible to the Board of Directors, and through the Board to Nucor s stockholders, for developing and administering the compensation program for Nucor s senior officers, including the Chief Executive Officer. We are supported in our work by James M. Coblin, Nucor s Vice President of Human Resources, and we have retained and regularly use an independent executive compensation consulting firm that is engaged by and reports directly to us on matters of senior executive compensation, including the Chief Executive Officer s compensation.

The total compensation paid to Nucor s senior officers has three components: base salary, incentive compensation awarded under Nucor s Senior Officers Annual Incentive Plan (the AIP) and Nucor s Senior Officers Long-Term Incentive Plan (the LTIP) and stock options awarded under Nucor s Incentive Stock Option Plans (the Incentive Stock Plans). The three components of senior officer compensation are intended to provide a direct link between compensation and Nucor s performance. A relatively small percentage of a senior officer s compensation opportunity is paid to the senior officer each year in the form of base salary without regard to Nucor s performance. Senior officers may earn a much larger amount of their compensation under the AIP, LTIP and the Incentive Stock Plans, but that portion of their compensation is directly tied to Nucor s performance and the value delivered to Nucor s stockholders. In 2005, Nucor had another record-setting performance year, and Nucor s senior officers received substantial awards under the AIP and LTIP for Nucor s outstanding performance.

Nucor s senior officers (including the Chief Executive Officer) also participate in Nucor s 401(k) retirement savings plan and Nucor s group health and other welfare benefit plans on the same terms and conditions that apply to other Nucor employees in accordance with Nucor s egalitarian approach to providing benefits to its employees. Senior officers do not enjoy better insurance programs, vacation schedules or holidays. Certain benefits such as Nucor s Profits Sharing Plan, Scholarship Program, Employee Monthly Stock Investment Plan, Extraordinary Bonus and Service Awards Program are not available to Nucor s senior officers. Senior officers also do not receive perquisites such as company cars, executive parking places or use of corporate jets or executive dining rooms.

Base Salary. With the assistance of its independent compensation consultant, the Committee reviews national surveys of the base salaries and total compensation of senior officers in manufacturing companies with sales, assets and capital comparable to Nucor. The Committee then sets the base salaries of Nucor s senior officers at approximately 90% of the median of the base salaries for comparable positions in such other manufacturing companies. The Committee sets base salaries below the median because of the Committee s desire to orient the total pay of the senior officers significantly towards at risk incentive compensation and the potential for the senior officers to earn significant amounts of incentive compensation under the AIP and LTIP. The Committee increased the base salaries of Nucor s senior officers in fiscal year 2005 to bring them in line with the 90% of median target level.

The AIP and LTIP. A senior officer may earn an incentive award under the AIP for each fiscal year of up to a total of 300% of the senior officer s base salary. Seventy-five percent of the maximum incentive award (i.e., up to 225% of base salary) is available for award based on Nucor s return on average stockholders equity (ROE). At the beginning of each fiscal year, the Committee establishes a threshold ROE of not less than 3% and not more than 7% that must be achieved before any award may be made to senior officers based on Nucor s ROE. If Nucor achieves the threshold ROE, senior officers will earn an incentive award equal to 20% of the senior officer s base salary. If Nucor s ROE for the fiscal year exceeds 20%, senior officers will earn an incentive award equal to the maximum 225% of the senior officer s base salary that may be awarded under the AIP based on Nucor s ROE. The amount of the incentive award that is earned for ROE that exceeds the threshold but is less than 20% is determined by linear interpolation. The remaining 25% of the maximum annual award available under the AIP (i.e., up to 75% of the senior officer s base salary) is awarded based on a comparison of Nucor s net sales growth with the net sales growth of members of a steel industry peer group.

Senior officers have the opportunity to defer payment of up to one-half of any AIP award. Any deferred award is converted into Nucor common stock units and credited to a deferral account. The AIP provides a deferral incentive to senior officers by providing for the crediting of additional common stock units to the deferral account equal to 25% of the number of common stock units attributable to the amount of the deferred award. A senior officer is always vested in the common stock units attributable to the deferred award. The deferral incentive units become vested upon the senior officer s attainment of age 55 while employed or in the event the senior officer dies or becomes disabled before age 55 while employed. The vested common stock units are distributed to the senior officer in the form of Nucor common stock following the senior officer s retirement or other termination of employment.

Based on the goals for Nucor s ROE and sales growth established by the Committee at the beginning of the 2005 fiscal year, senior officers earned the maximum award of 225% of their base salary for the ROE performance measure and an award of 7.50% of their base salary for the sales growth performance measure, receiving total incentive compensation under the AIP equal to 232.50% of their base salary. None of the executive officers named in the Summary Compensation Table on page 15 elected to defer their 2005 AIP awards. A total of six other senior officers elected to defer a portion of their AIP awards and a deferral incentive in the aggregate amount of 2,142 common stock units was credited to their AIP deferral accounts.

Senior officers earn incentive compensation under the LTIP based on Nucor s financial performance during the LTIP s performance periods. The performance periods under the LTIP commence every January 1 and generally last for 3 years. The LTIP has shorter performance periods for the first two years a senior officer participates in the LTIP. The target award under the LTIP for each performance period is a number of shares of Nucor common stock. The number of shares is determined by dividing 85% of each senior officer s annual base salary rate as of the beginning of the performance period by the closing price of Nucor common stock on the day immediately preceding the first day of the performance period. The maximum award that a senior officer may earn under the LTIP is equal to 200% of the number of shares in the target award. The target award for a performance period is prorated if a senior officer commences participation in the LTIP after the beginning of the performance period. Fifty percent of the LTIP award for a performance period is based on Nucor s return on average invested capital (ROAIC) for the performance period relative to its principal competitors in the steel industry. The remaining 50% of the award is based on Nucor s ROAIC for the performance period relative to high-performing companies in capital-intensive industries.

Based on the goals for Nucor s ROAIC established by the Committee for the LTIP performance period that ended December 31, 2005, senior officers earned the maximum award of 200% of the number of shares in each senior officer s target award. The Company paid one-half of the LTIP award in cash and the other half in the form of restricted shares of Nucor s common stock. One-third of the restricted shares will become vested upon each of the first three anniversaries of the award date, or upon the senior officer s attainment of age 55, death or disability while employed by Nucor. A senior officer may defer payment of the restricted stock portion of the LTIP award until the senior officer s retirement or other termination of employment. Nucor does not provide an incentive for the deferral of LTIP restricted stock awards.

Incentive Stock Option Plans. All of Nucor s key employees, including its senior officers, participated in the Incentive Stock Plans during 2005. Under the Incentive Stock Plans, Nucor granted stock options on March 1 and September 1. The number of shares subject to each semi-annual stock option grant was determined by dividing a dollar amount set by the Committee for each key employee s position by the fair market value per share of Nucor s common stock on the grant date. The exercise price for all the options granted under the Incentive Stock Plans was 100% of the market value of Nucor s common stock on the date of grant. The options are exercisable six months after the grant date and expire seven years after the grant date. The Committee members believe that Nucor s Incentive Stock Plans provide incentive for all key employees, including the senior officers, by further identifying their interests with those of Nucor s stockholders, since the key employees benefit only if Nucor stockholders benefit by increases in Nucor s stock price.

Stock Ownership Guidelines. The Board of Directors has adopted stock ownership guidelines for Nucor s senior officers to further link the interests of management and Nucor s stockholders. The guideline number of shares ranges from 90,000 shares for the Chief Executive Officer to 10,000 shares for Nucor s vice presidents. Under the guidelines, senior officers have five years to achieve ownership of the guideline number of shares. The Committee monitors each senior officer s compliance with the ownership guideline or, if applicable, the senior officer s progress in achieving the ownership guideline within five years of being elected an officer. All Nucor senior officers were in compliance with the stock ownership guidelines during 2005 or were on target to satisfy stock ownership guidelines within the five year period for compliance.

Chief Executive Officer Compensation. The total compensation of Nucor s chief executive officer, like that of all its senior officers, is divided into three components: base salary, incentive compensation awarded under the AIP and LTIP, and stock options awarded under the Incentive Stock Plans. Based on the 90% of median base salary target the Committee has previously established for base salaries of Nucor s senior officers, the Committee increased Mr. DiMicco s annual base salary in fiscal year 2005 from $690,000 to $707,300. During fiscal year 2005, Mr. DiMicco earned an award under the AIP equal to $1,644,473 (232.50% of his base salary for the fiscal year). Mr. DiMicco s award under the LTIP for the performance period ended December 31, 2005 consisted of $1,840,050 in cash and 27,578 restricted shares of Nucor common stock. Mr. DiMicco elected to defer the receipt of the restricted stock portion of his LTIP award in accordance with the terms of the LTIP. During fiscal year 2005, Mr. DiMicco also participated in Nucor s Incentive Stock Plans. Nucor made option grants to him on March 1 and September 1 in accordance with the grant guidelines established by the Committee that are described above.

Internal Revenue Code Section 162(m). Internal Revenue Code Section 162(m) limits the amount of compensation paid to the executive officers named in the Summary Compensation Table that may be deducted by Nucor for federal income tax purposes in any fiscal year to $1,000,000. Performance-based compensation that has been approved by Nucor s stockholders is not subject to the $1,000,000 deduction limit. Nucor s AIP, LTIP and Incentive Stock Plans have all been approved by Nucor s stockholders, and awards under those plans constitute performance-based compensation that is not subject to the Code Section 162(m) deduction limit. Therefore, all compensation paid to Nucor s named executive officers for 2005 was fully deductible for federal income tax purposes. The Committee has not adopted a formal policy that all compensation paid to the named executive officers must be deductible.

THE COMPENSATION AND EXECUTIVE DEVELOPMENT COMMITTEE

Victoria F. Haynes, Chairman

Peter C. Browning

Clayton C. Daley, Jr.

Harvey B. Gantt

James D. Hlavacek

Raymond J. Milchovich

EXECUTIVE OFFICER COMPENSATION

The following table sets forth compensation information for the Chief Executive Officer and for the other five highest-compensated senior officers for 2005:

Summary Compensation Table

			Annual Compensation		Long-Term Compensation			
					Awards		Payout	
Name (and age)	**Principal Position(s)**	**Year**	**Base Salary**	**Cash Incentive Compensation**	**Restricted Stock Awards ($) (1)**	**Stock Options Granted (shares)**	**Long-Term Incentive Plan Payout ($) (2)**	**All Other Compensation (3)**
Daniel R. DiMicco (55)	Vice Chairman, President and Chief Executive Officer	2005	$ 707,300	$ 1,644,473	$ 2,622,116	20,157	$ 1,840,050	$ 3,500
		2004	690,000	1,992,375	1,589,872	33,760	1,443,469	650
		2003	670,000	427,125	154,668	52,192	154,441	600
Terry S. Lisenby (54)	Chief Financial Officer, Treasurer and Executive Vice President	2005	403,900	939,068	1,496,940	10,078	1,050,477	3,189
		2004	394,000	1,137,675	907,642	16,880	824,070	574
		2003	382,500	243,844	88,301	26,096	88,169	600
John J. Ferriola (53)	Executive Vice President	2005	367,200	853,740	1,360,785	8,398	954,904	3,500
		2004	358,200	1,034,303	825,087	14,066	749,096	650
		2003	347,700	221,659	80,279	21,746	80,148	562
Hamilton Lott, Jr. (56)	Executive Vice President	2005	367,200	853,740	1,360,785	8,398	954,904	3,500
		2004	358,200	1,034,303	825,087	14,066	749,096	650
		2003	347,700	221,659	80,279	21,746	80,148	600
D. Michael Parrish (53)	Executive Vice President	2005	367,200	853,740	1,360,785	8,398	954,904	3,500
		2004	358,200	1,034,303	825,087	14,066	749,096	650
		2003	347,700	221,659	80,279	21,746	80,148	600
Joseph A. Rutkowski (51)	Executive Vice President	2005	367,200	853,740	1,360,785	8,398	954,904	3,500
		2004	358,200	1,034,303	825,087	14,066	749,096	650
		2003	347,700	221,659	80,279	21,746	80,148	600

(1) The amounts shown represent the value of the following number of shares of restricted stock awarded under Nucor s LTIP for the performance periods ended December 31, 2005, 2004 and 2003, respectively: Mr. DiMicco 27,578 shares for 2005 and 2004, and 5,514 shares for 2003; Mr. Lisenby 15,744 shares for 2005 and 2004, and 3,148 shares for 2003; and Messrs. Ferriola, Lott, Parrish and Rutkowski 14,312 shares each for 2005 and 2004, and 2,862 shares each for 2003. The value shown is based on the per share closing price on the award date for the applicable performance period. Such closing price was $95.08 per share on the March 10, 2006 award date for the performance period ended December 31, 2005; $57.65 per share on the March 10, 2005 award date for the performance period ended December 31, 2004; and $28.05 per share on the

March 10, 2004 award date for the performance period ended December 31, 2003. Mr. DiMicco elected to receive payment of his restricted stock award in restricted stock units in accordance with the LTIP. Each award vests in three equal annual installments commencing on the first anniversary of the award date, or upon the executive officer s attainment of age 55, death or disability. Dividends on the shares of restricted stock and dividend equivalents on the restricted stock units are paid in cash to the executives.

(2) The 2005 fiscal year was the third year of Nucor s LTIP. Long-term performance awards earned in fiscal 2005 were based on achievement of performance objectives over the three-year period from January 1, 2003 to December 31, 2005. Long-term performance awards earned in fiscal 2004 were based on achievement of performance objectives over the two-year period from January 1, 2003 to December 31, 2004. Long-term performance awards earned in fiscal 2003 were based on achievement of performance objectives over the one-year period from January 1, 2003 to December 31, 2003.

(3) Amount comprised of matching contributions to Nucor s 401(k) retirement savings plan.

Employment Agreements and Senior Officers Severance Plans

Nucor has separate employment agreements with Messrs. DiMicco, Lisenby, Ferriola, Lott, Parrish and Rutkowski that provide for an annual base salary and certain other benefits. Annual base salaries under these employment agreements are subject to increase or decrease in the discretion of the Compensation and Executive Development Committee. These employment agreements also provide that these executive officers are eligible to earn additional incentive compensation under Nucor s senior officer incentive compensation plans that are applicable to all of Nucor s senior officers and are described elsewhere in this proxy statement.

