

WRIGHT MEDICAL GROUP INC

Form DEF 14A

April 15, 2009

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

**WRIGHT MEDICAL GROUP, INC.**  
(Name of Registrant as Specified in Its Charter)

Not Applicable  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- 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 transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

o 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:

---

**Table of Contents**

**Wright Medical Group, Inc. 5677 Airline Road, Arlington, Tennessee 38002 901-867-9971 www.wmt.com**

**NOTICE OF  
2009 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 13, 2009**

To Our Stockholders:

The 2009 Annual Meeting of Stockholders of Wright Medical Group, Inc. will be held at the Embassy Suites Hotel, located at 1022 South Shady Grove, Memphis, Tennessee, on May 13, 2009, beginning at 9:00 a.m. (Central Time). At the meeting, our stockholders will vote on the following proposals to:

1. Elect directors to serve on our Board of Directors for a term of one year;
2. Ratify the selection of KPMG LLP as our independent auditor for 2009; and
3. Approve our 2009 Equity Incentive Plan.

Stockholders also will transact any other business that properly comes before the meeting.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* ALL THE PROPOSALS.**

Only stockholders of record at the close of business on March 23, 2009, are entitled to receive notice of, and to vote at, the meeting and any postponement or adjournment thereof. A list of such stockholders will be available for inspection by any stockholder at the office of our legal counsel, Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, 165 Madison Avenue, 22nd Floor, Memphis, Tennessee, during ordinary business hours beginning May 1, 2009, as well as at the Embassy Suites Hotel during the meeting on May 13, 2009.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders To Be Held on May 13, 2009. The Proxy Statement and 2008 Annual Report are available at [www.wmt.com/proxy](http://www.wmt.com/proxy).**

**YOUR VOTE IS IMPORTANT. REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE BY TELEPHONE OR COMPLETE, SIGN, DATE, AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE. NO ADDITIONAL POSTAGE IS NECESSARY IF THE PROXY IS MAILED IN THE UNITED STATES OR CANADA. YOU MAY REVOKE YOUR PROXY AT ANY TIME BEFORE IT IS VOTED AT THE MEETING.**

By Order of the Board of Directors,

Jason P. Hood  
Secretary

April 15, 2009

---

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<b><u>INFORMATION ABOUT THE MEETING</u></b>	2
<u>What is the purpose of the meeting?</u>	2
<u>Who is entitled to vote?</u>	2
<u>Am I entitled to vote if my shares are held in street name ?</u>	2
<u>How many shares must be present to conduct business at the meeting?</u>	2
<u>What happens if a quorum is not present at the meeting?</u>	2
<u>How do I vote my shares?</u>	2
<u>Can I change my vote after I submit my proxy?</u>	3
<u>Who will count the votes?</u>	3
<u>How does the Board of Directors recommend that I vote on the proposals?</u>	3
<u>What happens if I do not specify how my shares are to be voted?</u>	3
<u>Will any other business be conducted at the meeting?</u>	3
<u>How many votes are required for action to be taken on each proposal?</u>	4
<u>How will abstentions be treated?</u>	4
<u>How will broker non-votes be treated?</u>	4
<b><u>STOCK OWNERSHIP</u></b>	5
<u>Directors, Executive Officers, and Other Stockholders</u>	5
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	6
<b><u>BOARD OF DIRECTORS</u></b>	7
<u>General</u>	7
<u>Director Independence</u>	7
<u>Meetings Attended by Directors</u>	7
<u>Board of Directors Committees</u>	7
<u>Director Nominations</u>	8
<u>Corporate Governance Principles</u>	9
<u>Policies and Procedures for Monitoring, Reviewing, Approving, or Ratifying Transactions with Related Persons</u>	9
<u>Stockholder Communications</u>	10
<u>Audit Committee Report</u>	10
<u>Compensation Committee Report</u>	11
<u>Compensation Discussion and Analysis</u>	11
<b><u>EXECUTIVE COMPENSATION</u></b>	25
<u>Summary Compensation Information</u>	25
<u>All Other Compensation – Supplemental</u>	26
<u>Grants of Plan-Based Awards</u>	26
<u>Outstanding Equity Awards</u>	28
<u>Option Exercises and Stock Vested During 2008</u>	29
<b><u>DIRECTOR COMPENSATION</u></b>	30
<u>Director Compensation</u>	30
<u>Compensation Committee Interlocks and Insider Participation</u>	31

**Table of Contents**

	<b>Page</b>
<b><u>PROPOSAL 1 ELECTION OF DIRECTORS</u></b>	32
<u>Director Nominees</u>	32
<u>Board of Directors Recommendation</u>	33
<b><u>PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR</u></b>	34
<u>General</u>	34
<u>Board of Directors Recommendation</u>	34
<u>Audit and Non-Audit Services</u>	34
<u>Other Independence Measures</u>	35
<b><u>PROPOSAL 3 APPROVAL OF 2009 EQUITY INCENTIVE PLAN</u></b>	36
<u>Introduction</u>	36
<u>Summary of Wright Medical Group, Inc. 2009 Equity Incentive Plan</u>	36
<u>Types of Equity-Based Awards</u>	37
<u>Federal Income Tax Consequences</u>	39
<u>Common Stock Price</u>	40
<u>Award Grants</u>	41
<u>Board of Directors Recommendation</u>	41
<b><u>EXECUTIVE OFFICERS</u></b>	42
<u>Executive Officers and Other Senior Management</u>	42
<u>Code of Business Conduct</u>	45
<b><u>OTHER MATTERS</u></b>	46
<b><u>ADDITIONAL INFORMATION</u></b>	46
<u>Solicitation of Proxies</u>	46
<u>Mailing Address of Principal Executive Office</u>	46
<u>Stockholder Proposals for Inclusion in Proxy Statement for 2010 Annual Meeting of Stockholders</u>	46
<u>Other Stockholder Proposals for Presentation at 2010 Annual Meeting of Stockholders</u>	46
<b><u>APPENDIX A. WRIGHT MEDICAL GROUP, INC. 2009 EQUITY INCENTIVE PLAN</u></b>	A-1

**Table of Contents**

**Wright Medical Group, Inc. 5677 Airline Road, Arlington, Tennessee 38002 901-867-9971 www.wmt.com**

**PROXY STATEMENT  
FOR  
2009 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 13, 2009**

This Proxy Statement is being furnished in connection with the solicitation of proxies by Wright Medical Group, Inc., on behalf of our Board of Directors, for use at the 2009 Annual Meeting of Stockholders and any postponement or adjournment thereof. The meeting will be held at the Embassy Suites Hotel, located at 1022 South Shady Grove, Memphis, Tennessee, on May 13, 2009, beginning at 9:00 a.m. (Central Time).

At the meeting, our stockholders will vote on proposals to (1) elect directors to serve on our Board of Directors for a term of one year, (2) ratify the selection of KPMG LLP as our independent auditor for 2009, and (3) approve our 2009 Equity Incentive Plan. The proposals are set forth in the accompanying Notice of 2009 Annual Meeting of Stockholders and are described in more detail in this Proxy Statement. Stockholders also will transact any other business, not known or determined at the time of this proxy solicitation, that properly comes before the meeting, although the Board of Directors knows of no such other business to be presented.

When you submit your proxy, by either voting by telephone or executing and returning the enclosed proxy card, you will authorize the proxy holders Gary D. Henley, our President and Chief Executive Officer; John K. Bakewell, our Executive Vice President and Chief Financial Officer; and Jason P. Hood, our Vice President, General Counsel and Secretary to represent you and vote your shares of our common stock on these proposals at the meeting in accordance with your instructions. These persons also will have discretionary authority to vote your shares on any other business that properly comes before the meeting. They also may vote your shares to adjourn the meeting and will be authorized to vote your shares at any postponement or adjournment of the meeting.

Our 2008 Annual Report, which includes our audited consolidated financial statements, accompanies this Proxy Statement. Although the 2008 Annual Report is being distributed with this Proxy Statement, it does not constitute a part of the proxy solicitation materials and is not incorporated herein by reference.