Each of these employment agreements restricts the disclosure of confidential information and prohibits the executive officer from competing with Nucor during the 24-month period following the termination of his employment. These employment agreements also prohibit the six executive officers from encouraging Nucor customers to purchase steel or steel products from one of Nucor s competitors or encouraging any of Nucor s employees to terminate their employment relationship with Nucor. Each employment agreement further provides that any inventions, designs or other ideas conceived by the executive officer during his employment with Nucor will be assigned to Nucor.

Under each of these employment agreements, the executive officer that is a party to the agreement will be entitled to receive in consideration of his agreement not to compete a cash payment following his termination of employment with Nucor for any reason other than death. Subject to the exceptions described below, the amount, if any, payable to an executive officer under his employment agreement in consideration for his covenant not to compete will be paid in 24 monthly installments following his termination. The amount of each monthly installment will be equal to the product of 3.36 *times* the executive officer s highest base salary during the twelve months immediately preceding the termination of his employment, *divided* by twelve. If, however, an executive officer who is receiving monthly installment payments dies within twelve months of his date of termination of employment, Nucor will pay his estate the monthly payments only through the end of the first twelve months following termination of his employment. Nucor s obligation to make the monthly installment payments to an executive officer under his employment agreement will terminate automatically and immediately if the executive officer dies twelve or more months following termination of his employment.

Each of these six executive officers with whom Nucor has employment agreements is also entitled to receive severance payments following termination of his employment or his resignation, death or retirement under a general severance policy adopted by the Board of Directors that applies to all senior officers of Nucor. The amount of severance payments to be received by a particular executive officer or, in the case of his death while employed by Nucor, his estate, will depend upon his age at the time of his termination, resignation, retirement or death and the length of his service with Nucor. If the executive officer is younger than 55, he, or his estate, will be entitled to receive a severance payment equal to the greater of (A) one month of his base salary for each year of service to Nucor with a minimum severance payment of six months base salary or (B) the value of the total number of his shares of Nucor common stock that remain forfeitable pursuant to the terms of any of the senior officer incentive compensation plans. If the executive officer is 55 or older, he, or his estate, will be entitled to receive a severance payment equal to one month of his base salary for each year of service to Nucor with a minimum severance payment of six months base salary. Nucor s executive officers will become fully vested in their forfeitable Nucor stock when they turn 55.

The following tables set forth stock option information for the chief executive officer and for the five other highest-compensated senior officers for 2005. Stock options granted in 2005 became exercisable six months after the grant date. All of the stock options were exercisable as of March 1, 2006.

Stock Option Grants in 2005 (1)

	Stock Options Granted in 2005				Potential Realizable Value	
Name	**Number of Shares**	**Percent of Total Granted to All Employees**	**Exercise Price**	**Expiration Date**	**5% Annual Stock Price Appreciation**	**10% Annual Stock Price Appreciation**
Daniel R. DiMicco	9,762	1.3%	$61.46	February 29, 2012	$ 244,249	$ 569,204
	10,395	1.4%	57.72	August 31, 2012	244,260	569,230
Terry S. Lisenby	4,881	0.6%	61.46	February 29, 2012	122,125	284,602
	5,197	0.7%	57.72	August 31, 2012	122,118	284,587
John J. Ferriola	4,067	0.5%	61.46	February 29, 2012	101,758	237,139
	4,331	0.6%	57.72	August 31, 2012	101,769	237,165
Hamilton Lott, Jr.	4,067	0.5%	61.46	February 29, 2012	101,758	237,139
	4,331	0.6%	57.72	August 31, 2012	101,769	237,165
D. Michael Parrish	4,067	0.5%	61.46	February 29, 2012	101,758	237,139
	4,331	0.6%	57.72	August 31, 2012	101,769	237,165
Joseph A. Rutkowski	4,067	0.5%	61.46	February 29, 2012	101,758	237,139
	4,331	0.6%	57.72	August 31, 2012	101,769	237,165

(1) 255 key employees, including executive officers, participate in Nucor s Incentive Stock Option Plans, pursuant to which stock options are granted at 100% of the market value on the date of grant. During 2005, key employees, other than the above-named executive officers, were granted stock options for 697,733 shares (91.6% of the total stock options granted to all employees), at the same exercise prices and expiration dates as the above-named executive officers. The potential realizable value of stock options granted to these other key employees was $16,901,623 at 5% annual stock price appreciation and $39,387,970 at 10% annual stock price appreciation.

Stock Option Exercises in 2005

and Year-End 2005 Stock Option Values (1)

	Stock Options Exercised in 2005		Number of Unexercised Stock Options at Year-End 2005		Value of Unexercised In-the-Money Stock Options at Year-End 2005	
Name	**Shares Acquired**	**Value Realized**	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**

Daniel R. DiMicco	108,498	$3,959,179	23,720	10,395	$641,633	$93,555
Terry S. Lisenby	0	0	27,525	5,197	771,548	46,773
John J. Ferriola	0	0	50,295	4,331	1,788,894	38,979
Hamilton Lott, Jr.	4,084	153,252	31,963	4,331	1,032,710	38,979
D. Michael Parrish	6,438	182,406	15,593	4,331	390,467	38,979
Joseph A. Rutkowski	11,454	416,952	42,259	4,331	1,446,694	38,979

(1) Value (calculated in accordance with the rules of the SEC) is the excess of the market price over the exercise price. During 2005, key employees, other than the above-named executive officers, acquired 780,776 shares on exercise of stock options. At year-end 2005, these other key employees had 1,901,714 unexercised stock options, 1,539,008 of which were exercisable and 362,706 were unexercisable. At year-end 2005, these other key employees had unexercised in-the-money stock options, with a value of $47,333,856 for exercisable stock options, and $3,264,354 for unexercisable stock options. The value of unexercised in-the-money stock options is calculated using the last published price per share at which Nucor common stock was traded on December 31, 2005 ($66.72).

LONG-TERM INCENTIVE PLANS

Name	Number of Shares (1)	Performance Period	Estimated Future Payouts (2) Threshold (shares) (3)	Target (shares)	Maximum (shares)
Daniel R. DiMicco		1/1/04 12/31/06	5,237	20,946	41,893
		1/1/05 12/31/07	2,872	11,487	22,973
Terry S. Lisenby		1/1/04 12/31/06	2,990	11,961	23,921
		1/1/05 12/31/07	1,640	6,559	13,119
John J. Ferriola		1/1/04 12/31/06	2,718	10,874	21,748
		1/1/05 12/31/07	1,491	5,963	11,927
Hamilton Lott, Jr.		1/1/04 12/31/06	2,718	10,874	21,748
		1/1/05 12/31/07	1,491	5,963	11,927
D. Michael Parrish		1/1/04 12/31/06	2,718	10,874	21,748
		1/1/05 12/31/07	1,491	5,963	11,927
Joseph A. Rutkowski		1/1/04 12/31/06	2,718	10,874	21,748
		1/1/05 12/31/07	1,491	5,963	11,927

(1) The actual number of shares that will be paid out at the end of the performance period, if any, cannot be determined because the shares earned by the above-named executive officers will be based upon the Company s return on average invested capital for the performance period relative to a peer group comprised of the Company s principal competitors and a peer group comprised of high-performing companies in capital-intensive industries.

(2) For any award payable at the conclusion of the performance period, the value of 50% of the shares comprising the performance award, determined by multiplying the number of such shares by the closing price on the last trading day of the performance period, will be paid to the named executive officer in cash. The remaining 50% of the shares will be issued as restricted shares or restricted stock units at the election of the executive. One-third of the restricted shares will become vested upon each of the first three anniversaries of the award date, or upon the executive officer s attainment of age 55, death or disability.

(3) If our performance compared to the two peer groups is below the threshold level relative to the peer groups, then no shares will be earned. To the extent the Company s performance exceeds the threshold level relative to either or both of the peer groups, a varying amount of shares of common stock and cash up to the maximum will be earned.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information regarding shares of Nucor s common stock that may be issued under Nucor s equity compensation plans as of December 31, 2005.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b) (3)	Number of securities remaining available for future issuance under equity compensation plans (c)
Equity compensation plans approved by stockholders (1)	2,203,452 (2)	$ 39.98	11,190,174 (4)
Equity compensation plans not approved by stockholders (5)	50,559	$ 34.85	0 (6)
	2,254,011	$ 39.86	11,190,174

(1) Includes the Nucor Corporation Senior Officers Annual Incentive Plan (the AIP), the Nucor Corporation Senior Officers Long-Term Incentive Plan (the LTIP), the 1997 Key Employees Incentive Stock Option Plan (the 1997 Plan) and the 2005 Stock Option and Award Plan (the 2005 Plan). The 2005 Plan was approved by Nucor stockholders at the 2005 annual meeting. The 2005 Plan replaced and superseded the 2003 Key Employees Incentive Stock Option Plan (the 2003 Plan) and the 2001 Non-Employee Director Equity Plan (the Non-Employee Director Plan) provided that any awards made under the 2003 Plan and the Non-Employee Director Plan prior to the 2005 annual meeting remain outstanding in accordance with their terms. The 2003 Plan was approved by Nucor s stockholders at the 2003 annual meeting.

(2) Includes 12,617 deferred stock units awarded and outstanding under the AIP, 58,109 deferred stock units awarded and outstanding under the LTIP, 1,256,146 stock options awarded and outstanding under the 1997 Plan and a total of 876,580 stock options awarded and outstanding under the 2005 Plan and the 2003 Plan.

(3) Weighted average exercise price of awarded and outstanding options; excludes deferred stock units.

(4) Represents 1,656,007 shares available under the AIP and LTIP, -0- shares available under the 1997 Plan and the 2003 Plan and 9,534,167 shares available under the 2005 Plan.

(5) Represents outstanding stock options awarded under the Non-Employee Director Plan before the 2005 annual meeting.

(6) No additional options will be awarded under the Non-Employee Director Plan.

Material Features of Equity Compensation Plan Not Approved by Stockholders

Non-Employee Director Plan. In 2005, directors who are not employees were granted options semi-annually with a target Black-Scholes annual value of $50,000 for all directors other than the Non-Executive Chairman and $75,000 for the Non-Executive Chairman. The exercise price is equal to the market value of Nucor common stock on the date of grant. The options become exercisable six months after the grant date and expire seven years after the grant date.

The stock options granted to non-employee directors in March 2005 were granted under the Non-Employee Director Plan. The stock options granted to non-employee directors in September 2005 were granted under the 2005 Plan that was approved by the Nucor stockholders at the 2005 annual meeting. No additional options will be awarded under the Non-Employee Director Plan.

STOCK PERFORMANCE GRAPH

This graphic comparison assumes the investment of $100 in Nucor Corporation common stock, $100 in the S&P 500 Index and $100 in the S&P Steel Group Index, all at year-end 2000. The resulting cumulative total return assumes that cash dividends were reinvested. Nucor common stock comprised 55% of the S&P Steel Group Index at year-end 2005 (46% at year-end 2000).

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities and Exchange Act of 1934 requires that our executive officers and directors file reports of their ownership and changes in ownership of Nucor common stock on Forms 3, 4 and 5 with the SEC and NYSE. The Company has reviewed all reports filed by its executive officers and directors and written representations made by its executive officers and directors with respect to the completeness and timeliness of their filings. Based solely on such review, all filings were timely made in 2005.

PROPOSAL 2

RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors recommends a vote FOR the proposal.

The Audit Committee of the Board of Directors has selected the firm of PricewaterhouseCoopers LLP to serve as the independent registered public accounting firm of Nucor for the fiscal year ending December 31, 2006. PricewaterhouseCoopers LLP has acted in such capacity for Nucor since 1989. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting, will have the opportunity to make a statement if they so desire and are expected to be available to respond to appropriate questions.

Stockholder ratification of the Audit Committee s selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm is not required by our bylaws or otherwise. The Board is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification and will reconsider whether to retain PricewaterhouseCoopers LLP if the stockholders fail to ratify the Audit Committee s selection. In addition, even if the stockholders ratify the selection of PricewaterhouseCoopers LLP, the Audit Committee may in its discretion appoint a different independent accounting firm at any time during the year if the Audit Committee determines that a change is in the best interests of Nucor.

Nucor s Board of Directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2006. Unless otherwise specified, proxies will be voted **FOR** the proposal.

PROPOSAL 3

APPROVAL OF AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION

The Board of Directors recommends a vote FOR the proposal.

The Board of Directors recommends that the stockholders approve an amendment to the Company s Restated Certificate of Incorporation that would double the number of authorized shares of common stock to 800,000,000. Each additional share of Nucor common stock authorized will have the same rights and privileges as each currently authorized share of Nucor common stock. The Company s Restated Certificate of Incorporation currently authorizes the issuance of 400,000,000 shares of common stock, $0.40 par value, and 250,000 shares of preferred stock, $4.00 par value. No preferred stock is outstanding.

At February 28, 2006, Nucor had issued and outstanding 155,411,430 shares of common stock. In addition, approximately 11,190,174 shares of common stock have been reserved for future issuance under the Company s employee benefit and incentive plans. Accordingly, there are 233,398,396 shares of common stock currently available for issuance. If the increase in authorized common stock is approved, the number of shares unreserved and available for issuance will increase to 633,398,396.

In order to give Nucor greater flexibility in considering and planning for future business needs, our Board of Directors believes it is in our best interests to increase the number of authorized shares of common stock. If the amendment is approved by Nucor s stockholders by the required vote, the Board of Directors will be able to issue the additional authorized shares for various corporate purposes, including but not limited to, stock splits, stock dividends, financings, corporate mergers and acquisitions and other general corporate transactions.

Additional stockholder approval will not be required for Nucor s Board of Directors to issue any of these additional shares unless the number of shares to be issued in a single transaction exceeds 20% of Nucor s outstanding common stock. In that case, the rules of the New York Stock Exchange would require Nucor to obtain stockholder approval as a condition to listing the additional shares. The listing requirements of the New York Stock Exchange currently have a blanket exception from the stockholder approval requirement, however, for shares of treasury stock, of which Nucor has approximately 30 million shares. The New York Stock Exchange published a notice in December 2005 that it is considering whether to modify or eliminate its treasury stock exception.

Except for shares that may be issued under the Company s employee benefit plans, Nucor has no present plans for issuance of additional common stock. No holder of Nucor stock has a preemptive right to acquire any additional common stock, except as may be required by law or the rules of the NYSE, on which the common stock is listed.