We will provide, without charge, a copy of our Annual Report on Form 10-K for the year ended December 31, 2008, to our stockholders upon request. All stockholder requests should be sent to the Corporate Secretary, Wright Medical Group, Inc., 5677 Airline Road, Arlington, Tennessee 38002.

This Proxy Statement and the accompanying materials are first being sent or given to our stockholders on or about April 15, 2009.

**YOUR VOTE IS IMPORTANT. REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE BY TELEPHONE OR COMPLETE, SIGN, DATE, AND RETURN THE ENCLOSED PROXY CARD IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE.**

---

**Table of Contents**

**INFORMATION ABOUT THE MEETING**

**What is the purpose of the meeting?**

At the meeting, our stockholders will vote on the following proposals to:

1. Elect directors to serve on our Board of Directors for a term of one year;
2. Ratify the selection of KPMG LLP as our independent auditor for 2009; and
3. Approve our 2009 Equity Incentive Plan.

In addition, our management may report on our performance during 2008 and will respond to appropriate questions from stockholders.

**Who is entitled to vote?**

The record date for the meeting is March 23, 2009. Only stockholders of record at the close of business on March 23, 2009, are entitled to receive notice of the meeting and to vote at the meeting the shares of our common stock that they held on that date. Each outstanding share of common stock entitles its holder to one vote on each matter voted on at the meeting. At the close of business on March 23, 2009, there were 38,027,456 outstanding shares of common stock.

**Am I entitled to vote if my shares are held in street name ?**

If you are the beneficial owner of shares held in street name by a brokerage firm, bank, or other nominee, such entity, as the record holder of the shares, is required to vote the shares in accordance with your instructions. If you do not give instructions to your nominee, it will nevertheless be entitled to vote your shares on discretionary items but will not be permitted to do so on non-discretionary items. Both Proposal 1 (election of directors) and Proposal 2 (ratification of the selection of the independent auditor) are discretionary items on which your nominee will be entitled to vote your shares even in the absence of instructions from you. However, Proposal 3 (approval of our 2009 Equity Incentive Plan) is a non-discretionary item for which a nominee will not have discretion to vote in the absence of voting instructions from you.

**How many shares must be present to conduct business at the meeting?**

A quorum must be present at the meeting in order for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of our common stock outstanding on the record date of March 23, 2009, will constitute a quorum. Abstentions and broker non-votes will be included in the number of shares considered present at the meeting for the purpose of determining whether there is a quorum.

**What happens if a quorum is not present at the meeting?**

If a quorum is not present at the scheduled time of the meeting, the holders of a majority of the shares present in person or represented by proxy at the meeting may adjourn the meeting to another place, date, or time until a quorum is present. The place, date, and time of the adjourned meeting will be announced when the adjournment is taken, and no other notice will be given unless the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting.



**How do I vote my shares?**

**If you are a registered stockholder, you may vote by telephone.** If you are a registered stockholder (*i.e.*, your shares are held in your own name), you may vote by telephone by following the instructions included on the proxy card. You do not need to return your proxy card if you vote by telephone.

**If your shares are held in street name, you may be eligible to provide voting instructions to your nominee by telephone or on the Internet.** If you are a beneficial owner of shares held in street name (*i.e.*, your shares are held in the name of a brokerage firm, bank, or other nominee), you may be eligible to provide voting

## **Table of Contents**

instructions to your nominee by telephone or on the Internet. A large number of brokerage firms, banks, and other nominees participate in a program provided through Broadridge Investor Communications Solutions (Broadridge) that offers telephone and Internet voting options. If your shares are held in street name by a brokerage firm, bank, or other nominee that participates in the Broadridge program, you may provide voting instructions to your nominee by telephone or on the Internet by following the instructions set forth on the voting instruction form provided to you. You do not need to return your proxy card if you provide voting instructions to your nominee by telephone or on the Internet.

**You may vote by mail.** If you are a registered stockholder, you may vote by properly completing, signing, dating, and returning the accompanying proxy card. The enclosed postage-paid envelope requires no additional postage if it is mailed in the United States or Canada. If you are a beneficial owner of shares held in street name, you may provide voting instructions to the brokerage firm, bank, or other nominee that holds your shares by properly completing, signing, dating, and returning the voting instruction form provided to you by your nominee.

**You may vote in person at the meeting.** If you are a registered stockholder and attend the meeting, you may deliver your completed proxy card in person. In addition, we will pass out written ballots to registered stockholders who wish to vote in person at the meeting. If you are a beneficial owner of shares held in street name and wish to vote at the meeting, you will need to obtain a proxy form from the brokerage firm, bank, or other nominee that holds your shares.

### **Can I change my vote after I submit my proxy?**

Yes, you can revoke your proxy and change your vote at any time before the polls are closed at the meeting in any of the following ways: (i) by voting again by telephone, because only your latest telephone vote will be counted; (ii) by properly completing, signing, dating, and returning another proxy card with a later date; (iii) if you are a registered stockholder, by voting in person at the meeting; (iv) if you are a registered stockholder, by giving written notice of such revocation to our Corporate Secretary prior to or at the meeting; or (v) if you are a beneficial owner of shares held in street name, by following the instructions given by the brokerage firm, bank, or other nominee that holds your shares. Your attendance at the meeting itself will not revoke your proxy unless you give written notice of revocation to our Secretary before the polls are closed.

### **Who will count the votes?**

American Stock Transfer & Trust Company (AST), the registrar and transfer agent for our common stock, will tabulate and certify the stockholder votes submitted by proxy. A representative of AST will serve as the inspector of election at the meeting.

### **How does the Board of Directors recommend that I vote on the proposals?**

Our Board of Directors recommends that you vote:

1. FOR the election of the director nominees to serve on our Board of Directors for a term of one year;
2. FOR the ratification of the selection of KPMG LLP as our independent auditor for 2009; and
3. FOR the approval of our 2009 Equity Incentive Plan.

### **What happens if I do not specify how my shares are to be voted?**

If you submit a proxy but do not indicate any voting instructions, your shares will be voted FOR each of the proposals.

**Will any other business be conducted at the meeting?**

As of the date hereof, the Board of Directors knows of no business that will be presented at the meeting other than the proposals described in this Proxy Statement. However, if any other proposal properly comes before the stockholders for a vote at the meeting, the proxy holders will vote your shares in accordance with their best judgment.

**Table of Contents**

**How many votes are required for action to be taken on each proposal?**

**Election of Directors.** The director nominees will be elected to serve on the Board of Directors for a term of one year if they receive a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter. This means that the director nominees will be elected if they receive more votes than any other person at the meeting. If you vote to **Withhold Authority** with respect to the election of one or more director nominees, your shares will not be voted with respect to the person or persons indicated, although they will be counted for the purpose of determining whether there is a quorum at the meeting.

**Ratification of Selection of Independent Auditor.** The selection of KPMG LLP as our independent auditor for 2009 will be ratified if a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter are voted in favor of the proposal.

**Approval of Wright Medical Group, Inc. 2009 Equity Incentive Plan.** The Wright Medical Group, Inc. 2009 Equity Incentive Plan will be approved if a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter are voted in favor of the proposal.

**How will abstentions be treated?**

You do not have the option of abstaining from voting on Proposal 1 (election of directors), but you may abstain from voting on Proposal 2 (ratification of the selection of the independent auditor) and Proposal 3 (approval of our 2009 Equity Incentive Plan). With respect to Proposal 1, because the directors are elected by a plurality vote, an abstention will have no effect on the outcome of the vote and, therefore, is not offered as a voting option on the proposal. In the case of an abstention on Proposal 2 or 3, your shares would be included in the number of shares considered present at the meeting for the purpose of determining whether there is a quorum. Because your shares would be voted but not in favor of Proposal 2 or 3, your abstention would have the same effect as a negative vote in determining the outcome of the vote on the proposal.