If this proposal is approved, the issuance of additional shares of common stock, other than in connection with stock splits and stock dividends, could have the effect of diluting earnings per share, book value or the voting rights of the present holders of shares of Nucor s common stock. In recent years, most of the common stock issued by Nucor has been for stock splits and Nucor s employee benefit plans.

The amendment may also have the effect of discouraging attempts to take control of Nucor through a merger, tender offer, proxy contest or other approach, as additional shares of common stock could be issued to dilute the stock ownership and voting power of, or to increase the cost to, a party seeking to obtain control of us. Nucor is not proposing this amendment in response to any known attempt or effort by a third party to take control of us.

As amended, Section A of Article IV of the Restated Certificate of Incorporation would read as follows:

A. The total number of shares of Common Stock which the corporation shall have authority to issue is eight hundred million, 800,000,000, and the par value of each share is forty cents, $0.40, amounting in the aggregate to three hundred twenty million dollars, $320,000,000. The total number of shares of Preferred Stock which the corporation shall have authority to issue is two hundred fifty thousand, 250,000, and the par value of each share is four dollars, $4.00, amounting in the aggregate to one million dollars, $1,000,000.

Nucor s Board of Directors recommends a vote FOR approval of the amendment of Restated Certificate of Incorporation. Unless otherwise specified, proxies will be voted **FOR** the amendment.

PROPOSAL 4

STOCKHOLDER PROPOSAL

We have been notified that the United Brotherhood of Carpenters Pension Fund, a stockholder of Nucor, intends to present the proposal set forth below for consideration at the Annual Meeting. We are not responsible for the content of the stockholder proposal, which is printed below exactly as it was submitted.

Director Election Majority Vote Standard Proposal

Resolved: That the shareholders of Nucor Corporation (Company) hereby request that the Board of Directors initiate the appropriate process to amend the Company s governance documents (certificate of incorporation or bylaws) to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders.

Supporting Statement: Our Company is incorporated in Delaware. Delaware law provides that a company s certificate of incorporation or bylaws may specify the number of votes that shall be necessary for the transaction of any business, including the election of directors. (DGCL, Title 8, Chapter 1, Subchapter VII, Section 216). The law provides that if the level of voting support necessary for a specific action is not specified in a corporation s certificate or bylaws, directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

Our Company presently uses the plurality vote standard to elect directors. This proposal requests that the Board initiate a change in the Company s director election vote standard to provide that nominees for the board of directors must receive a majority of the vote cast in order to be elected or re-elected to the Board.

We believe that a majority vote standard in director elections would give shareholders a meaningful role in the director election process. Under the Company s current standard, a nominee in a director election can be elected with as little as a single affirmative vote, even if a substantial majority of the votes cast are withheld from that nominee. The majority vote standard would require that a director receive a majority of the vote cast in order to be elected to the Board.

The majority vote proposal received high levels of support last year, winning majority support at Advanced Micro Devices, Freeport McMoRan, Marathon Oil, Marsh & McLennan, Office Depot, Raytheon, and others. Leading proxy advisory firms recommended voting in favor of the proposal.

Some companies have adopted board governance policies requiring director nominees that fail to receive majority support from shareholders to tender their resignations to the board. We believe that these policies are inadequate for they are based on continued use of the plurality standard and would allow director nominees to be elected despite only minimal shareholders support. We contend that changing the legal standard to a majority vote is a superior solution that merits shareholder support.

Our proposal is not intended to limit the judgment of the Board in crafting the requested governance change. For instance, the board should address the status of incumbent director nominees who fail to receive a majority vote under a majority vote standard and whether a plurality vote standard may be appropriate in director elections when the number of director nominees exceeds the available board seats.

We urge your support of this important director election reform.

Board of Directors Statement in Opposition to the Proposal

Nucor s board of directors recommends a vote against this proposal. Nucor already has a Corporate Governance Principle that increases director accountability and addresses the proponent s concerns about giving stockholders a meaningful role in the director election process. It also avoids the complicated issue of failed elections under Delaware corporate law that would be caused by implementing a majority vote standard. Retaining the plurality vote standard, which is used by almost all public companies in the United States, is also particularly advisable in Nucor s case because its stockholders have the ability to express their preferences by cumulating their votes in director elections for a single director nominee.

Nucor s Corporate Governance Principle, which is set forth elsewhere in this proxy statement under the heading Election of Directors, provides that any nominee for director in an uncontested election who receives a greater number of votes withheld from his or her election than votes for such election shall promptly tender his or her resignation for consideration by the Governance and Nominating Committee. Under the majority vote proposal, by contrast, if an incumbent director standing for reelection did not receive the affirmative vote of a majority of the votes cast in his or her election, the director would under Delaware law nevertheless continue to serve as a director until his or her successor was duly elected and qualified. Under the proposal, if a non-incumbent director nominee failed to receive the affirmative votes of a majority of the votes cast, the incumbent director whose term had expired and whom the board may no longer have wished to remain on the board would nonetheless also continue, under the Delaware holdover rule, to serve as a director until his or her successor was duly elected and qualified.

After spending over nine months studying the issue raised by a majority vote standard for the election of directors, a task force of the Committee on Corporate Laws of the Section of Business Law of the American Bar Association recently issued its preliminary report. The Committee decided *not* to adopt a majority voting standard for directors and gave the following explanation:

The Committee believes that it is not advisable to alter the existing plurality default rule. Although the Committee is mindful of the criticisms of plurality voting, the Committee is currently persuaded that the potential negative consequences of failed elections, combined with the uncertainty of applying an untested voting standard as the default rule for public corporations, warrants the retention of the plurality voting rule.

In addition to being a superior approach to giving stockholders a meaningful role in the director election process, the Nucor Governance Principle has the benefit of not interfering with cumulative voting in director elections. Cumulative voting, which most public companies do not allow, gives Nucor s stockholders unique leverage to secure representation on Nucor s board of directors. While the rules governing director elections when cumulative voting rights are exercised under a plurality vote standard are well understood, cumulative voting under a majority vote standard presents technical and legal issues for which there is no precedent. These technical and legal issues led the task force of the American Bar Association Committee on Corporate Laws, the Council of Institutional Investors and the Institutional Stockholder Services Institute for Corporate Governance to conclude that majority voting should not apply to public companies that allow cumulative voting.

Nucor s director election process must provide a reliable system for the election of qualified directors to represent the interests of all of our stockholders. Under the existing plurality vote standard, Nucor s stockholders have consistently elected a board comprised of highly qualified directors from diverse backgrounds. With the exception of the chief executive officer, all of Nucor s current directors are independent within the meaning of the standards of the New York Stock Exchange. In the absence of uniform, workable standards that can be consistently applied by all companies and that take into account the special circumstances of companies with cumulative voting, Nucor s board of directors believes that it is inappropriate to adopt a majority voting standard.

Nucor s Board of Directors recommends a vote AGAINST this stockholder proposal. Unless otherwise specified, proxies will be voted **AGAINST** the amendment.

OTHER MATTERS

Discretionary Voting by Proxy Holders

Nucor s Board of Directors does not intend to present any matters to the 2006 annual meeting of stockholders other than as set forth above and knows of no other matter to be brought before the meeting. However, if any other matter comes before the meeting, or any adjournment, the matter may be excluded by Nucor as untimely or the persons named in the enclosed proxy may vote such proxy on the matter according to their best judgment.

Stockholder Proposals

Any stockholder proposal intended to be included in Nucor s proxy statement for its 2007 annual meeting of stockholders must be received by Nucor not later than November 28, 2006. Any stockholder proposal intended to be presented at the 2007 annual meeting of stockholders, but that will not be included in the proxy statement, must be received by Nucor no more than 90 days but at least 60 days before the date of such meeting. The 2007 annual meeting of stockholders is expected to be held on May 10, 2007. Based on the estimated meeting date, any proposals received earlier than February 9, 2007 or later than March 12, 2007 may be excluded from the meeting.

Solicitation and Expenses

Nucor will bear the entire cost of this proxy solicitation, including the preparation, printing and mailing of the proxy statement, the proxy and any additional soliciting materials sent by Nucor to stockholders. Nucor has retained the services of Georgeson Shareholder Communications Inc. (GSC) to assist in the solicitation of proxies from the Company s stockholders. The fees to be paid to GSC by the Company for these services are not expected to exceed $10,000, plus reasonable out-of-pocket expenses. Further, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for reasonable expenses incurred by them in forwarding proxy soliciting materials to such beneficial owners. In addition to solicitations by mail, certain of the Company s directors, officers and regular employees, without additional remuneration, may solicit proxies by telephone, facsimile and personal interviews. Solicitation by officers and employees of Nucor may also be made of some stockholders in person or by mail, telephone or facsimile following the original solicitation.

Delivery of Proxy Statements

As permitted by the Securities and Exchange Act of 1934, as amended, only one copy of the proxy statement and annual report is being delivered to stockholders residing at the same address, unless such stockholders have notified the Company of their desire to receive multiple copies of the proxy statement.

The Company will promptly deliver, upon oral or written request, a separate copy of the proxy statement and annual report to any stockholder residing at an address to which only one copy was mailed. Requests for additional copies and/or requests for multiple copies of the proxy statement and annual report in the future should be directed to Nucor s Corporate Secretary at our executive offices.

Stockholders residing at the same address and currently receiving multiple copies of the proxy statement and annual report may contact Nucor s Corporate Secretary at our executive offices to request that only a single copy of the proxy statement and annual report be mailed in the future.

By order of the Board of Directors,

DANIEL R. DIMICCO

Vice Chairman, President and

Chief Executive Officer

March 28, 2006

PLEASE SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD

IN THE ENCLOSED ENVELOPE, OR VOTE VIA THE TELEPHONE OR INTERNET.

0 n

PROXY **2100 Rexford Road, Charlotte, North Carolina 28211**

Phone (704) 366-7000 Fax (704) 362-4208

Proxy solicited on behalf of the Board of Directors of Nucor Corporation for the 2006 annual meeting of stockholders, to be held at 10:00 a.m. on Thursday, May 11, 2006, in Morrison A and B of the Charlotte Marriott SouthPark (formerly The Park Hotel), 2200 Rexford Road, Charlotte, North Carolina.

Daniel R. DiMicco and Terry S. Lisenby, or either of them, with power of substitution, are appointed proxies to vote all shares of the undersigned at the 2006 annual meeting of stockholders, and any adjournment or postponement, on the following proposals, as set forth in the proxy statement:

1. Elect two directors to a term of three years

2. Ratify the appointment of PricewaterhouseCoopers LLP as Nucor s independent registered public accounting firm for the year ending December 31, 2006

3. Approve the amendment to Nucor s Restated Certificate of Incorporation increasing its authorized common stock from 400,000,000 shares to 800,000,000 shares

4. Consider and vote on stockholder proposal

5. Other business as may properly come before the meeting

This proxy will be voted as specified by the undersigned. If no choice is specified, this proxy will be voted FOR the election of all nominees for director listed on the reverse side, FOR proposals 2 and 3, AGAINST proposal 4 and according to the discretion of the proxy holders on any other matters that may properly come before the meeting and any adjournment or postponement thereof. The proxy holders reserve the right to cumulate votes and cast such votes in favor of the election of some or all of the applicable director nominees in their sole discretion.

PLEASE SIGN AND DATE ON THE OTHER SIDE

n 14475 n

ANNUAL MEETING OF STOCKHOLDERS OF

May 11, 2006

PROXY VOTING INSTRUCTIONS

MAIL Sign, date and mail your proxy card in the envelope provided as soon as possible.

- OR -

TELEPHONE Call toll-free **1-800-PROXIES** (1-800-776-9437) from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

- OR -

INTERNET Access **www.voteproxy.com** and follow the on-screen instructions. Have your proxy card available when you access the web page.

COMPANY NUMBER

ACCOUNT NUMBER

You may enter your voting instructions at 1-800-PROXIES or www.voteproxy.com up until 11:59 PM

Eastern Time the day before the cut-off or meeting date.

ê Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet. ê

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PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

1. Elect as directors the two nominees

NOMINEES:

¨ **FOR ALL NOMINEES** m Clayton C. Daley, Jr.

¨ **WITHHOLD AUTHORITY FOR ALL NOMINEES** m Harvey B. Gantt

¨ **FOR ALL EXCEPT**

(See instructions below)

INSTRUCTION: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT**

Nucor s Board of Directors recommends a vote FOR proposals 2 and 3.

	FOR	AGAINST	ABSTAIN
2. Ratify the appointment of PricewaterhouseCoopers LLP as Nucor s independent registered public accounting firm for the year ending December 31, 2006	¨	¨	¨
3. Approve the amendment to Nucor s Restated Certificate of Incorporation increasing its authorized common stock from 400,000,000 shares to 800,000,000 shares	¨	¨	¨

Nucor s Board of Directors recommends a vote AGAINST proposal 4.

	FOR	AGAINST	ABSTAIN
4. Stockholder proposal	¨	¨	¨

and fill in the circle next to each nominee you wish to withhold, as shown here: l

5. In their discretion, the holder of this proxy is authorized to vote on such other business as may properly come before the meeting and any adjournment or postponement thereof

This proxy will be voted FOR the election of all nominees for director unless otherwise indicated. The proxy holders reserve the right to cumulate votes and cast such votes in favor of the election of some or all of the applicable director nominees in their sole discretion. This proxy will be voted FOR proposals 2 and 3, and AGAINST proposal 4 unless otherwise indicated. If you wish to follow the recommendation of Nucor s Board of Directors, it is not necessary to check any of the boxes.

To change the address on your account, please check the box at right and indicate your new

address in the address space above. Please note that changes to the registered name(s) ¨

on the account may not be submitted via this method.

Signature of Stockholder **Date:** **Signature of Stockholder** **Date:**

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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d;vertical-align:bottom;display:inline-block;width:75%;font-family:Times New Roman;font-size:13px;">20,107
20,387
20,527
Total
$143,487
$145,733
$140,762

Our cost of goods sold was $75.9 million in 2016, $74.8 million in 2015 and $72.2 million in 2014. Increased compensation costs, depreciation and repair costs partially offset by reduced utilities and reduced supplies were the primary contributors to the increase in cost of goods sold in 2016 over 2015. Higher sales volume along with increased compensation costs, supplies and utilities partially offset by improved manufacturing efficiencies were the primary contributors to the increase in cost of goods sold in 2015 over 2014.