**How will broker non-votes be treated?**

A broker non-vote occurs when a brokerage firm, bank, or other nominee does not vote shares that it holds in street name on behalf of a beneficial owner, because the beneficial owner has not provided voting instructions to the nominee with respect to a non-discretionary item. Proposal 3 (approval of our 2009 Equity Incentive Plan) is a non-discretionary item for which a nominee will not have discretion to vote in the absence of voting instructions from the beneficial owner. Proposal 1 (election of directors) and Proposal 2 (ratification of the selection of the independent auditor), on the other hand, are discretionary items for which a nominee will have discretion to vote even without voting instructions from the beneficial owner. Accordingly, it is possible for there to be broker non-votes with respect to Proposal 3, but there will not be broker non-votes with regard to Proposals 1 and 2. In the case of a broker non-vote, your shares would be included in the number of shares considered present at the meeting for the purpose of determining whether there is a quorum. A broker non-vote, being shares not entitled to vote, would not have any effect on the outcome of the vote on Proposal 3, the approval of which requires the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter.

**Table of Contents****STOCK OWNERSHIP****Directors, Executive Officers, and Other Stockholders**

The following table provides information about the beneficial ownership of our common stock as of February 28, 2009, by each of our directors, each of our executive officers named in the Summary Compensation Information table in this Proxy Statement, all of our directors and executive officers as a group, and each person known to our management to be the beneficial owner of more than 5% of the outstanding shares of common stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned <sup>(1, 2, 3)</sup>	Percentage of Shares Outstanding <sup>(4)</sup>
Directors and Executive Officers:		
Gary D. Henley	265,625	*
John K. Bakewell	177,308	*
Paul R. Kusters	115,840	*
Eric A. Stookey	114,732	*
Frank S. Bono	26,245	*
Gary D. Blackford	14,285	*
Martin J. Emerson	30,365	*
Lawrence W. Hamilton	12,865	*
John L. Miclot	12,865	*
Amy S. Paul	4,285	*
Robert J. Quillinan	12,865	*
David D. Stevens	51,615	*
All directors and executive officers as a group (14 persons)	880,070	2.31%
Other Stockholders:		
Neuberger Berman Inc. <sup>(5)</sup> 605 Third Avenue New York, NY 10158	3,062,651	8.05%
Wells Fargo & Company <sup>(6)</sup> 420 Montgomery Street San Francisco, CA 94163	2,261,810	5.95%
Barclays Global Investors NA <sup>(7)</sup> 400 Howard Street San Francisco, CA 94105	2,021,146	5.31%

\* Less than 1% of the outstanding shares of common stock.

(1) A person's beneficial ownership of common stock is determined in accordance with the rules and regulations of the Securities and Exchange Commission. Except as indicated elsewhere in the footnotes to this table and subject to applicable community property laws, the persons named in the table have sole voting power and sole investment power with respect to the shares of common stock that they beneficially own.

- (2) The shares of common stock shown in the table include the following numbers of shares that the indicated persons have the right to acquire as of February 28, 2009, or within sixty days thereafter (*i.e.*, April 29, 2009), upon the exercise of options granted by us: Mr. Henley 237,500 shares; Mr. Bakewell 152,499 shares; Mr. Kusters 93,000 shares; Mr. Stookey 85,975 shares; Mr. Bono 18,750 shares; Mr. Blackford 0 shares; Mr. Emerson 27,500 shares; Mr. Hamilton 10,000 shares; Mr. Miclot 10,000 shares; Ms. Paul 0 shares; Mr. Quillinan 10,000 shares; Mr. Stevens 48,750 shares; and all directors and executive officers as a group 725,744 shares.
- (3) The shares of common stock shown in the table include the following numbers of shares of restricted stock for which the indicated persons have sole voting power, but not sole investment power: Mr. Henley 28,125 shares; Mr. Bakewell 21,500 shares; Mr. Kusters 17,877 shares; Mr. Stookey 21,625 shares; Mr. Bono 7,000 shares; Mr. Blackford 4,285 shares; Mr. Emerson 2,865 shares; Mr. Hamilton 2,865 shares; Mr. Miclot 2,865 shares; Ms. Paul 4,285 shares; Mr. Quillinan 2,865 shares; Mr. Stevens 2,865 shares; and all directors and executive officers as a group 128,147 shares.

**Table of Contents**

- (4) The percentage of outstanding shares of common stock beneficially owned by each person is calculated based on the 38,027,406 outstanding shares of common stock as of February 28, 2009, plus the shares of common stock that such person has the right to acquire as of such date or within sixty days thereafter (*i.e.*, April 29, 2009) upon the exercise of options granted by us.
- (5) The shares of common stock beneficially owned by Neuberger Berman Inc. (Neuberger) consist of shares owned in various investment accounts for which Neuberger's affiliates serve as sub-advisers and investment managers. Neuberger has sole voting power with respect to 37,607 shares, shared voting power with respect to 2,559,194 shares, and shared investment power with respect to 3,062,651 shares owned in the investment accounts that its affiliates serve.
- (6) The shares of common stock are beneficially owned by Wells Fargo & Company (Wells Fargo) and its subsidiaries, which are classified as investment advisors, banks, and a broker dealer. Wells Fargo has sole voting power with respect to 2,132,556 shares, sole investment power with respect to 2,233,122 shares, and shared investment power with respect to 25,688 shares.
- (7) The shares of common stock beneficially owned by Barclays Global Investors, NA (Barclays) consist of shares owned in trust accounts for which Barclays's affiliates serve as investment advisers. Barclays has sole voting power with respect to 1,893,857 shares and sole investment power with respect to 2,021,146 shares owned in the trust accounts that its affiliates serve.

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

Section 16(a) of the Securities Exchange Act of 1934 requires that our directors and executive officers and the beneficial owners of more than 10% of the our registered equity securities (the reporting persons) file with the Securities and Exchange Commission (SEC) initial reports of, and subsequent reports of changes in, their beneficial ownership of our equity securities. The reporting persons are required to furnish copies of all such Section 16(a) reports to us. Based solely on our review of the copies of such Section 16(a) reports and written representations from certain reporting persons furnished to us, we believe that the reporting persons complied with all applicable Section 16(a) filing requirements during 2008, except that Paul R. Kusters inadvertently was late filing a Form 4 report for the sale of stock on April 10, 2008, and William L. Griffin, Jr. inadvertently was late filing a Form 4 report for the grant of an employee stock option on July 22, 2008.

**Table of Contents**

**BOARD OF DIRECTORS**

**General**

Our Board of Directors currently consists of eight directors. Our directors are David D. Stevens (chairman), Gary D. Blackford, Martin J. Emerson, Lawrence W. Hamilton, Gary D. Henley, John L. Miclot, Amy S. Paul, and Robert J. Quillinan. The directors are elected at each annual meeting of stockholders and serve for a term of one year until the next annual meeting of stockholders and until their respective successors are elected and qualified, subject to their prior death, resignation, retirement, disqualification, or removal from office. Each of our directors was elected by our stockholders at the 2008 annual meeting of stockholders. James T. Treace, our former director, resigned effective December 31, 2008.

**Director Independence**

It is the policy of the Board of Directors that a majority of the directors be independent as defined in the listing standards of the Nasdaq Global Select Market (Nasdaq). The Board of Directors has determined that seven directors Gary D. Blackford, Martin J. Emerson, Lawrence W. Hamilton, John L. Miclot, Amy S. Paul, Robert J. Quillinan, and David D. Stevens are independent as defined in Nasdaq's listing standards.

**Meetings Attended by Directors**

The Board of Directors holds meetings on a quarterly basis and on other occasions as necessary or appropriate. The Board of Directors met six times in 2008. The Board of Directors has three standing committees – the Audit Committee, the Compensation Committee, and the Nominating, Compliance and Governance Committee. The Audit Committee, the Compensation Committee, and the Nominating, Compliance and Governance Committee met ten, nine, and seven times, respectively, in 2008. Director attendance at all Board of Directors and committee meetings in 2008 was in excess of 98%. Each director attended at least 85% of the total number of meetings of the Board of Directors and its committees on which he or she served in 2008.

Our independent directors have regularly scheduled meetings at which only they are present. Our independent directors met three times in 2008. Pursuant to our Corporate Governance Principles, the chairman of our Nominating, Compliance and Governance Committee or another independent director selected by a majority of the independent directors presides at these meetings.

Our directors are encouraged to attend our annual meeting of stockholders absent exceptional cause. In 2008, three re-elected and two newly elected directors and one director not standing for re-election attended the annual meeting of stockholders.

**Board of Directors Committees**

Our Board of Directors delegates certain of its functions to its standing Audit Committee, Compensation Committee, and Nominating, Compliance and Governance Committee. Information regarding the responsibilities of these committees and their members is provided below.

**Audit Committee.** The Audit Committee oversees our accounting and financial reporting processes and the audits of our financial statements. In this role, the Audit Committee monitors and oversees the integrity of our financial statements and related disclosures, the qualifications, independence, and performance of our independent auditor, the



performance of our internal auditing function, and our compliance with applicable legal requirements and our business conduct policies. The Audit Committee has a written charter, which was revised by the Board of Directors on April 21, 2005. A copy of the charter is posted on our website at [http://www.wmt.com/Corporate/Audit\\_Committee\\_Charter\\_Revise\\_April\\_21\\_2005.pdf](http://www.wmt.com/Corporate/Audit_Committee_Charter_Revise_April_21_2005.pdf). The information on our website, however, is not a part of this Proxy Statement. The Audit Committee is composed of three directors who are appointed by the Board of Directors. The members of the Audit Committee are Robert J. Quillinan (chairman), Gary D. Blackford, and Martin J. Emerson, all of whom are independent as defined in Nasdaq's listing standards and meet the independence criteria set forth in the SEC's rules. Our Board of Directors has determined that each member of the Audit Committee is an

## **Table of Contents**

audit committee financial expert as defined in the SEC's regulations. The report of the Audit Committee appears beginning on page 10 of this Proxy Statement.

**Compensation Committee.** The Compensation Committee oversees our compensation and benefit programs, including director compensation, executive compensation, equity compensation, incentive compensation, selection and retention of key management, and succession planning. The Compensation Committee has a written charter, which was revised by the Board of Directors on October 23, 2006. A copy of the charter is posted on our website at [http://www.wmt.com/Corporate/Compensation\\_Committee\\_Charter\\_102306.pdf](http://www.wmt.com/Corporate/Compensation_Committee_Charter_102306.pdf). The information on our website, however, is not a part of this Proxy Statement. The Compensation Committee is composed of three directors who are appointed by the Board of Directors. The members of the Compensation Committee are David D. Stevens (chairman), Martin J. Emerson, and Lawrence W. Hamilton, all of whom are independent as defined in Nasdaq's listing standards and meet the independence criteria set forth in the SEC's rules. The report of the Compensation Committee appears beginning on page 11 of this Proxy Statement.

**Nominating, Compliance and Governance Committee.** The Nominating, Compliance and Governance Committee oversees our corporate governance processes. In this role, the Nominating, Compliance and Governance Committee identifies and recommends individuals qualified to become members of the Board of Directors, makes recommendations regarding the establishment and membership of the Board of Directors' committees, develops and reviews corporate governance principles applicable to us, and leads the annual review of the performance of the Board of Directors and its committees. The Nominating, Compliance and Governance Committee has a written charter, which was revised by the Board of Directors on February 27, 2007. A copy of the charter is posted on our website at [http://www.wmt.com/Corporate/Corporate\\_Governance\\_Committee\\_Charter\\_Review\\_v5.pdf](http://www.wmt.com/Corporate/Corporate_Governance_Committee_Charter_Review_v5.pdf). The information on our website, however, is not a part of this Proxy Statement. The Nominating, Compliance and Governance Committee is composed of three directors who are appointed by the Board of Directors. The members of the Nominating, Compliance and Governance Committee are John L. Miclot (chairman), Lawrence W. Hamilton, and Amy S. Paul, all of whom are independent as defined in Nasdaq's listing standards and meet the independence criteria set forth in the SEC's rules.

## **Director Nominations**

The Board of Directors will consider all potential candidates for nomination by the Board of Directors for election as directors who are recommended by our stockholders, directors, officers, and employees. All director recommendations must be made in accordance with the provisions of Article II, Section 5 of our bylaws, which sets forth requirements concerning the information about the candidate to be provided and the timing for the submission of the recommendations. All director recommendations should be sent to the Nominating, Compliance and Governance Committee, c/o Corporate Secretary, Wright Medical Group, Inc., 5677 Airline Road, Arlington, Tennessee 38002. The Nominating, Compliance and Governance Committee will screen all potential director candidates in the same manner, regardless of the source of their recommendation. The Nominating, Compliance and Governance Committee's review typically will be based on the written materials provided with respect to a potential director candidate. The Nominating, Compliance and Governance Committee will evaluate and determine whether a potential candidate meets our minimum qualifications and specific qualities and skills for directors and whether requesting additional information or an interview is appropriate.

The Board of Directors has adopted the following series of minimum qualifications and specific qualities and skills for our directors, which will serve as the basis upon which potential director candidates are evaluated by the Nominating, Compliance and Governance Committee:

Directors should possess the highest personal and professional ethics, integrity, and values.

Directors should have an inquisitive and objective perspective, practical wisdom, and mature judgment.

Directors should have expertise and experience at policy-making levels in areas that are relevant to our business.

Directors should have, or demonstrate an ability and willingness to acquire in short order, a clear understanding of the fundamental aspects of our business.

## **Table of Contents**

Directors should be committed to representing the long-term interests of our stockholders.

Directors should be willing to devote sufficient time to carry out their duties and responsibilities effectively and should be committed to serving on the Board of Directors for an extended period of time.

Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal job responsibilities.

Directors, who also serve as the chief executive officer, chief operating officer, or chief financial officer of another public company, should not serve on more than two boards of public companies in addition to our Board of Directors, and other directors should not serve on more than four boards of public companies in addition to our Board of Directors.

In making our determinations regarding director nominees, the Board of Directors will consider whether a potential candidate has previously served as our director. The Board of Directors does not believe, however, that directors should expect to be automatically renominated on an annual basis. Instead, the annual self-assessment of the performance of the Board of Directors and its committees is an important determinant of director tenure.

### **Corporate Governance Principles**

In furtherance of our goal of providing effective governance of our business and affairs for the long-term benefit of our stockholders, the Board of Directors has approved and adopted Corporate Governance Principles. The Corporate Governance Principles are posted on our website at [http://www.wmt.com/Corporate/Corporate\\_Governance\\_Principles\\_v4a.pdf](http://www.wmt.com/Corporate/Corporate_Governance_Principles_v4a.pdf). The information on our website, however, is not a part of this Proxy Statement. In addition to other matters, our Corporate Governance Principles require that any director up for election at our annual meeting of stockholders, who fails to receive at least a majority of the votes cast for election, shall offer to resign from the Board of Directors. The Nominating, Compliance and Governance Committee then makes a recommendation to the Board of Directors whether to accept, reject, or take other action regarding the offered resignation. The Board of Directors must review the recommendation of the Nominating, Compliance and Governance Committee and act promptly to accept, reject, or take other action it deems appropriate under the circumstances. The affected director does not take part in the deliberations or actions of the Nominating, Compliance and Governance Committee or the Board of Directors in this matter.

### **Policies and Procedures for Monitoring, Reviewing, Approving, or Ratifying Transactions with Related Persons**

The Board of Directors has adopted a written Related Persons Transactions Policy (the Policy) for monitoring, reviewing, approving, and ratifying transactions with related persons. The Policy applies to all financial transactions, arrangements, or relationships or any series of similar transactions, arrangements or relationships in which we were, are, or will be a participant and in which a related person had or will have a direct or indirect material interest.