Gross profit in 2016 was $67.6 million compared with $71.0 million in 2015 and $68.5 million in 2014. Our gross profit was 47 percent of revenues in 2016 and 49 percent of revenues in both 2015 and 2014. The decrease in gross profit percentage in 2016 from 2015 was primarily related to reduced sales, lower sales prices and increased manufacturing costs.

Operating expenses were $28.5 million in both 2016 and 2015 and $27.7 million in 2014. R&D expenses increased $228,000 in 2016 as compared to 2015 primarily as a result of increased costs for supplies and travel partially offset by reduced outside services. R&D expenses consist primarily of salaries and other related expenses of our R&D personnel as well as costs associated with regulatory matters. In 2016, selling expenses increased $568,000 as compared with 2015 primarily as a result of increased travel, outside services, compensation and trade shows. Selling expenses consist primarily of salaries, commissions and other related expenses for sales and marketing personnel, marketing, advertising and promotional expenses. General and administrative, or G&A, expenses decreased $763,000 in 2016 as compared to 2015 primarily as a result of reduced compensation and benefits. G&A expenses consist primarily of salaries and other related expenses of administrative, executive and financial personnel and outside professional fees.

R&D expenses increased $1.1 million in 2015 as compared to 2014 primarily as a result of increased costs for outside services and supplies. In 2015, selling expenses decreased $167,000 as compared with 2014 primarily as a result of decreased promotional costs partially offset by increased commissions. G&A expenses decreased $123,000 in 2015 as compared to 2014 primarily as a result of reduced outside services partially offset by increased amortization.

Our operating income for 2016 was $39.1 million compared with $42.5 million in 2015 and $40.8 million in 2014. Operating income was 27 percent of revenues for 2016 and 29 percent of revenues for both 2015 and 2014. Decreases in 2016 gross profit was the major contributor to the decrease in operating income for 2016 as compared to the previous year. Increases in gross profit partially offset by increases in operating expenses described above were the major contributors to the operating income increase in 2015 as compared to the previous year. We expect modest growth in our operating income during 2017 as compared to 2016, reflecting the volatility of our ophthalmic sales as well as the significant impact of the strong U. S. dollar on sales to our international markets.

Interest income for 2016 was $448,000, compared with $771,000 in 2015 and $1.2 million in 2014. Lower interest rates were the primary reason for the reductions in 2016. Reduced levels of investments and lower interest rates were the primary reasons for the reductions in 2015.

Other income (expense) in 2015 is primarily related to an impairment loss on one of our long-term corporate bonds which experienced a significant decline in market value due to a changed outlook for the issuer resulting from a major economic decline in its industry. In the fourth quarter of 2015, we determined, based upon disclosures by the issuer, that more likely than not we would be required to sell or exchange the bond before recovery of its amortized cost. Therefore, we recorded an impairment loss on this bond of $2.4 million reducing the carrying value of the bond to its market value at December 31, 2015. In 2016 after the issuer declared bankruptcy, we sold this bond that was previously intended to be held to maturity. We recorded an additional net loss of $311,000 on this bond in 2016 prior to and including its sale.

Income tax expense in 2016 totaled $11.7 million, compared with $11.9 million in 2015 and $14.2 million in 2014. The effective tax rates for 2016, 2015 and 2014 were 29.8 percent, 29.2 percent and 33.8 percent, respectively. The effective tax rate for 2016 benefitted by $687,000 from the early adoption of ASU 2016-09 regarding the accounting for employee share-based compensation. The adoption was on a prospective basis and therefore had no impact on prior years. The effective tax rate for 2015 benefitted from tax credits totaling $2.3 million for our R&D expenditures. These credits reflected amounts for the full year 2015 following the extension of the R&D tax credit in December 2015. This amount also included an adjustment for recalculation of these tax credits from prior years resulting from a new regulation issued by the Treasury Department which favorably impacted the benefits provided to the Company under these rules. Benefits from R&D tax credits totaled $1.1 million in 2016, $2.3 million in 2015 and $393,000 in 2014. Benefits from tax incentives for domestic production totaled $1.2 million in 2016, $1.4 million in 2015 and $1.3 million in 2014. Benefits from changes in uncertain tax positions totaled $120,000 in 2016, $9,000 in 2015 and $217,000 in 2014. We expect our effective tax rate for 2017 to be approximately 33.0 percent. Accounting for stock based awards could create volatility in our effective tax rate depending upon the amount of exercise or vesting activity from these activities.

Liquidity and Capital Resources

At December 31, 2016, we had a $40.0 million revolving credit facility with a money center bank that could be utilized for the funding of operations and for major capital projects or acquisitions, subject to certain limitations and restrictions. Interest under the credit facility was assessed at 30-day, 60-day or 90-day LIBOR, as selected by us, plus one percent and was payable monthly. We had no outstanding borrowings under our credit facility at December 31, 2016 or 2015. The credit facility contained various restrictive covenants, none of which was expected to impact our liquidity or capital resources. At December 31, 2016, we were in compliance with all financial covenants.

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On February 28, 2017 we replaced the revolving credit facility with a new $75.0 million revolving credit facility with the same bank. The new credit facility has similar operational, covenant and collateral characteristics as the prior facility. Interest under the new credit facility is assessed at one, two, three or six-month LIBOR, as selected by us, plus .875 percent. The new credit facility allows us to make advances until February 28, 2022. We believe the bank providing the credit facility is highly-rated and that the entire $75.0 million under the credit facility is currently available to us.

At December 31, 2016, we had a total of $54.0 million in cash and cash equivalents, short-term investments and long-term investments, an increase of $15.8 million from December 31, 2015. The principal contributor to this increase was operational results.

Cash flows provided by operations of $37.4 million in 2016 were primarily comprised of net income plus the net effect of non-cash expenses. At December 31, 2016, we had working capital of $85.0 million, including $20.0 million in cash and cash equivalents and $24.1 million in short-term investments. The $16.1 million increase in working capital during 2016 was primarily related to increases in short-term investments. This increase was partially offset by decreases in cash and cash equivalents. The increase in short-term investments was primarily a result of operational results partially offset by purchases of treasury stock under our stock repurchase program, purchases of property, plant and equipment and payment of dividends. Working capital items consisted primarily of cash, accounts receivable, short-term investments, inventories and other current assets minus accounts payable and other current liabilities.

Capital expenditures for property, plant and equipment totaled $10.6 million in 2016, compared with $9.3 million in 2015 and $12.7 million in 2014. These expenditures were primarily for machinery and equipment. We expect 2017 capital expenditures, primarily machinery and equipment, to be greater than the average of the levels expended during each of the past three years.

We paid cash dividends totaling $7.1 million, $6.1 million and $5.4 million during 2016, 2015 and 2014, respectively. We expect to fund future dividend payments with cash flows from operations. We purchased treasury stock totaling $1.3 million, $30.7 million and $23.6 million during 2016, 2015 and 2014, respectively.

The table below summarizes debt, lease and other contractual obligations outstanding at December 31, 2016:

	Payments due by period			
Contractual Obligations	Total	2017	2018 - 2019	2020 and thereafter
	(In thousands)			
Purchase Obligations	$11,863	$11,643	$220	$-
Total	$11,863	$11,643	$220	$-

We believe our cash, cash equivalents, short-term investments and long-term investments, cash flows from operations and available borrowings of up to $75.0 million under our credit facility will be sufficient to fund our cash requirements for at least the foreseeable future. We believe our strong financial position would allow us to access equity or debt financing should that be necessary. Additionally, we expect our cash and cash equivalents and investments, as a whole, will continue to increase in 2017.

Off-Balance Sheet Arrangements

We have no off-balance sheet financing arrangements.

Impact of Inflation

We experience the effects of inflation primarily in the prices we pay for labor, materials and services. Over the last three years, we have experienced the effects of moderate inflation in these costs. At times, we have been able to offset a portion of these increased costs by increasing the sales prices of our products. However, competitive pressures have not allowed for full recovery of these cost increases.

New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-09, Stock Compensation (Topic718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). This amendment simplifies the accounting for some aspects of share-based payment transactions, including the income tax treatment of excess tax benefits and deficiencies, forfeitures, classification of share-based awards as either equity or liabilities, and classification in the statement of cash flows for certain share-based transactions related to tax benefits and payments. Under this guidance all excess tax benefits ("windfalls") and deficiencies ("shortfalls") related to employee stock compensation are recognized within income tax expense. Under prior guidance windfalls were recognized in paid-in capital and shortfalls were only recognized to the extent they exceeded the pool of windfall tax benefits. ASU 2016-09 also requires companies to classify cash flows resulting from excess tax benefits and deficiencies from employee share-based payments as cash flows from operating activities. These items were previously included as cash flows from financing activities. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The Company early adopted this guidance in the second quarter of 2016 effective January 1, 2016. The Company elected to account for forfeitures as they occur and to use a prospective transition method for the presentation of excess tax benefits on the statement of cash flows. As a result of the adoption, a tax benefit of $687,000 was recorded in 2016 reflecting the excess tax benefits resulting from the vesting of restricted stock and restricted stock units. Prior to adoption, this amount would have been recorded as additional paid-in capital. This change could create future volatility in our effective tax rate depending upon the amount of exercise or vesting activity from our stock based awards. This adoption also impacted the computation of diluted shares outstanding for all 2016 reporting periods as we excluded the excess tax benefits from the assumed proceeds available to repurchase shares in the computation of our diluted earnings per share. The effect of this change on our diluted earnings per share was not significant. The excess tax benefit recorded in 2016 was included in our consolidated statements of cash flows as an operating activity rather than as a financing activity as was done in prior years. There were no restatements of cash flows from operating activities or cash flows from financing activities for the years 2015 and 2014 because we elected to adopt this change on a prospective basis. ASU 2016-09 also requires the presentation of employee taxes paid by the Company through the withholding of shares as a financing activity on the statement of cash flows, which is how we had previously reflected these items.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The main objective of this update is to enhance the reporting model for financial instruments in order to provide users of financial statements with more decision-useful information. The new guidance addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17) which requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by this guidance. ASU 2015-17 is effective for annual and interim periods beginning after December 15, 2016 but early application is permitted and the guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company does not anticipate a material impact on its consolidated financial statements at the time of adoption of this new standard.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in United States Generally Accepted Accounting Principles when it becomes effective. In July 2015, the FASB voted to delay the effective date of ASU 2014-09 by one year, making it effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted as of the original effective date. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. We plan on adopting the ASU in the first quarter of the year ended December 31, 2018. The Company has not yet selected a transition method and is currently evaluating the effect that our pending adoption of this guidance will have on our consolidated financial statements and related disclosures. We anticipate our assessment to be completed by December 31, 2017. Based on our existing evaluation process, we have not identified any revenue stream that would be materially impacted.

From time to time, new accounting standards updates applicable to us are issued by the FASB which we will adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued standards updates that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. In the preparation of these financial statements, we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. We believe the following discussion addresses our most critical accounting policies and estimates, which are those that are most important to the portrayal of our financial condition and results and require management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Actual results could differ significantly from those estimates under different assumptions and conditions.

From time to time, we accrue legal costs associated with certain litigation. In making determinations of likely outcomes of litigation matters, we consider the evaluation of legal counsel knowledgeable about each matter, case law and other case-specific issues. We believe these accruals are adequate to cover the legal fees and expenses associated with litigating these matters. However, the time and cost required to litigate these matters as well as the outcomes of the proceedings may vary significantly from what we have projected.

We maintain an allowance for doubtful accounts to reflect estimated losses resulting from the failure of customers to make required payments. On an ongoing basis, the collectability of accounts receivable is assessed based upon historical collection trends, current economic factors and the assessment of the collectability of specific accounts. We evaluate the collectability of specific accounts and determine when to grant credit to our customers using a combination of factors, including the age of the outstanding balances, evaluation of customers' current and past financial condition, recent payment history, current economic environment, and discussions with our personnel and with the customers directly. Accounts are written off when it is determined the receivable will not be collected. If circumstances change, our estimates of the collectability of amounts could be changed by a material amount.

We are required to estimate our provision for income taxes and uncertain tax positions in each of the jurisdictions in which we operate. This process involves estimating our actual current tax exposure, including assessing the risks associated with tax audits, together with assessing temporary differences resulting from the different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is more likely than not, do not establish a valuation allowance. In the event that actual results differ from these estimates, the provision for income taxes could be materially impacted.

We assess the impairment of our long-lived identifiable assets, excluding goodwill which is tested for impairment as explained below, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. This review is based upon projections of anticipated future cash flows. Although we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows or changes in our business plan could materially affect our evaluations. No such changes are anticipated at this time.

We assess goodwill for impairment pursuant to Accounting Standards Codification, or ASC, 350, Intangibles—Goodwill and Other, which requires that goodwill be assessed whenever events or changes in circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis by applying a qualitative assessment on goodwill impairment to determine whether it is necessary to perform the two-step goodwill impairment test.

We assess the total carrying value for each of our investments on a quarterly basis for changes in circumstance or the occurrence of events that suggest our investment may not be recoverable. If an investment is considered impaired, we must determine whether the impairment is other than temporary. If it is determined to be other than temporary, the impairment must be recognized in our financial statements.

During 2016, 2015 and 2014, none of our critical accounting policy estimates, with the exception of the previously mentioned impairment loss on one of our long-term corporate bonds, required significant adjustments. We did not note any material events or changes in circumstances indicating that the carrying value of long-lived assets were not recoverable.

Quantitative and Qualitative Disclosures About Market Risks

Foreign Exchange Risk

We are not exposed to material fluctuations in currency exchange rates because the payments from our international customers are received primarily in United States dollars.

However, fluctuations in exchange rates may affect the prices that our international customers are willing to pay and may put us at a price disadvantage compared to other customers. Increases in the value of the United States dollar relative to foreign currencies could make our products less competitive or less affordable and therefore adversely affect our sales in international markets.

Market Risk and Credit Risk

The Company’s cash and cash equivalents are held in accounts with financial institutions that we believe are creditworthy. Certain of these accounts at times may exceed federally-insured limits. We have not experienced any credit losses in such accounts and do not believe we are exposed to any significant credit risk on these funds.

We have investments in taxable corporate bonds, certificates of deposit and equity securities. As a result, we are exposed to potential loss from market risks that may occur as a result of changes in interest rates, changes in credit quality of the issuer and otherwise. These securities have a higher degree of credit or default risk and a greater exposure to credit risk and may be less liquid in times of economic weakness or market disruptions. We have also invested a portion of our available funds in common stock. The value of these securities fluctuates due to changes in the equity and credit markets along with other factors. In times of economic weakness, the market value and liquidity of these assets may decline and may negatively impact our financial condition.

Forward-looking Statements

Statements in this Management's Discussion and Analysis and elsewhere in this Form 10-K that are forward looking are based upon current expectations, and actual results or future events may differ materially. Therefore, the inclusion of such forward-looking information should not be regarded as a representation by us that our objectives or plans will be achieved. Such statements include, but are not limited to, our growth in operating income in 2017, our 2017 effective tax rate, the impact of the restrictive covenants in our credit facility on our liquidity and capital resources, our earnings in 2017, our 2017 capital expenditures, funding future dividend payments with cash flows from operations, availability of equity and debt financing, our ability to meet our cash requirements for the foreseeable future, the impact on our consolidated financial statement of recently issued accounting standards when we adopt those standards, and increases in 2017 in cash, cash equivalents and investments. Words such as "expects," "believes," "anticipates," "intends," "should," "plans," and variations of such words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements contained herein involve numerous risks and uncertainties, and there are a number of factors that could cause actual results or future events to differ materially, including, but not limited to, the following: changing economic, market and business conditions; acts of war or terrorism; the effects of governmental regulation; the impact of competition and new technologies; slower-than-anticipated introduction of new products or implementation of marketing strategies; implementation of new manufacturing processes or implementation of new information systems; our ability to protect our intellectual property; changes in the prices of raw materials; changes in product mix; intellectual property and product liability claims and product recalls; the ability to attract and retain qualified personnel and the loss of any significant customers. In addition, assumptions relating to budgeting, marketing, product development and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic review which may cause us to alter our marketing, capital expenditures or other budgets, which in turn may affect our results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

See Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.
Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Atrion Corporation

We have audited the accompanying consolidated balance sheets of Atrion Corporation and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15, Exhibits and Financial Statement Schedules. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atrion Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material aspects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 13, 2017 expressed an unqualified opinion.

/s/ Grant Thornton LLP
Dallas, Texas
March 13, 2017

ATRION CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
For the year ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	(In thousands, except per share amounts)		
Revenues	$143,487	$145,733	$140,762
Cost of Goods Sold	75,857	74,752	72,244
Gross Profit	67,630	70,981	68,518
Operating Expenses:			
Selling	6,611	6,043	6,210
General and administrative	15,319	16,082	16,205
Research and development	6,574	6,346	5,286
	28,504	28,471	27,701
Operating Income	39,126	42,510	40,817
Interest Income	448	771	1,191
Other Income (Expense), net	(308)	(2,411)	13
Income before Provision for Income Taxes	39,266	40,870	42,021
Provision for Income Taxes	(11,685)	(11,945)	(14,213)
Net Income	$27,581	$28,925	$27,808
Net Income Per Basic Share	$15.12	$15.67	$14.20
Weighted Average Basic Shares Outstanding	1,824	1,846	1,958
Net Income Per Diluted Share	$14.85	$15.47	$14.08
Weighted Average Diluted Shares Outstanding	1,857	1,870	1,975
Dividends Per Common Share	$3.90	$3.30	$2.78

The accompanying notes are an integral part of these statements.

ATRION CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the year ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	(In thousands)		
Net Income	$27,581	$28,925	$27,808
Other Comprehensive Income (Loss), net of tax:			
Unrealized Gain (Loss) on investments, net of tax benefit of $408 in 2016, net of tax expense of $283 in 2015 and net of tax benefit of $131 in 2014	(757)	528	(245)
Comprehensive Income	$26,824	$29,453	$27,563

The accompanying notes are an integral part of these statements.

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ATRION CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31, 2016 and 2015

Assets:	2016	2015
	(In thousands)	
Current Assets:		
Cash and cash equivalents	$20,022	$28,346
Short-term investments	24,080	44
Accounts receivable, net of allowance for doubtful accounts of $71 and $50 in 2016 and 2015, respectively	17,166	16,620
Inventories	29,015	29,771
Prepaid expenses and other current assets	3,181	2,934
Deferred income taxes	651	580
Total Current Assets	94,115	78,295
Long-term investments	9,945	9,866
Property, Plant and Equipment	160,413	150,807
Less accumulated depreciation and amortization	95,148	87,493
	65,265	63,314
Other Assets and Deferred Charges:		
Patents and licenses, net of accumulated amortization of $11,911 and $11,647 in 2016 and 2015, respectively	1,929	2,193
Goodwill	9,730	9,730
Other	1,609	938
	13,268	12,861
Total Assets	$182,593	$164,336

The accompanying notes are an integral part of these statements.

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ATRION CORPORATION
CONSOLIDATED BALANCE SHEETS
As of December 31, 2016 and 2015

Liabilities and Stockholders' Equity:	2016	2015
	(In thousands)	
Current Liabilities:		
Accounts payable	$4,028	$3,926
Accrued liabilities	4,635	5,061
Accrued income and other taxes	410	329
Total Current Liabilities	9,073	9,316
Line of credit	--	--
Other Liabilities and Deferred Credits:		
Deferred income taxes	9,404	9,989
Other	1,128	933
	10,532	10,922
Total Liabilities	19,605	20,238
Commitments and Contingencies		
Stockholders' Equity:		
Common stock, par value $.10 per share, authorized 10,000 shares, issued 3,420 shares	342	342
Additional paid-in capital	37,448	35,945
Accumulated other comprehensive income (loss)	(474)	283
Retained earnings	239,946	219,516
Treasury shares, 1,596 shares in both 2016 and 2015, at cost	(114,274)	(111,988)
Total Stockholders' Equity	162,988	144,098
Total Liabilities and Stockholders' Equity	$182,593	$164,336

The accompanying notes are an integral part of these statements.

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ATRION CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended December 31, 2016, 2015 and 2014

	2016	2015	2014
	(In thousands)		
Cash Flows From Operating Activities:			
Net income	$27,581	$28,925	$27,808
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,953	8,823	8,723
Deferred income taxes	(247)	(1,431)	2
Stock-based compensation	1,566	1,841	2,209
Impairment of investment	345	2,413	--
Net change in accrued interest, premiums, and discounts on investments	(37)	100	340
Other	--	17	29
	38,161	40,688	39,111
Changes in operating assets and liabilities:			
Accounts receivable	(546)	371	(2,798)
Inventories	756	(1,749)	(1,756)
Prepaid expenses and other current assets	(247)	1,786	(3,117)
Other non-current assets	(673)	(103)	(22)
Accounts payable and accrued liabilities	(324)	(492)	968
Accrued income and other taxes	81	(128)	(396)
Other non-current liabilities	195	54	(767)
	37,403	40,427	31,223
Cash Flows From Investing Activities:			
Property, plant and equipment additions	(10,639)	(9,323)	(12,671)
Purchase of investments	(30,799)	(168)	(33,115)
Proceeds from sale of investments	210	--	--
Proceeds from maturities of investments	5,000	13,400	35,975
	(36,228)	3,909	(9,811)
Cash Flows From Financing Activities:			
Shares tendered for employees' withholding taxes on stock-based compensation	(1,112)	(154)	(376)
Tax benefit related to stock-based compensation	--	156	168
Purchase of treasury stock	(1,276)	(30,698)	(23,556)
Dividends paid	(7,111)	(6,069)	(5,432)
	(9,499)	(36,765)	(29,196)
Net change in cash and cash equivalent	(8,324)	7,571	(7,784)
Cash and cash equivalents, beginning of year	28,346	20,775	28,559

Cash and cash equivalents, end of year	$20,022	$28,346	$20,775
Cash paid for:			
Income taxes, net of refunds	$10,750	$12,900	$17,475

The accompanying notes are an integral part of these statements.

ATRION CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the year ended December 31, 2016, 2015 and 2014
(In thousands)

	Common Stock		Treasury Stock					
	Shares Outstanding	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balances, January 1, 2014	1,985	$342	1,435	$(57,302)	$31,592	$-	$174,362	$148,994
Net income							27,808	27,808
Other comprehensive income						(245)		(245)
Tax benefit from stock-based compensation					168			168
Stock-based compensation transactions	3		(3)	61	2,180			2,241
Shares surrendered in stock transactions	(1)		1	(376)				(376)
Purchase of treasury stock	(74)		74	(23,556)				(23,556)
Dividends							(5,464)	(5,464)
Balances, December 31, 2014	1,913	342	1,507	(81,173)	33,940	(245)	196,706	149,570
Net income							28,925	28,925
Other comprehensive income						528		528
Tax benefit from stock-based compensation					156			156
Stock-based compensation transactions	1		(1)	37	1,849			1,886
Shares surrendered in	(1)		1	(154)				(154)

stock transactions								
Purchase of treasury stock	(89)		89	(30,698)				(30,698)
Dividends							(6,115)	(6,115)
Balances, December 31, 2015	1,824	342	1,596	(111,988)	35,945	283	219,516	144,098
Net income							27,581	27,581
Other comprehensive loss						(757)		(757)
Stock-based compensation transactions	7		(7)	102	1,503			1,605
Shares surrendered in stock transactions	(3)		3	(1,112)				(1,112)
Purchase of treasury stock	(4)		4	(1,276)				(1,276)
Dividends							(7,151)	(7,151)
Balances, December 31, 2016	1,824	$342	1,596	$(114,274)	$37,448	$(474)	$239,946	$162,988

The accompanying notes are an integral part of this statement.

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Atrion Corporation
Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

Atrion Corporation and its subsidiaries ("we," "our," "us," "Atrion" or the "Company") develop and manufacture products primarily for medical applications. We market our products throughout the United States and internationally. Our customers include physicians, hospitals, distributors, and other manufacturers. Atrion Corporation's principal subsidiaries through which these operations are conducted are Atrion Medical Products, Inc., Halkey-Roberts Corporation and Quest Medical, Inc.

Principles of Consolidation
The consolidated financial statements include the accounts of Atrion Corporation and its subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Estimates
The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents and Investments
Cash and cash equivalents include cash on hand and in the bank as well as money market accounts and debt securities with maturities at the time of purchase of 90 days or less.

Our investments consist of taxable corporate bonds, certificates of deposit and equity securities. We classify our investment securities in one of two categories: held-to-maturity or available-for-sale. Securities that we have the positive intent and ability to hold to maturity are reported at amortized cost and classified as held-to-maturity securities. If we do not have the intent and ability to hold a security to maturity, we report the investment as available-for-sale securities. We report available-for-sale securities at fair value, based on quoted market prices, with unrealized gains and, to the extent deemed temporary, unrealized losses recorded in stockholders' equity as accumulated other comprehensive income (loss). We consider investments which will mature in the next 12 months as current assets. The remaining investments are considered non-current assets including our investment in equity securities which we intend to hold longer than 12 months. We periodically evaluate our investments for impairment.

Atrion Corporation
Notes to Consolidated Financial Statements – (continued)

The components of the Company's cash and cash equivalents and our short and long-term investments as of December 31, 2016 and 2015 are as follows (in thousands):

	2016	2015
Cash and cash equivalents:		
Cash deposits	$10,724	$16,015
Money market funds	9,298	12,331
Total cash and cash equivalents	$20,022	$28,346
Short-term investments:		
Certificates of deposit (held-to-maturity)	$24,000	--
Corporate bonds (held-to-maturity)	$80	$44
Total short-term investments	$24,080	$44
Long-term investments:		
Corporate bonds (held-to-maturity)	$5,000	$5,555
Equity securities (available-for-sale)	4,945	4,311
Total long-term investments	$9,945	$9,866
Total cash, cash equivalents and short and long-term investments	$54,047	$38,256

Trade Receivables
Trade accounts receivable are recorded at the original sales price to the customer. We maintain an allowance for doubtful accounts to reflect estimated losses resulting from the failure of customers to make required payments. On an ongoing basis, the collectability of accounts receivable is assessed based upon historical collection trends, current economic factors and the assessment of the collectability of specific accounts. We evaluate the collectability of specific accounts and determine when to grant credit to our customers using a combination of factors, including the age of the outstanding balances, evaluation of customers' current and past financial condition, recent payment history, current economic environment, and discussions with appropriate Company personnel and with the customers directly. Accounts are written off when we determine the receivable will not be collected.

Inventories
Inventories are stated at the lower of cost (including materials, direct labor and applicable overhead) or market. Cost is determined by using the first-in, first-out method. The following table details the major components of inventory (in thousands):

	December 31,	
	2016	2015
Raw materials	$12,984	$12,775
Work in process	6,230	6,557
Finished goods	9,801	10,439

Total inventories	$29,015	$29,771

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Atrion Corporation
Notes to Consolidated Financial Statements – (continued)

Accounts Payable
We reflect disbursements as trade accounts payable until such time as payments are presented to our bank for payment. At December 31, 2016 and 2015, disbursements totaling approximately $624,000 and $636,000, respectively, had not been presented for payment to our bank.

Income Taxes
We account for income taxes utilizing Accounting Standards Codification (ASC 740), Income Taxes, or ASC 740. ASC 740 requires the asset and liability method for the recording of deferred income taxes, whereby deferred tax assets and liabilities are recognized based on the tax effects of temporary differences between the financial statement and the tax bases of assets and liabilities, as measured at current enacted tax rates. When appropriate, we evaluate the need for a valuation allowance to reduce deferred tax assets.

ASC 740 also requires the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attributes of income tax positions taken or expected to be taken on a tax return. Under ASC 740, the impact of an uncertain tax position taken or expected to be taken on an income tax return must be recognized in the financial statements at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized in the financial statements unless it is more-likely-than-not of being sustained.

Our uncertain tax positions are recorded as "Other non-current liabilities." We classify interest expense on underpayments of income taxes and accrued penalties related to unrecognized tax benefits in the income tax provision.

During the years ended December 31, 2016 and 2015, we made quarterly payments in excess of federal income taxes due of approximately $920,000 and $1.2 million, respectively. These amounts are recorded in Prepaid expenses and other current assets on our Consolidated Balance Sheets.