Transactions that are subject to the Policy must be approved by the Audit Committee. The Audit Committee is authorized to approve those transactions with related persons that are in, or are not inconsistent with, our best interests and our stockholders' best interests and that are consistent with our Code of Business Conduct. The Audit Committee chairman, acting alone, may approve those transactions with related persons that meet the foregoing criteria and that are valued at \$25,000 or less. All approvals made by the Audit Committee chairman are required to be reported to the entire Audit Committee at the next available opportunity.

The Audit Committee or its chairman will consider all relevant factors, including as applicable, (i) the benefits of the transaction to us, (ii) whether the transaction is material to us, (iii) the effect, if any, of the transaction on a director's independence in the event the related person is a director or an immediate family member or affiliate of a director, (iv) the availability of other sources for comparable products or services, (v) the terms of the transaction and whether they are fair and reasonable to us, (vi) the terms available to or from unrelated third parties or to employees generally, (vii) the role of the related person in arranging the transaction, (viii) the interests of the related person, and (ix) whether the potential transaction with a related person is consistent with our Code of Business Conduct. The Audit Committee will annually review and consider any previously approved or ratified transaction

## **Table of Contents**

with a related person that remains ongoing to determine whether the transaction requires additional or continuing approval if conditions should be imposed with respect to the transaction.

We are not currently and have not been engaged in any transactions with related persons since January 1, 2008.

## **Stockholder Communications**

Stockholders may communicate with the Board of Directors or any individual director regarding any matter relating to us that is within the responsibilities of the Board of Directors. Stockholders, when acting solely in such capacity, should send their communications to the Board of Directors or an individual director c/o Corporate Secretary, Wright Medical Group, Inc., 5677 Airline Road, Arlington, Tennessee 38002. The Corporate Secretary will discuss with the Chairman of the Board of Directors or the individual director whether the subject matter of a stockholder communication is within the responsibilities of the Board of Directors. The Corporate Secretary will forward a stockholder communication to the Chairman of the Board of Directors or the individual director if such person determines that the communication meets this standard.

## **Audit Committee Report**

Management is responsible for our accounting and financial reporting processes, including our internal control over financial reporting, and for preparing our consolidated financial statements. KPMG LLP (KPMG), our independent auditor, is responsible for performing an audit of our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and for expressing an opinion on the conformity of our audited consolidated financial statements to accounting principles generally accepted in the United States of America. In this context, the responsibility of the Audit Committee of the Board of Directors is to oversee our accounting and financial reporting processes and the audits of our consolidated financial statements.

In the performance of its oversight function, the Audit Committee reviewed and discussed with management and KPMG our audited consolidated financial statements as of and for the year ended December 31, 2008, and management's assessment of our internal control over financial reporting. Management and KPMG represented to the Audit Committee that our audited consolidated financial statements as of and for the year ended December 31, 2008, were prepared in accordance with accounting principles generally accepted in the United States of America. Management and KPMG also represented to the Audit Committee that our internal control over financial reporting were effective as of December 31, 2008. The Audit Committee also discussed with KPMG the matters required to be discussed by Statement on Auditing Standards (SAS) Nos. 89, 90 and 114 issued by the Auditing Standards Board of the American Institute of Certified Public Accountants. SAS Nos. 89, 90 and 114 set forth requirements pertaining to the independent auditor's communications with the Audit Committee regarding the conduct of the audit.

The Audit Committee received the written disclosures and the letter from KPMG required by Independence Standards Board (ISB) Standard No. 1, *Independence Discussions with Audit Committees*, as amended. ISB Standard No. 1 requires the independent auditor to disclose in writing to the Audit Committee all relationships between the auditor and us that, in the auditor's judgment, reasonably may be thought to bear on independence and to discuss the auditor's independence with the Audit Committee. The Audit Committee discussed with KPMG its independence and considered in advance whether the provision of any non-audit services by KPMG is compatible with maintaining their independence.

The members of the Audit Committee are not professionally engaged in the practice of accounting or auditing and, therefore, rely without independent verification on the information provided to them and on the representations made by management and KPMG. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting processes or appropriate

internal controls and procedures designed to assure compliance with the accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's reviews and discussions referred to above do not assure that the audit of our financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board, that our audited consolidated financial statements are presented in accordance with generally accepted accounting principles, or that KPMG is in fact independent.

**Table of Contents**

Based on the reviews and discussions of the Audit Committee described above, in reliance on the unqualified opinion of KPMG dated February 23, 2009, regarding our audited consolidated financial statements as of and for the year ended December 31, 2008, and subject to the limitations on the responsibilities of the Audit Committee discussed above and in the Audit Committee's charter, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that such financial statements be included in our annual report on Form 10-K for the year ended December 31, 2008, to be filed with the SEC.

\* \* \*

The foregoing report is provided by the members of the Audit Committee of the Board of Directors.

Robert J. Quillinan (chairman)  
Gary D. Blackford  
Martin J. Emerson

**Compensation Committee Report**

The Compensation Committee of the Board of Directors has the primary authority for determining our compensation philosophy and establishing compensation for our executive officers. The Compensation Committee sets performance goals and objectives for the President and Chief Executive Officer (CEO) and the other executive officers, evaluates their performance with respect to those goals and sets their compensation based upon the evaluation of their performance. In evaluating executive officer compensation, the Compensation Committee considers recommendations from our CEO with respect to goals and compensation of the other executive officers and assesses the information that it receives. The Compensation Committee recommends the compensation of the CEO for approval by the independent directors of the Board of Directors. The Compensation Committee also periodically reviews director compensation. From time to time we may engage consultants with specific expertise related to executive officer or director compensation and benefits. All decisions with respect to executive officer and director compensation are approved by the Compensation Committee.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis for the year ended December 31, 2008 with management. In reliance upon the reviews and discussions referred to above, the Compensation Committee recommended to the Board of Directors, and the Board of Directors has approved, that the following Compensation Discussion and Analysis be included in the Proxy Statement for the year ended December 31, 2008 to be filed with the SEC.

\* \* \*

The foregoing report is provided by the members of the Compensation Committee of the Board of Directors.

David D. Stevens (chairman)  
Martin J. Emerson  
Lawrence W. Hamilton

**Compensation Discussion and Analysis**

In the following Compensation Discussion and Analysis, we describe the material elements of compensation awarded to our chief executive officer, our chief financial officer and our three other most highly compensated executive officers during 2008. We focus primarily on the 2008 information contained in the tables and related footnotes and



narrative under the heading **Executive Compensation** below, but also describe compensation actions taken during other periods to the extent it enhances the understanding of our executive compensation disclosure for 2008. In this discussion, we refer to each **named executive officer** identified in the tables as an **executive officer**.

**General Philosophy.** We compensate our executive officers through a mix of base salary, performance incentive bonuses, long-term equity incentives, and employee benefits and perquisites designed to:

attract and retain high caliber executive officers and motivate them to achieve superior performance for the benefit of our stockholders;

**Table of Contents**

motivate our executive officers to achieve our key strategic and financial performance measures; and  
enhance the incentives for executive officers to increase our stock price and maximize stockholder value.

We believe that a portion of our executive officers' compensation potential on an annual basis should be at risk based on our performance. If our performance does not meet the criteria established by the Compensation Committee, incentive compensation will be adjusted accordingly. The Compensation Committee oversees our general programs of compensation and benefits for all employees and determines the compensation of our executive officers and directors. Our compensation setting process consists of establishing (i) a base salary, (ii) a performance incentive bonus, and (iii) long-term equity compensation for each executive officer. The Compensation Committee designs the performance incentive bonus to reward executive officers for our performance through linking their compensation to revenue and earnings growth targets, as well as certain other corporate objectives. Additionally, certain of our executive officers' performance incentive bonuses are also based upon achieving specific operational goals within areas under their control. We utilize equity-based awards, currently consisting of stock options, restricted stock, and phantom stock units to provide the greatest long-term potential value to our executive officers and to firmly align such executive officers' interests with those of our stockholders.