Property, Plant and Equipment
Property, plant and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets. Additions and improvements are capitalized, including all material, labor and engineering costs to design, install or improve the asset. Expenditures for repairs and maintenance are charged to expense as incurred. The following table represents a summary of property, plant and equipment at original cost (in thousands):

	December 31,		Useful
	2016	2015	Lives
Land	$5,260	$5,260	—
Buildings	32,321	31,914	30-40 yrs
Machinery and equipment	122,832	113,633	3-15 yrs
Total property, plant and equipment	$160,413	$150,807	

Depreciation expense of $8,689,000, $8,478,000 and $8,454,000 was recorded for the years ended December 31, 2016, 2015 and 2014, respectively. Depreciation expense is recorded in either cost of goods sold or operating expenses based on the associated assets' usage.

Patents and Licenses

Costs for patents and licenses acquired are determined at acquisition date. Patents and licenses are amortized over the useful lives of the individual patents and licenses, which are from seven to 20 years. Patents and licenses are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

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Atrion Corporation
Notes to Consolidated Financial Statements – (continued)

Goodwill

Goodwill represents the excess of cost over the fair value of tangible and identifiable intangible net assets acquired. Annual impairment testing for goodwill is done using a qualitative assessment on goodwill impairment to determine whether it is necessary to perform the two-step goodwill impairment test. Goodwill is also reviewed whenever events or changes in circumstances indicate a change in value may have occurred. We have identified three reporting units where goodwill was recorded for purposes of testing goodwill impairment annually: (1) Atrion Medical Products, Inc., (2) Halkey-Roberts Corporation and (3) Quest Medical, Inc. The total carrying amount of goodwill in each of the years ended December 31, 2016 and 2015 was $9,730,000. Our evaluation of goodwill during each year resulted in no impairment losses.

Current Accrued Liabilities

The items comprising current accrued liabilities are as follows (in thousands):

	December 31,	
	2016	2015
Accrued payroll and related expenses	$3,661	$4,206
Accrued vacation	265	245
Other accrued liabilities	709	610
Total accrued liabilities	$4,635	$5,061

Revenues

We recognize revenue when our products are shipped to our customers, provided an arrangement exists, the fee is fixed and determinable and collectability is reasonably assured. All risks and rewards of ownership pass to the customer upon shipment. Net sales represent gross sales invoiced to customers, less certain related charges, including discounts, returns and other allowances. Revenues are recorded exclusive of sales and similar taxes. Returns, discounts and other allowances have been insignificant historically.

Shipping and Handling Policy

Shipping and handling fees charged to customers are reported as revenue and all shipping and handling costs incurred related to products sold are reported as cost of goods sold.

Research and Development Costs

R&D costs relating to the development of new products and improvements of existing products are expensed as incurred.

Stock-Based Compensation

We have stock-based compensation plans covering certain of our officers, directors and key employees. As explained in detail in Note 8, we account for stock-based compensation utilizing the fair value recognition provisions of ASC 718, Compensation-Stock Compensation, or ASC 718.

New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-09, Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU

2016-09). This amendment simplifies the accounting for some aspects of share-based payment transactions, including the income tax treatment of excess tax benefits and deficiencies, forfeitures, classification of share-based awards as either equity or liabilities, and classification in the statement of cash flows for certain share-based transactions related to tax benefits and payments. Under this guidance all excess tax benefits (“windfalls”) and deficiencies (“shortfalls”) related to employee stock compensation are recognized within income tax expense. Under prior guidance windfalls were recognized in paid-in capital and shortfalls were only recognized to the extent they exceeded the pool of windfall tax benefits. ASU 2016-09 also requires companies to classify cash flows resulting from excess tax benefits and deficiencies from employee share-based payments as cash flows from operating activities. These items were previously included as cash flows from financing activities. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The Company early adopted this guidance in the second quarter of 2016 effective January 1, 2016. The Company elected to account for forfeitures as they occur and to use a prospective transition method for the presentation of excess tax benefits on the statement of cash flows. As a result of the adoption, a tax benefit of $687,000 was recorded in 2016 reflecting the excess tax benefits resulting from the vesting of restricted stock and restricted stock units. Prior to adoption, this amount would have been recorded as additional paid-in capital. This change could create future volatility in our effective tax rate depending upon the amount of exercise or vesting activity from our stock based awards. This adoption also impacted the computation of diluted shares outstanding for all 2016 reporting periods as we excluded the excess tax benefits from the assumed proceeds available to repurchase shares in the computation of our diluted earnings per share. The effect of this change on our diluted earnings per share was not significant. The excess tax benefit recorded in 2016 was included in our consolidated statements of cash flows as an operating activity rather than as a financing activity as was done in prior years. There were no restatements of cash flows from operating activities or cash flows from financing activities for the years 2015 and 2014 because we elected to adopt this change on a prospective basis. ASU 2016-09 also requires the presentation of employee taxes paid by the Company through the withholding of shares as a financing activity on the statement of cash flows, which is how we had previously reflected these items.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The main objective of this update is to enhance the reporting model for financial instruments in order to provide users of financial statements with more decision-useful information. The new guidance addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the new guidance to determine the impact it may have on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes (ASU 2015-17) which requires that deferred tax liabilities and assets be classified as noncurrent on the balance sheet. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by this guidance. ASU 2015-17 is effective for annual and interim periods beginning after December 15, 2016 but early application is permitted and the guidance may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company does not anticipate a material impact on its consolidated financial statements at the time of adoption of this new standard.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASU 2014-09). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in United States Generally Accepted Accounting Principles when it becomes effective. In July 2015, the FASB voted to delay the effective date of ASU 2014-09 by one year, making it effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted as of the original effective date. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. We plan on adopting the ASU in the first quarter of the year ended December 31, 2018. The Company has not yet selected a transition method and is currently evaluating the effect that our pending adoption for the guidance will have on our consolidated

Atrion Corporation
Notes to Consolidated Financial Statements – (continued)
financial statements and related disclosures. We anticipate our assessment to be completed by December 31, 2017. Based on our existing evaluation process, we have not identified any revenue stream that would be impacted.

From time to time, new accounting pronouncements applicable to us are issued by the FASB, or other standards setting bodies, which we will adopt as of the specified effective date. Unless otherwise discussed, we believe the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

Fair Value Measurements
Accounting standards use a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers are: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists therefore requiring an entity to develop its own assumptions.

As of December 31, 2016 and 2015, we held certain investments in corporate and government debt securities, certificates of deposit, and certain equity securities. These investments are all considered Level 2 assets and the fair value of our investments were estimated using recently executed transactions and market price quotations (see Note 2).

The carrying values of our other financial instruments including cash and cash equivalents, money market accounts, accounts receivable, accounts payable, accrued liabilities, and accrued income and other taxes approximated fair value due to their liquid and short-term nature.

Concentration of Credit Risk
Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, certificates of deposit, investments and accounts receivable.

Our cash and cash equivalents and certificates of deposit are held in accounts with financial institutions that we believe are creditworthy. Certain of these amounts at times may exceed federally-insured limits. At December 31, 2016, approximately 89 percent of our cash and cash equivalents and all of our certificates of deposit were uninsured. We have not experienced any credit losses in such accounts and do not believe we are exposed to any significant credit risk on these funds.

We have investments in corporate bonds. As a result, we are exposed to potential loss from market risks that may occur as a result of changes in interest rates, changes in credit quality of the issuer and otherwise. These securities have a higher degree of credit or default risk and a greater exposure to credit risk and may be less liquid in times of economic weakness or market disruptions.

For accounts receivable, we perform ongoing credit evaluations of our customers' financial condition and generally do not require collateral. We maintain reserves for possible credit losses. As of December 31, 2016 and 2015, we had allowances for doubtful accounts of approximately $71,000 and $50,000, respectively. The carrying amount of the receivables approximates their fair value. No customer exceeded 10 percent of our accounts receivable as of December 31, 2016 or 2015.

(2) Investments

As of December 31, 2016 and 2015, we held certain investments that were required to be measured for disclosure purposes at fair value on a recurring basis. These investments were considered Level 2 investments. We consider as current assets those investments which will mature in the next 12 months including interest receivable on long-term bonds. The remaining investments are considered non-current assets including our investment in equity securities which we intend to hold longer than 12 months.

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Notes to Consolidated Financial Statements – (continued)
The amortized cost and fair value of our investments and the related gross unrealized gains and losses, were as follows as of the dates shown below (in thousands):

		Gross Unrealized		
	Cost	Gains	Losses	Fair value
As of December 31, 2016:				
Short-term Investments:				
Certificates of deposit	$24,000	$9	$--	$24,009
Corporate bonds	$80	$--	$--	$80
Long-term Investments:				
Corporate bonds	$5,000	$--	$(287)	$4,713
Equity investments	$5,675	$--	$(730)	$4,945
As of December 31, 2015:				
Short-term Investments:				
Corporate bonds	$44	$--	$--	$44
Long-term Investments:				
Corporate and government bonds	$5,555	$--	$(30)	$5,525
Equity investments	$3,876	$435	$--	$4,311

The above long-term corporate bonds represent an investment in one issuer at December 31, 2016. The unrealized loss for this investment relates to a rise in interest rates which resulted in a lower market price for that security. This investment has not been in a loss position for more than 12 months. In 2015, one of our bonds experienced a significant decline in market value over a 12-month period due to a changed outlook for the issuer resulting from a major economic decline in its industry. In the fourth quarter of 2015, we determined based upon disclosures by the issuer, that more likely than not, we would be required to sell or exchange the bond before recovery of its amortized cost. Therefore, we recorded an impairment loss on this bond of $2.4 million in 2015, reducing the carrying value of the bond to its market value at December 31, 2015. In 2016 after the issuer declared bankruptcy, we sold this bond that was previously intended to be held to maturity. We recorded an additional net loss of $311,000 on this bond in 2016 prior to and including its sale. These losses in 2015 and 2016 are reported as other income (loss) on our Consolidated Statements of Income.

The carrying value of our investments is reviewed quarterly for changes in circumstance or the occurrence of events that suggest an investment may not be recoverable. At December 31, 2016, the length of time until maturity of the corporate bond we currently own is 53.5 months and the length of time until maturity of the certificates of deposit ranged from 1.5 to 9.7 months.

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Notes to Consolidated Financial Statements – (continued)
Our accumulated other comprehensive income (loss) is comprised solely of unrealized losses on our above equity investments, net of tax. These equity securities are treated as available-for-sale securities.

(3) Patents and Licenses

Purchased patents and licenses paid for the use of other entities' patents are amortized over the useful life of the patent or license. The following tables provide information regarding patents and licenses (dollars in thousands):

December 31, 2016			December 31, 2015		
Weighted Average Original Life (years)	GrossCarryingAmount	AccumulatedAmortization	Weighted Average Original Life (years)	GrossCarryingAmount	AccumulatedAmortization
15.67	$13,840	$11,911	15.67	$13,840	$11,647

Aggregate amortization expense for patents and licenses was $264,000, $345,000 and $269,000 for 2016, 2015 and 2014, respectively. Estimated future amortization expense for each of the years set forth below ending December 31 is as follows (in thousands):

2017	$151
2018	$119
2019	$119
2020	$119
2021	$119

(4) Line of Credit

As of December 31, 2016 we had a $40.0 million revolving credit facility with a money center bank pursuant to which the lender was obligated to make advances until October 1, 2021. The credit facility was secured by substantially all our inventories, equipment and accounts receivable. Interest under the credit facility was assessed at 30-day, 60-day or 90-day LIBOR, as selected by us, plus one percent (1.76 percent at December 31, 2016) and was payable monthly. We had no outstanding borrowings under the credit facility at December 31, 2016 or 2015. Our ability to borrow funds under the credit facility from time to time was contingent on meeting certain covenants in the loan agreement, the most restrictive of which was the ratio of total debt to earnings before interest, income tax, depreciation and amortization. At December 31, 2016, we were in compliance with all of those covenants.

On February 28, 2017 we replaced the revolving credit facility with a new $75.0 million revolving credit facility with the same bank. The new credit facility has similar operational, covenant and collateral characteristics as the prior facility. Interest under the new credit facility is assessed at one, two, three or six-month LIBOR, as selected by us, plus .875 percent. The new credit facility provides for advances until February 28, 2022.

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Notes to Consolidated Financial Statements – (continued)

(5) Income Taxes

The items comprising income tax expense are as follows (in thousands):

		Year ended December 31,		
		2016	2015	2014
Current	— Federal	$10,706	$11,848	$12,626
	— State	1,226	1,528	1,585
		11,932	13,376	14,211
Deferred	— Federal	(92)	(1,364)	31
	— State	(155)	(67)	(29)
		(247)	(1,431)	2
Provision for Income Taxes		$11,685	$11,945	$14,213

Temporary differences and carryforwards which have given rise to deferred income tax assets and liabilities as of December 31, 2016 and 2015 are as follows (in thousands):

	2016	2015
Deferred tax assets:		
Benefit plans	$1,819	$1,958
Inventories	519	473
Other	1,292	733
Total deferred tax assets	$3,630	$3,164
Deferred tax liabilities:		
Property, plant and equipment	$9,550	$9,585
Patents and goodwill	2,833	2,897
Other	--	91
Total deferred tax liabilities	$12,383	$12,573
Net deferred tax liability	$8,753	$9,409
Balance Sheet classification:		
Non-current deferred income tax liability	$9,404	$9,989
Current deferred income tax asset	651	580
Net deferred tax liability	$8,753	$9,409

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Notes to Consolidated Financial Statements – (continued)

Total income tax expense differs from the amount that would be provided by applying the statutory federal income tax rate to pretax earnings as illustrated below (in thousands):

	Year ended December 31,		
	2016	2015	2014
Income tax expense at the statutory federal income tax rate	$13,743	$14,304	$14,707
Increase (decrease) resulting from:			
State income taxes	730	882	934
Section 199 manufacturing deduction	(1,165)	(1,383)	(1,290)
R&D tax credits	(1,070)	(2,254)	(393)
Excess tax benefit from stock compensation	(687)	--	--
Other, net	134	396	255
Provision for Income Taxes	$11,685	$11,945	$14,213

An excess tax benefit is the realized tax benefit related to the amount of deductible compensation cost reported on an employer's tax return for equity instruments in excess of the compensation cost for those instruments recognized for financial reporting purposes. The Company adopted ASU-2016-09 (see Note 1) effective January 1, 2016 eliminating the requirement for excess tax benefits to be recorded as additional paid-in capital when realized. Excess tax benefits in the amount of $156,000 and $168,000 were recognized as additional paid-in capital during 2015 and 2014, respectively, resulting from the vesting of restricted stock and restricted stock units. With the adoption of ASU 2016-09, excess tax benefits of $687,000 were recognized as a component of income tax expense in 2016 for these types of transactions.

We recorded tax credits for our R&D expenditures totaling $2.3 million in 2015. This amount included an adjustment for recalculation of our R&D tax credits from prior years resulting from a new regulation issued by the Treasury Department which favorably impacted the benefits provided to the Company under these rules.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits as required by ASC 740 is as follows (in thousands):

Gross unrecognized tax benefits at January 1, 2014	$346
Increase in tax positions for prior years	6
Increase in tax positions for current year	0
Lapse in statutes of limitation	(223)
Gross unrecognized tax benefits at December 31, 2014	$129
Increase in tax positions for prior years	122
Increase in tax positions for current year	0
Lapse in statutes of limitation	(131)
Gross unrecognized tax benefits at December 31, 2015	$120
Decrease in tax positions for prior years	(120)
Increase in tax positions for current year	0

Lapse in statutes of limitation	0
Gross unrecognized tax benefits at December 31, 2016	$0

We are subject to United States federal income tax as well as to income tax of multiple state jurisdictions. We have concluded all United States federal income tax matters for years through 2011. The audit of our federal income tax returns for 2011, 2012 and 2013 was completed in 2016 with no changes. All material state and local income tax matters have been concluded for years through 2012.

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Atrion Corporation
Notes to Consolidated Financial Statements – (continued)

We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense. Tax expense for the year ended December 31, 2016, 2015 and 2014 included a net interest benefit of $0, $9,000 and $12,000, respectively.

(6) Stockholders' Equity

Our Board of Directors has at various times authorized repurchases of our stock in open-market or privately-negotiated transactions at such times and at such prices as management may from time to time determine. On August 16, 2011, our Board of Directors adopted a stock repurchase program pursuant to which we repurchased 200,000 shares of our common stock from time to time in open market or privately-negotiated transactions, which was the maximum number of shares that could be repurchased. On May 21, 2015 our Board of Directors adopted a new stock repurchase program pursuant to which we can repurchase up to 250,000 shares of our common stock from time to time in open market or privately-negotiated transactions. This program has no expiration date but may be terminated by the Board of Directors at any time. As of December 31, 2016, 231,765 shares remained available for repurchase under this program. We repurchased 3,427, 89,452 and 73,379 shares during 2016, 2015 and 2014, respectively.

We increased our quarterly cash dividend payments in September of each of the past three years. The quarterly dividend was increased to $.75 per share in September 2014, to $.90 per share in September 2015 and to $1.05 per share in September 2016. Holders of our stock units earned non-cash dividend equivalents of $40,000 in 2016, $46,000 in 2015 and $33,000 in 2014.

(7) Income Per Share

The following is the computation of basic and diluted income per share:

	Year ended December 31,		
	2016	2015	2014
	(In thousands, except per share amounts)		
Net Income	$27,581	$28,925	$27,808
Weighted average basic shares outstanding	1,824	1,846	1,958
Add: Effect of dilutive securities	33	24	17
Weighted average diluted shares outstanding	1,857	1,870	1,975
Net Income per share			
Basic	$15.12	$15.67	$14.20
Diluted	$14.85	$15.47	$14.08

As required by ASC 260, Earnings per Share, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents are considered participating securities and, therefore, are included in the computation of basic income per share pursuant to the two-class method.

Incremental shares from stock options and restricted stock units were included in the calculation of weighted average diluted shares outstanding using the treasury stock method. Dilutive securities representing eight shares of common stock for the year ended December 31, 2014 were excluded from the computation of weighted average diluted shares outstanding because their effect would have been anti-dilutive

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(8) Stock Plans

At December 31, 2016, we had three stock-based compensation plans which are described more fully below. We account for our plans under ASC 718, and the disclosures that follow are based on applying ASC 718.

Our Amended and Restated 2006 Equity Incentive Plan, or 2006 Plan, provides for awards to key employees, non-employee directors and consultants of incentive and nonqualified stock options, restricted stock, restricted stock units, deferred stock units, stock appreciation rights, performance shares and other stock-based awards. Under the 2006 Plan, 200,000 shares, in the aggregate, of common stock have been reserved for awards. The purchase price of shares issued on the exercise of options must be at least equal to the fair market value of such shares on the date of grant. The options granted become exercisable and expire as determined by the Compensation Committee. As of December 31, 2016, there remained 52,248 shares reserved for future stock-based awards under the 2006 Plan.

In May 2007, we adopted our Deferred Compensation Plan for Non-Employee Directors (as amended, the "Deferred Compensation Plan"), and 2,500 shares of our common stock were initially reserved for issuance thereunder. This plan allows our non-employee directors to elect to receive stock units in lieu of all or part of the cash fees they are receiving for their services as directors. On the first business day of each calendar year, each participating non-employee director is credited with a number of stock units determined on the basis of the foregone cash fees and the closing price of our common stock on the next preceding date on which shares of our stock were traded. The stock units are converted to shares of our common stock on a one-for-one basis at a future date as elected in advance by the director, but no later than the January following the year in which the director ceases to serve on the Board of Directors, and the shares are delivered to the director. As of December 31, 2016, there remained 1,559 shares of common stock reserved for issuance upon the conversion of stock units which may be credited in the future to non-employee directors.

In May 2007, we also adopted our Non-Employee Director Stock Purchase Plan, (as amended, the "Director Stock Purchase Plan"), and 2,500 shares of our common stock were initially reserved for issuance thereunder. Under this plan, our non-employee directors may elect to receive on the first business day of the calendar year fully-vested stock and restricted stock in lieu of some or all of their fees payable to them during such year. The foregone fees are converted into shares of fully-vested stock and restricted stock on the first business day of such calendar year based on the closing price of our common stock on the next preceding date on which shares of our stock were traded. The restricted stock vests in equal amounts on the first day of the next three succeeding calendar quarters provided the non-employee director is then serving on our Board of Directors. As of December 31, 2016, there remained 1,126 shares reserved for issuance under such plan.

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Notes to Consolidated Financial Statements – (continued)

A summary of stock option transactions for the year ended December 31, 2016 is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at December 31, 2015	50,000	$204.76	
Granted	--	--	
Exercised	--	--	
Outstanding at December 31, 2016	50,000	$204.76	1.9 years
Exercisable at December 31, 2016	45,000	$202.17	1.8 years

All nonvested options outstanding at December 31, 2016 are expected to vest. We estimate the fair value of stock options granted using the Black-Scholes option-pricing formula and a single option award approach. None of our grants includes performance-based or market-based vesting conditions. The expected life represents the period that our stock-based awards are expected to be outstanding and was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The fair value of stock-based payments, funded with options, is valued using the Black-Scholes valuation method with a volatility factor based on our historical stock trading history. We base the risk-free interest rate using the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury securities with an equivalent term. We base the dividend yield used in the Black-Scholes valuation method on our dividend history.

There were no options granted in 2016, 2015 or 2014. There were no options exercised in 2016 or 2015. The total intrinsic values of options outstanding and options currently exercisable at December 31, 2016, were $15.1 million and $13.7 million, respectively.

During 2016, no shares of restricted stock were awarded under the 2006 Plan. Under the terms of our restricted stock awards, the restrictions usually lapse over a five-year period. During the vesting period, holders of restricted stock have voting rights and earn dividends, but the shares may not be sold, assigned, transferred, pledged or otherwise encumbered. Nonvested shares are generally forfeited on termination of employment unless otherwise provided in the participant’s employment agreement or the termination is in connection with a change in control. A summary of changes in nonvested restricted stock for the year ended December 31, 2016 is presented below:

Nonvested Shares	Shares	Weighted Average Award Date Fair Value Per Share
Restricted stock at December 31, 2015	4,500	$212.53
Granted in 2016	--	--
Vested in 2016	(3,000)	$204.76
Restricted stock at December 31, 2016	1,500	$228.08

All shares of nonvested restricted stock outstanding at December 31, 2016 are expected to vest. The total fair value of restricted stock vested during 2016, 2015 and 2014 was $1,177,000, $1,086,000 and $1,372,000, respectively.

During 2016 there were no restricted stock units awarded under the 2006 Plan. All of our restricted stock units are convertible to shares of stock on a one-for-one basis when the restrictions lapse, which is generally after a five-year period. Nonvested stock units are generally forfeited on termination of employment unless the termination is in connection with a change in control. During the vesting period, holders of all restricted stock units earn dividends in the form of additional units. During 2016, one non-employee director elected to receive stock units in lieu of a portion of his cash fees for his services as a member of the Board of Directors.

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Notes to Consolidated Financial Statements – (continued)

A summary of changes in stock units for the year ended December 31, 2016, is presented below:

Nonvested Stock Units	Restricted Stock Units	Weighted Average Award Date Fair Value Per Unit	Director's Stock Units	Weighted Average Award Date Fair Value Per Unit
Nonvested at December 31, 2015	15,428	$229.02	--	
Granted	88	$431.74	25	$390.43
Vested	(6,128)	$186.49	(25)	$390.43
Nonvested at December 31, 2016	9,388	$258.69	--	

All nonvested restricted stock units at December 31, 2016 are expected to vest. The total intrinsic value of all outstanding stock units which were not convertible at December 31, 2016, including 457 stock units held for the accounts of non-employee directors, was $4,994,000. The total fair value of directors' stock units that vested was $10,000 during 2016, $5,000 during 2015 and $8,000 during 2014.

Stock awards that vested immediately were awarded under the 2006 Plan to non-employee directors totaling $240,000 in value in each of 2016, 2015 and 2014. Compensation related to stock awards, restricted stock and stock units is based on the fair market value of the stock on the date of the award. These fair values are then amortized on a straight-line basis over the requisite service periods of the entire awards, which is generally the vesting period. Compensation related to stock options is based on the fair value of stock options granted using the Black-Scholes option-pricing formula and a single option award approach.

For the years ended December 31, 2016, 2015 and 2014, we recorded stock-based compensation expense as a G&A expense in the amount of $1,566,000, $1,841,000 and $2,209,000, respectively, for all of the above mentioned stock-based compensation arrangements. The total tax benefit recognized in the income statement from stock-based compensation arrangements for the years ended December 31, 2016, 2015 and 2014, was $1,235,000, $644,000 and $773,000, respectively. The 2016 tax benefit amount includes $687,000 of excess tax benefits within income tax expense as a result of the adoption of ASU 2016-09. Excess tax benefits of $156,000 and $168,000 were recognized during 2015 and 2014, respectively, as additional paid-in capital and are shown as a financing activity in our consolidated statements of cash flows for such years.

Unrecognized compensation cost information for our various stock-based compensation types is shown below as of December 31, 2016:

	Unrecognized Compensation Cost	Weighted Average Remaining Years in Amortization Period
Stock options	$76,000	0.4
Restricted stock	128,000	0.4
Restricted stock units	622,000	2.5
Total	$826,000	

We have a policy of utilizing treasury shares to satisfy stock option exercises, stock unit conversions and restricted stock awards.

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Notes to Consolidated Financial Statements – (continued)

(9) Industry Segment and Geographic Information

We operate in one reportable industry segment: developing and manufacturing products primarily for medical applications and have no foreign operating subsidiaries. We have other product lines which include pressure relief valves and inflation systems, which are sold primarily to the aviation and marine industries. Due to the similarities in product technologies and manufacturing processes, these products are managed as part of our medical products segment. Our revenues from sales to customers outside the United States totaled approximately 37, 35 and 42 percent of our net revenues in 2016, 2015 and 2014, respectively. In 2015, we saw a shift in the percentage of our international sales that was driven in large part by a customer's decision to build a new facility in the United States. We have no assets located outside the United States.

A summary of revenues by geographic area, based on shipping destination, for 2016, 2015 and 2014 is as follows (in thousands):

	Year ended December 31,		
	2016	2015	2014
United States	$91,092	$94,840	$81,971
Canada	2,041	2,062	11,655
Other countries less than 10% of revenues	50,354	48,830	47,136
Total	$143,487	$145,733	$140,762

A summary of revenues by product line for 2016, 2015 and 2014 is as follows (in thousands):

	2016	2015	2014
Fluid Delivery	$60,889	$60,630	$57,905
Cardiovascular	47,064	46,463	43,001
Ophthalmology	15,427	18,253	19,329
Other	20,107	20,387	20,527
Total	$143,487	$145,733	$140,762

(10) Employee Retirement and Benefit Plans

We sponsor a defined contribution 401(k) plan for all employees. Each participant may contribute certain amounts of eligible compensation. We make a matching contribution to the plan. Our contributions under this plan were $667,000, $645,000 and $600,000 in 2016, 2015 and 2014, respectively.

(11) Commitments and Contingencies

From time to time and in the ordinary course of business, we may be subject to various claims, charges and litigation. In some cases, the claimants may seek damages, as well as other relief, which, if granted, could require significant expenditures. We accrue the estimated costs of settlement or damages when a loss is deemed probable and such costs are estimable, and accrue for legal costs associated with a loss contingency when a loss is probable and such amounts are estimable. Otherwise, these costs are expensed as incurred. If the estimate of a probable loss or defense costs is a range and no amount within the range is more likely, we accrue the minimum amount of the range. As of December 31, 2016, the Company had no ongoing litigation or arbitration for such matters.

Atrion Corporation
Notes to Consolidated Financial Statements – (continued)

We had a dispute which was favorably settled in the third quarter of 2007. This settlement was amended in December 2008. The amended settlement agreement provides that we may receive annual payments from 2009 through 2024. We have not recorded $4.0 million in potential future payments under this settlement as of December 31, 2016 due to the uncertainty of payment.

We have arrangements with three of our executive officers pursuant to which the termination of their employment under certain circumstances would result in lump sum payments to them. Termination under such circumstances at December 31, 2016 could have resulted in payments aggregating $6.1 million.