The total cash compensation (*i.e.*, base salary plus performance incentive bonus) paid to our executive officers is intended to be competitive with the total cash compensation paid to executive officers in similar positions at companies engaged primarily in the orthopaedic medical device industry with revenues similar to ours, as well as comparable to other companies with performance similar to ours. The Compensation Committee reviews the targeted total compensation (*i.e.*, the aggregate level of compensation that we will pay if performance goals are fully met) to ensure the total compensation is aligned with our goals of comparability and incentivizing performance. We also provide our executive officers with a variety of other benefits that we make available generally to all salaried employees.

**The Role of the Compensation Committee.** The Compensation Committee has the primary authority to determine our compensation philosophy and to establish compensation for our executive officers. In determining the appropriate level of compensation, the Compensation Committee reviews a variety of sources to determine and set compensation.

The Compensation Committee reviews the performance and compensation for our CEO annually and recommends the compensation level for approval by the independent directors of the Board of Directors.

The performance of our executive management team as a group is reviewed annually by the Compensation Committee. Our CEO assists the Compensation Committee by providing annual recommendations regarding the compensation of all other executive officers. Each executive officer participates in an annual performance review with the CEO to provide input about the executive officer's contributions to our success for the period being assessed. With respect to equity compensation awarded to executive officers other than the CEO, the Compensation Committee grants options and/or restricted stock, based generally upon the recommendation of the CEO and a comparison of our peer group companies.

The Compensation Committee also has the power and authority to hire outside advisors or consultants to assist the Compensation Committee in fulfilling its responsibilities. Given the Compensation Committee's access to pertinent data, a compensation consultant was not retained in connection with our 2008 compensation decisions.

Our executive compensation decisions are congruent with Sections 162(m) and 409A of the Internal Revenue Code of 1986, as amended, and compensation charges under Statement of Financial Accounting Standards No. 123(R).

**Total Compensation.** The total compensation package offered to each executive officer is comprised of four elements, which are described in more detail below:

base salary;

performance incentive bonus;

long-term equity incentive awards; and

employee benefits and perquisites.

**Table of Contents**

In allocating compensation across these elements, the Compensation Committee does not follow any strict policy or guidelines. To determine whether our executive compensation is comparable to our competitors and other companies with performance similar to ours, the Compensation Committee compares the compensation of executive officers at similar companies, taking into consideration the company's size, industry, and geographic locality, as well as, the comparable named executive officer's level of responsibility and years of experience. The criteria used to select companies similar to us include companies: (i) in the medical equipment and device industry; (ii) with revenues between \$160 million and \$750 million; (iii) whose current enterprise market value is between \$100 million and \$1.8 billion; and (iv) whose number of employees is between 350 and 3,200. These companies are considered comparable to us and generally recruit individuals to fill executive positions that have similar skills and background to those we recruit. The comparative data that we used in reviewing executive officer compensation consisted of data from the EQUILARINSIGHT™ Public Medical Companies database. The list of such companies included the following (with us listed simply to show our relative position among the peer companies) based on information available at the time of the compensation review:

<b>Name (Symbol)</b>	<b>Revenues (In millions)<sup>(1)</sup></b>	<b>Market Cap (In millions)<sup>(2)</sup></b>	<b>Number of Employees<sup>(1)</sup></b>
American Medical Systems, Inc. (AMMD)	\$ 502	\$ 697	1,205
Conmed Corporation (CNMD)	742	350	3,200
EV3, Inc. (EVVV)	422	920	1,250
Exactech, Inc. (EXAC)	162	208	390
Haemonetics Corporation (HAE)	516	1,330	1,875
Hanger Orthopedic Group, Inc. (HGR)	703	450	3,211
Integra Lifesciences Holdings Corporation (IART)	655	549	2,800
Orthofix International NV (OFIX)	520	244	1,418
Symmetry Medical Inc. (SMA)	423	148	2,688
Thoratec Corporation (THOR)	314	1,833	1,209
Wright Medical Group, Inc. (WMGI)	466	454	1,250

(1) Information obtained from each company's annual report on Form 10-K for the year ended: American Medical Systems, Inc., Symmetry Medical Inc. and Thoratec Corporation – January 3, 2009; Conmed Corporation, EV3, Inc., Exactech, Inc., Hanger Orthopedic Group, Inc., Integra Lifesciences Holdings Corporation, Orthofix International NV, and Wright Medical Group, Inc. – December 31, 2008; and Haemonetics Corporation – March 29, 2008.

(2) Market capitalization was determined as of March 10, 2009.

We can review in detail only those individuals for whom compensation information is publicly disclosed. This is typically only the five most highly compensated officers at each company. Generally, this correlates to our CEO, Executive Vice President and Chief Financial Officer (CFO), and certain other executive officers.

The overall result of this review provides the starting point for the analysis of the Compensation Committee. The Compensation Committee looks more extensively at a number of other factors, including the total compensation, the mean, minimum, and maximum for each executive officer position. The Compensation Committee strongly believes in retaining the best talent among our executive management team. In the case of our CEO, the Compensation

Committee also considered our performance since he began working for us, and the anticipated level of difficulty of replacing him with someone of comparable experience and skill.

The Compensation Committee believes that the compensation of our executive officers those having the greatest ability to influence our performance should include greater levels of performance-based incentive compensation, while other levels of management should receive a greater portion of their compensation in base salary. The Compensation Committee's review of the comparable companies chosen, although each had a different compensation structure, indicated that all appear to provide their executive officers with average base salaries of approximately 20% to 35% of overall compensation, average targeted bonus compensation of up to 13% of overall compensation and average equity compensation of approximately 46% to 62% of overall compensation.

**Table of Contents**

We have entered into employment agreements with two of our executive officers Gary D. Henley and Paul R. Kusters. The terms of the employment agreements began and will end on the dates shown below, subject to earlier termination under specified circumstances.

<b>Name</b>	<b>Beginning Date</b>	<b>Ending Date</b>
Gary D. Henley	April 2, 2009	April 2, 2012
Paul R. Kusters	March 1, 2007	N/A <sup>(1)</sup>

- (1) Mr. Kusters employment agreement does not have a stated ending date; however, it can be terminated by Mr. Kusters with three months notice or by us with six months notice.

Effective June 30, 2008, our employment agreement with John K. Bakewell ended in accordance with its terms. We have not entered into another employment agreement with Mr. Bakewell. We have not entered into an employment agreement with Eric A. Stookey or Frank S. Bono. We have entered into separation pay agreements with each of Messrs. Bakewell, Stookey, and Bono effective as of April 1, 2009.

**Base Salaries.** We want to provide our executive officers with a level of assured cash compensation in the form of base salary to compensate them for the services they provide and their level of professional experience and knowledge. The Compensation Committee reviews executive officer compensation annually. In establishing base salaries, the Compensation Committee seeks relevant compensation information including: (i) scope of the position; (ii) responsibilities of the position; (iii) experience and length of service with us, the industry, and the community; (iv) effort and performance; (v) team building skills; (vi) observance of our ethics and compliance programs; (vii) salaries paid by competitive companies to officers in similar positions; and (viii) base salaries paid to our other executive officers. The Compensation Committee considers the input of the CEO with respect to the base salaries of our other executive officers. Increases in base salary from year to year are based upon the performance of the executive officers, comparisons of our compensation to our competitors compensation for similar positions and responsibilities, as well as relevant economic market considerations, as assessed, reviewed and approved by the Compensation Committee. The Compensation Committee assesses these factors with respect to the CEO. The Compensation Committee recommends the compensation of the CEO for approval by the independent directors of the Board of Directors. The Compensation Committee estimates that we provide our executive officers with average base salaries of approximately 27% to 39% of overall compensation. The Compensation Committee estimates that the salary levels of our executive officers approximate the 50th percentile of the salary levels in effect for comparable executive officer positions at companies in our peer group with the exception of our Vice President of North American Sales. It is the Compensation Committee's goal that the total compensation levels of our executive officers (cash compensation plus the value of restricted shares) range between the 50th and 75th percentile of the total compensation levels in effect for comparable executive officers positions at our peer group companies. The Compensation Committee estimates that the total compensation levels of our executive officers range between the 31st and 67th percentile for comparable executive officer positions at companies in our peer group. Our executive officers have a significant level of valuable industry specific knowledge and experience. We believe they are a key factor in our future success.

Employment agreements establish the initial annual base salary of Messrs. Henley and Kusters and provide that the Compensation Committee will review compensation annually and may make such increases in base salary as are merited based on the executive officer's performance and are consistent with our compensation policies. The base salaries of our executive officers are set forth below.

<b>Name</b>	<b>Annual Base Salary as of December 31, 2007</b>	<b>Annual Base Salary as of December 31, 2008</b>	<b>Annual Base Salary as of April 1, 2009</b>
Gary D. Henley	\$ 425,000	\$ 488,000	\$ 510,000
John K. Bakewell	275,000	299,900	307,400
Paul R. Kusters <sup>(1)</sup>	334,952	353,490	312,005
Eric A. Stookey	216,900	239,300	258,400
Frank S. Bono	265,000	282,800	291,300

**Table of Contents**

- (1) Mr. Koster's compensation is paid in Euros. The exchange rate used to determine the U.S. Dollar equivalent of Mr. Koster's compensation was 1.30 U.S. Dollars per Euro for 2009, 1.47105 U.S. Dollars per Euro for 2008 and 1.3708 U.S. Dollars per Euro for 2007.

The increases in base salaries from 2007 to 2008 reflect merit increases of 4% and additional adjustments intended to bring the base salaries closer to those of executives in comparable positions with companies in our peer group. These salaries reflect levels that the Compensation Committee concluded were appropriate based upon the executive officers' general experiences and the review of comparable salaries at comparable companies.

**Performance Incentive Bonus.**

*Executive Performance Incentive Plan.* We implemented an Executive Performance Incentive Plan (the Bonus Plan) for all of our United States of America-based officers, including our executive officers, in 2005. Each of Messrs. Henley, Bakewell, Stookey, and Bono participates in the Bonus Plan. The Bonus Plan, which is administered by the Compensation Committee, provides that the Compensation Committee will establish a method each year for determining the total amount of performance incentive bonuses available to be paid to all officers under the Bonus Plan (Bonus Pool). The Bonus Pool is established based upon specific measures of our financial performance, which may include sales, operating income, pre-tax income, net income, and earnings per share. For 2008 and 2009, the Bonus Pool is established based upon our performance relative to a specific operating income target. One of our objectives is to consistently achieve market leading revenue growth while achieving operating income growth in excess of that revenue growth. Specifically, for 2008 the Compensation Committee established objectives of revenue growth ranging from 11% to 16% and earnings growth in excess of the revenue growth. The Bonus Plan also provides for the Compensation Committee to establish individual performance goals, which include financial and operational performance measures for each executive officer based upon the executive officer's responsibility. Each executive officer's bonus payment under the Bonus Plan for a particular quarter is determined by multiplying the executive officer's target bonus amount (the executive officer's incentive target times the executive officer's base salary) for the quarter by a payout percentage determined based on the achievement of corporate financial performance goals. The Compensation Committee, in its sole and absolute discretion, may determine that the amount of an executive officer's actual performance incentive bonus is less than or more than the amount earned by the executive officer under the Bonus Plan. The amount of the performance incentive bonus payable to an executive officer may vary from zero to 200% of the executive officer's annual target.

The Compensation Committee established the following targeted bonus levels for our executive officers:

<b>Position</b>	<b>2008 Target (% of base salary)</b>	<b>2009 Target (% of base salary)</b>
CEO	75%	75%
CFO	50%	50%
Other executive officers	45%	45%

Our performance goals are not calculated using generally accepted accounting principles (GAAP) measures. Instead, our performance goals are calculated using non-GAAP measures as more fully described in our Form 8-Ks that are filed in connection with our quarterly earnings releases. For the year ended December 31, 2008, our non-GAAP financial measures did not include: costs related to our on-going U.S. governmental inquiries, restructuring expenses, non-cash, stock-based compensation expenses, an unfavorable appellate court decision, non-cash inventory step-up



amortization, purchased in-process research and development, the income tax effects of the foregoing, and an income tax provision associated with the write-off of French net operating losses.

Our executive officers have performance goals for their incentive bonuses based upon corporate objectives which are described in the table below. All of our executive officers' objectives are based upon global objectives, and certain of our executive officers' objectives also include operational objectives associated with their respective areas of responsibility. Where an executive officer has responsibility for a particular business unit or division, the performance goals are heavily weighted toward the performance of that unit or division. However, our overall earnings performance is at least a 40% factor in all executive officer performance goals.

**Table of Contents**

<b>Performance Goal</b>	<b>2008 Target (% of bonus)</b>	<b>2009 Target (% of bonus)</b>
Net Income <sup>(1)</sup>		40%
Revenue Growth	40-50%	40-50%
Free Cash Flow <sup>(1)</sup>		10-20%
Operating Income Growth <sup>(1)</sup>	20%	
Earning Per Share (EPS) Growth <sup>(1)</sup>	20%	
Inventory Days on Hand (DOH)	5-10%	
Days Sales Outstanding (DSO)	5-10%	

(1) Net Income, Operating Income, and EPS as described in the Bonus Plan, are calculated as net income, as adjusted, operating income, as adjusted, EPS, as adjusted, and net income, as adjusted. At the Compensation Committee's discretion, certain income or expenses that are excluded from our non-GAAP financial measures (such as restructuring charges, U.S. governmental inquiry charges, and non-cash, stock-based compensation expense) may also be excluded from Net Income, Operating Income, and EPS for the determination of target achievement. All references to Net Income, Operating Income, and EPS in the context of the Bonus Plan refer to the above-described calculation.

Our executive officers' bonus objectives for 2009 include the following global objectives:

<b>Performance Goal</b>	<b>100% of target</b>
Revenue Growth	10%
Net Income Growth	2%
Free Cash Flow (as a percentage of sales)	1,700 basis points improvement

Our executive officers will earn 100% of their targeted bonuses if our operating income growth target is met to fund the Bonus Pool and the revenue growth, net income growth, and free cash flow objectives noted above are met. Under-achievement of the operating income growth target would result in a smaller Bonus Pool and, therefore, a reduced performance incentive bonus. Failure to achieve the threshold operating income target could result in no performance incentive bonus. Our executive officers can receive 200% of their targeted bonus if the revenue growth and net income growth exceed 22% and 37%. These percentages were selected because of their correlation at the 100% level, to our strategic plan, and at the 200% level, to a level that we subjectively concluded was an appropriate stretch goal.

The performance incentive bonus paid under the Bonus Plan for 2008 to each executive officer is set forth below.

<b>Name</b>	<b>Performance Incentive Bonus</b>
Gary D. Henley	\$ 323,089
John K. Bakewell	134,629
Eric A. Stookey	99,274

Frank S. Bono

104,499

The Compensation Committee estimates that we provide our executive officers with targeted bonus compensation of 15% to 20% of overall compensation.

*EMEA Corporate Management Incentive Plan.* We implemented the EMEA Corporate Management Incentive Plan (the EMEA Bonus Plan) for our European corporate employees, including Paul R. Kusters, President, Europe, Middle East, and Africa (EMEA), in 2006. The EMEA Bonus Plan, which is administered by the Compensation Committee, provides that each year the Compensation Committee establishes a method for determining the total amount of performance incentive bonuses available to be paid under the EMEA Bonus Plan (EMEA Bonus Pool). The EMEA Bonus Pool is established based upon specific measures of our financial performance in EMEA, which may include sales, operating income, pre-tax income, and net income. For 2008, the bonus pool was established based upon performance relative to a specific operating income target. The

16

**Table of Contents**

Compensation Committee selected this specific operating income target to align EMEA executive officers' objectives with the interests of our stockholders. The EMEA Bonus Plan also provides for the Compensation Committee to establish individual performance goals, which include financial and operational performance measures for Mr. Kusters based upon his responsibility. After the end of each quarter, the Compensation Committee determines the amount of the performance incentive bonus to be paid to Mr. Kusters by multiplying the percentage achievement of his individual performance goals by his allocable portion of the EMEA Bonus Pool. The Compensation Committee, in its sole and absolute discretion, may determine that the amount of Mr. Kusters' actual performance incentive bonus is less than or more than the amount earned under the EMEA Bonus Plan.