(12) Quarterly Financial Data (Unaudited):

QuarterEnded	OperatingRevenue	OperatingIncome	Net Income	Income Per Basic Share	Income Per Diluted Share
(In thousands, except per share amounts)					
03/31/16	$36,215	$10,465	$6,945	$3.81	$3.76
06/30/16	36,143	10,074	7,450	4.09	4.02
09/30/16	37,835	10,976	7,614	4.17	4.10
12/31/16	33,294	7,611	5,571	3.05	3.00
03/31/15	$38,324	$11,486	$7,602	$4.05	$4.01
06/30/15	37,655	11,120	7,474	4.04	3.99
09/30/15	37,381	11,573	7,799	4.25	4.19
12/31/15	32,372	8,330	6,050	3.32	3.27

The quarterly information presented above reflects, in the opinion of management, all adjustments necessary for a fair presentation of the results for the interim periods presented.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2016. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, were effective as of December 31, 2016. There were no changes in our internal control over financial reporting for the fourth fiscal quarter ended December 31, 2016 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. A system of internal control may become inadequate over time because of changes in conditions or deterioration in the degree of compliance with the policies or procedures. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 Internal Control-Integrated Framework. Based on this assessment, our management concluded that, as of December 31, 2016, our internal control over financial reporting was effective.

Grant Thornton LLP, an independent registered public accounting firm, has audited the consolidated financial statements included in this Report and, as part of its audit, has issued the following attestation report on the effectiveness of our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Atrion Corporation

We have audited the internal control over financial reporting of Atrion Corporation and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2016, and our report dated March 13, 2017, expressed an unqualified opinion on those financial statements.

/s/ Grant Thornton LLP
Dallas, Texas
March 13, 2017

ITEM 9B. OTHER INFORMATION.

There was no information required to be disclosed in a report on Form 8-K during the three months ended December 31, 2016 that was not reported.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Certain information required by Part III is omitted from this Form 10-K and is incorporated herein by reference to our definitive proxy statement for our 2016 annual meeting of stockholders which we intend to file pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, within 120 days after December 31, 2016.

Directors

The information for this item relating to our directors is incorporated by reference from our definitive proxy statement to be filed in connection with our 2017 annual meeting of stockholders.

Executive Officers

The information required by this item relating to executive officers is set forth in Part I of this report.

The information required by Item 405 of Regulation S-K is incorporated by reference from our definitive proxy statement to be filed in connection with our 2017 annual meeting of stockholders.

We have adopted a Code of Business Conduct that applies to all of our directors, officers and employees. The Code of Business Conduct will be provided to any person, without charge, upon request addressed to: Corporate Secretary, Atrion Corporation, One Allentown Parkway, Allen, Texas 75002.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference from our definitive proxy statement to be filed in connection with our 2017 annual meeting of stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information contained in the section entitled “Securities Ownership” in our definitive proxy statement to be filed in connection with our 2017 annual meeting of stockholders is incorporated herein by reference.

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Equity Compensation Plan Information

The following table provides certain information about securities authorized for issuance under our equity compensation plans as of December 31, 2016:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(a)	Weighted-average exercise price of outstanding options, warrants and rights(b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)
Equity compensation plan approved by security holders (1)	59,388	$204.76(2)	52,248
Equity compensation plans not approved by security holders(3)	457	-	2,685(4)
Total	59,845	$204.76	54,933

(1) Consists of shares of our common stock authorized for issuance under our 2006 Plan. The number of shares available for issuance under this plan is subject to equitable adjustment by the Compensation Committee of the Board of Directors in the event of any change in our capitalization, including, without limitation, a stock dividend or stock split. For more information regarding this plan, see Note 8 of the Notes to Consolidated Financial Statements presented in Part II, Item 8 of this Form 10-K.

(2) The stock units awarded under our 2006 Plan are excluded from the calculation of the weighted average exercise price.

(3) Consists of our Deferred Compensation Plan and our Director Stock Purchase Plan. For more information regarding these plans, see Note 8 of the Notes to Consolidated Financial Statements presented in Part II, Item 8 of this Form 10-K.

(4) The Deferred Compensation Plan and the Director Stock Purchase Plan do not provide for a specified limit on the number of shares of our common stock that may be issued thereunder. The 2,685 shares shown as available for future issuance (1,559 shares under the Deferred Compensation Plan and 1,126 shares under the Director Stock Purchase Plan) reflect the number of shares initially reserved, in the aggregate, for issuance under those plans less the number of shares of our common stock issued or to be issued with respect to stock units that have been credited to non-employee directors' stock unit accounts under the Deferred Compensation Plan and our stock that has been purchased under the Director Stock Purchase Plan on or before December 31, 2016.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item is incorporated by reference from our definitive proxy statement to be filed in connection with our 2017 annual meeting of stockholders.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this item is incorporated by reference from our definitive proxy statement to be filed in connection with our 2017 annual meeting of stockholders.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as a part of this report on Form 10-K:
1. Financial Statements of the Company:
Report of Independent Registered Public Accounting Firm
Consolidated Statements of Income
Consolidated Balance Sheets
Consolidated Statements of Cash Flows
Consolidated Statement of Changes in Stockholders Equity

2. Financial Statement Schedules:

Schedule II – Consolidated Valuation and Qualifying Accounts

	Allowance for Doubtful Receivables		
	December 31,		
	2016	2015	2014
	(in thousands)		
Beginning balance	$50	$22	$86
Additions charged to expense	42	33	13
Deductions from reserve	(24)	(5)	(78)
Recovery	3	-	1
Ending balance	$71	$50	$22

All other financial statement schedules have been omitted since the required information is included in the consolidated financial statements or the notes thereto or is not applicable or required.

3. Exhibits. Reference as made to Item 15(b) of this report on Form 10-K.

(b) Exhibits

Exhibit Number	Description
3a	Certificate of Incorporation of Atrion Corporation, dated December 30, 1996(1)
3b	Bylaws of Atrion Corporation (as last amended on August 14, 2013) (2)
10a*	Atrion Corporation Short-Term Incentive Compensation Plan (3)
10b*	Severance Plan for Chief Financial Officer (4)

10c*	Amended and Restated Employment Agreement for Chairman (5)
10d*	First Amendment to Amended and Restated Employment Agreement for Chairman (6)
10e*	Second Amendment to Amended and Restated Employment Agreement for Chairman (7)
10f*	Amended and Restated Atrion Corporation 2006 Equity Incentive Plan (as last amended on May 26, 2011) (8)
10g*	Form of Award Agreement for Incentive Stock Option Award under Amended and Restated Atrion Corporation 2006 Equity Incentive Plan (9)
10h*	Form of Award Agreement for Non-Qualified Stock Option Award under Amended and Restated Atrion Corporation 2006 Equity Incentive Plan (10)

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10i*	Form of Award Agreement for Common Stock Award under Amended and Restated Atrion Corporation 2006 Equity Incentive Plan (11)
10j*	Form of Award Agreement for Restricted Stock Award under Amended and Restated Atrion Corporation 2006 Equity Incentive Plan (12)
10k*	Form of Award Agreement for Restricted Stock Units Award under Amended and Restated Atrion Corporation 2006 Equity Incentive Plan (13)
10l*	Non-Employee Directors Stock Purchase Plan (as amended and restated as of December 2, 2008) (14)
10m*	Form of Stock Purchase Election Form – Non-Employee Directors Stock Purchase Plan (15)
10n*	Deferred Compensation Plan for Non-Employee Directors (as amended and restated as of December 2, 2008) (16)
10o*	Form of Deferred Fee Election Form – Deferred Compensation Plan for Non-Employee Directors (17)
10p*	Amended and Restated Change in Control Agreement for President and Chief Executive Officer (18)
10q*	Form of Indemnification Agreement for Directors and Executive Officers (19)
10r	Loan and Security Agreement dated November 12, 1999 among Atrion Corporation, Atrion Medical Products, Inc., Halkey-Roberts Corporation, Quest Medical, Inc., AlaTenn Pipeline Company, Inc., Atrion Leasing Company, Inc., Atrion International, Inc. and SouthTrust Bank, National Association. (20)
10s	Amendment to Loan and Security Agreement dated as of December 26, 2001 among Atrion Corporation, Atrion Medical Products, Inc., Halkey-Roberts Corporation, Quest Medical, Inc., AlaTenn Pipeline Company, LLC, Atrion Leasing Company, LLC, Atrion International, Inc. and SouthTrust Bank, National Association. (21)
10t	Third Amendment to Loan and Security Agreement dated as of September 1, 2005 among Atrion Corporation, Atrion Medical Products, Inc., Halkey-Roberts Corporation, Quest Medical, Inc., AlaTenn Pipeline Company, LLC, Atrion Leasing Company, LLC and Wachovia Bank, National Association. (22)
10u	Fourth Amendment to Loan and Security Agreement dated as of July 1, 2008 among Atrion Corporation, Atrion Medical Products, Inc., Halkey-Roberts Corporation, Quest Medical, Inc., AlaTenn Pipeline Company, LLC, Atrion Leasing Company, LLC and Wachovia Bank, National Association. (23)
10v	Fifth Amendment to Loan and Security Agreement dated as of September 30, 2008 among Atrion Corporation, Atrion Medical Products, Inc., Halkey-Roberts Corporation, Quest Medical, Inc., AlaTenn Pipeline Company, LLC, Atrion Leasing Company, LLC and Wachovia Bank, National Association. (24)
10w	Sixth Amendment to Loan and Security Agreement and Loan Increase Agreement dated as of October 1, 2011 among Atrion Corporation, Atrion Medical Products, Inc., Halkey-Roberts Corporation, Quest Medical, Inc., AlaTenn Pipeline Company, LLC, Atrion Leasing Company, LLC and Wells Fargo Bank, National Association. (25)
10x	Sixth Amendment to Line of Credit Promissory Note dated as of October 1, 2011 among Atrion Corporation, Atrion Medical Products, Inc., Halkey-Roberts Corporation, Quest Medical, Inc., AlaTenn Pipeline Company, LLC, Atrion Leasing Company, LLC and Wells Fargo Bank, National Association. (26)
10y	Seventh Amendment to Loan and Security Agreement and Loan Increase Agreement dated as of June 11, 2015 (27)
10z	Seventh Amendment to Line of Credit Promissory Note dated as of June 11, 2015 (28)
13.1	Stock Performance Graph (29)
21	Subsidiaries of Atrion Corporation as of December 31, 2016 (29)
23	Consent of Grant Thornton LLP (29)
31.1	Sarbanes-Oxley Act Section 302 Certification of Chief Executive Officer (29)
31.2	Sarbanes-Oxley Act Section 302 Certification of Chief Financial Officer (29)

32.1	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes – Oxley Act Of 2002 (29)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes – Oxley Act Of 2002 (29)
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Notes

(1)
Incorporated by reference to Appendix B to the Definitive Proxy Statement of the Company filed January 10, 1997.

(2)
Incorporated by reference to Exhibit 3.1 to the Form 8-K of Atrion Corporation filed August 20, 2013.

(3)
Incorporated by reference to Exhibit 10.1 to Form 10-Q of Atrion Corporation filed October 29, 2013.

(4)
Incorporated by reference to Exhibit 10b to Form 10-Q of Atrion Corporation filed May 12, 2000.

(5)
Incorporated by reference to Exhibit 10.1 to Form 10-Q of Atrion Corporation filed November 6, 2006.

(6)
Incorporated by reference to Exhibit 10.1 to Form 8-K of Atrion Corporation filed May 27, 2011.

(7)
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(8)
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(9)
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(10)
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(11)
Incorporated by reference to Exhibit 10.4 to Form 10-Q of Atrion Corporation filed August 4, 2011.

(12)
Incorporated by reference to Exhibit 10.5 to Form 10-Q of Atrion Corporation filed August 4, 2011.

(13)
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(14)
Incorporated by reference to Exhibit 10l to Form 10-K of Atrion Corporation filed March 13, 2009.

(15)
Incorporated by reference to Exhibit 10.1 to the Form S-8 of Atrion Corporation filed June 27. 2007 (File No. 333-144085).

(16)
Incorporated by reference to Exhibit 10n to Form 10-K of Atrion Corporation filed March 13, 2009.

(17)
Incorporated by reference to Exhibit 10.1 to the Form S-8 of Atrion Corporation filed June 27. 2007 (File No. 333-144086).

(18)
Incorporated by reference to Exhibit 10.1 to Form 10-Q of Atrion Corporation filed October 31, 2014.

(19)

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(20)
Incorporated by reference to Exhibit (b)(i) to Schedule 13E-4 of Atrion Corporation filed November 17, 1999.
(21)
Incorporated by reference to Exhibit (b)(3) to Schedule TO-I of Atrion Corporation filed March 18, 2003.

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(29)
Filed herewith.

* Management Contract or Compensatory Plan or Arrangement
** XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934. In accordance with Rule 406T of Regulation S-T, the XBRL information in Exhibit 101 of this Form 10-K shall not be subject to the liability of Section 18 of the Securities Exchange Act of 1934 and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Atrion Corporation
Dated: March 13, 2017	By:	/s/ David A. Battat David A. Battat President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ David A. Battat David A. Battat	President and Chief Executive Officer (Principal Executive Officer)	March 13, 2017
/s/ Jeffery Strickland Jeffery Strickland	Vice President, Chief Financial Officer and Secretary-Treasurer (Principal Financial and Accounting Officer)	March 13, 2017
/s/ Emile A Battat Emile A Battat	Chairman	March 13, 2017
/s/ Hugh J. Morgan, Jr. Hugh J. Morgan, Jr.	Director	March 13, 2017
/s/ Roger F. Stebbing Roger F. Stebbing	Director	March 13, 2017
/s/ John P. Stupp, Jr. John P. Stupp, Jr.	Director	March 13, 2017
/s/ Ronald N. Spaulding Ronald N. Spaulding	Director	March 13, 2017
Preston G. Athey	Director	March 13, 2017

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Incorporated by reference to Exhibit 10.8 to Form 10-Q of Atrion Corporation filed November 2, 2011.
(26)
Incorporated by reference to Exhibit 10.9 to Form 10-Q of Atrion Corporation filed November 2, 2011.
(27)
Incorporated by reference to Exhibit 10.2 to Form 10-Q of Atrion Corporation filed August 4, 2015.
(28)
Incorporated by reference to Exhibit 10.1 to Form 10-Q of Atrion Corporation filed August 4, 2015.
(29)
Filed herewith.

* Management Contract or Compensatory Plan or Arrangement
** XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934. In accordance with Rule 406T of Regulation S-T, the XBRL information in Exhibit 101 of this Form 10-K shall not be subject to the liability of Section 18 of the Securities Exchange Act of 1934 and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.