The Compensation Committee established the following targeted bonus levels for Mr. Kusters:

	<b>2008</b> <b>(% of base</b> <b>salary)</b>	<b>2009</b> <b>(% of base</b> <b>salary)</b>
Target	45%	45%
Maximum	90%	90%

Mr. Kusters' performance goals for his bonus are based upon operational objectives which are described in the table below.

<b>Performance Goal</b>	<b>2008 Target</b> <b>(% of</b> <b>bonus)</b>	<b>2009 Target</b> <b>(% of</b> <b>bonus)</b>
EMEA Operating Income Growth	60%	60%
EMEA Revenue Growth	30%	30%
EMEA Inventory Days on Hand (EDOH)	5%	5%
EMEA Days Sales Outstanding (EDSO)	5%	5%

As our business is highly capital intensive and requires large investments in inventory, we believe that establishing an EDOH objective would ensure the appropriate communication and teamwork to ultimately achieve those revenue objectives. As EDSO is a product of not just company performance and management decisions within EMEA, but also market factors outside Mr. Kusters' control, we concluded that this performance component should be given less weight than operating income growth or revenue growth.

Mr. Kusters' performance incentive bonus objectives for 2008 included EMEA revenue growth of 20% and an EMEA operating income growth (as a percentage of sales) of approximately 400 basis points. His bonus objectives for 2009 include EMEA revenue growth of 6% and an EMEA operating income growth of approximately 680 basis points. Mr. Kusters will earn 100% of his targeted bonus if EMEA operating income and EMEA revenue growth objectives noted above are met, as well as EDOH and EDSO targets for the EMEA region. He can receive 200% of his targeted bonus if the rates of EMEA operating income and EMEA revenue growth exceed 1,270 basis points and 20%, respectively. The EMEA operating income target must be met for Mr. Kusters to receive a target performance incentive bonus. Under-achievement of the EMEA operating income target would result in a reduced performance incentive bonus. Failure to achieve the threshold operating income target could result in no performance incentive bonus. Additionally, Mr. Kusters will receive a bonus at a prorated level if the operating income target is achieved but the other targets are not met. These percentages were selected because of their correlation at the 100% level to our

strategic plan, and at the 200% level to a level that we subjectively concluded was an appropriate stretch goal.

In 2008, we paid Mr. Kusters a discretionary performance incentive bonus of \$31,152. His compensation is paid in Euros. The exchange rate used to determine the U.S. Dollar equivalent of Mr. Kusters' compensation was \$1.47105 U.S. Dollars per Euro.

**Long-Term Equity Incentive Awards.** Long-term incentives comprise the largest portion of each executive officer's compensation package, consistent with our philosophy and principles discussed above. Our Compensation Committee's objective is to provide executive officers with long-term incentive award opportunities that are at the 50th to 75th percentile of executives in comparable positions at companies in our peer group. Through the grant of these equity incentives, we seek to align the long-term interests of our executive officers with the long-term interests of our stockholders by creating a strong and direct linkage between compensation and long-term stockholder return. We may grant long-term, equity-based incentive awards to our executive officers under our 1999 Equity Incentive Plan, as amended and restated (1999 Equity Incentive Plan) and, if approved by our stockholders, the Wright

## **Table of Contents**

Medical Group, Inc. 2009 Equity Incentive Plan (2009 Equity Incentive Plan). Our Compensation Committee administers the 1999 Equity Incentive Plan and will administer the 2009 Equity Incentive Plan if it is approved by our stockholders. Under the 1999 Equity Incentive Plan and, if approved by our stockholders, the 2009 Equity Incentive Plan, we may grant awards in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units (under the 2009 Equity Incentive Plan only), phantom stock units (under the 1999 Equity Incentive Plan only), performance share units, and stock bonuses. Based on an assessment of competitive factors, the Compensation Committee determines an award that is suitable for providing an adequate incentive for the performance and retention of each executive officer.

The Compensation Committee's prevailing practice has been to award stock options in order to closely align the interests of the executive officers with those of our stockholders. To encourage retention, the stock options may be granted with a vesting period of one or more years. The Compensation Committee has taken the position that stock options should be granted with an exercise price that is equal to the fair market value of the common stock on the grant date, which, prior to October 23, 2008, was calculated as the average of the highest and lowest reported sale prices on the trading day immediately prior to the grant date. On October 23, 2008, our Board of Directors amended the definition of fair market value in the 1999 Equity Incentive Plan, which is now calculated as the closing price per share of stock on the trading day immediately prior to the grant date. The actual value of stock option compensation, therefore, depends on the market value of the common stock increasing after the grant date.

Beginning in 2006, the accounting treatment for stock options changed as a result of Statement of Financial Accounting Standards No. 123(R), making the accounting treatment of stock options less attractive. As a result, the Compensation Committee assessed the desirability of granting shares of restricted stock or phantom stock units to employees, particularly our executive officers, and concluded that restricted stock would provide an equally motivating form of incentive compensation while permitting us to issue fewer shares, thereby reducing potential dilution. The Compensation Committee may award a limited number of phantom stock units to foreign employees (because of foreign tax law considerations) and a limited number of stock options to executive officers upon starting employment and in other special situations. However, the primary form of equity compensation is the issuance of shares of restricted stock. The restricted stock has historically vested in equal annual installments over four years. In the future, we may issue other forms of equity compensation allowed under the 1999 Equity Incentive Plan and 2009 Equity Incentive Plan upon its approval by our stockholders.

Guidelines for the number of stock options, restricted stock, and phantom stock units awards granted to each executive officer are determined using a procedure approved by the Compensation Committee based upon several factors, including the executive officer's level of responsibility, salary grade, performance, and the value of the stock at the time of grant. With the exception of promotions and new hires, we generally grant these awards effective as of the date of our annual meeting of stockholders. This timing was selected because it enabled us to consider our prior performance as well as that of the potential recipients, and our expectations for the current year. Also, it follows our annual performance evaluations. The awards also are made as early as practicable in the year in order to optimize the time-period for the incentives associated with the awards. The Compensation Committee's schedule is determined several months in advance, and the proximity of any awards to earnings announcements or other market events is coincidental.

The benchmark for these grants is the average level of annual stock option grants and restricted stock awards for similar positions at our peer group companies, adjusted using the above factors and taking into consideration such equivalency factors as our number of shares outstanding and market capitalization, compared to the peer group companies.

Each stock option allows the executive officer to acquire shares of common stock at the fair market value on the grant date over a specified period of time, up to ten years. Stock option awards will provide a return to the executive officer

only if the market price of the shares appreciates over the term of the award. Each restricted stock award or phantom stock unit allows the executive officer to acquire shares of common stock upon vesting. Restricted stock and phantom stock units will provide a return to the executive officer upon vesting. Although we do not have any detailed stock retention or ownership guidelines, our board of directors and our Compensation Committee generally encourage our executive officers to have a financial stake in us to align the interests of our stockholders and management, and view stock options, restricted stock, and phantom stock units as a means of

**Table of Contents**

furthering this goal. We will continue to evaluate whether to implement a stock ownership policy for our executive officers.

The long-term equity incentive awards granted in 2008 to each of our executive officers is set forth below. Due to foreign tax law considerations, our Compensation Committee determined to replace restricted stock granted in 2008 to foreign employees with an identical number of phantom stock units. As a result, we replaced 6,000 shares of restricted stock granted to Mr. Kusters on May 14, 2008, with 6,000 phantom stock units. The issuance of the phantom stock units resulted in no incremental stock-based compensation cost to us and no change of fair value to Mr. Kusters.

Name	Number of	Grant Date	Number of	Grant Date
	Options Granted	Fair Value of Options Granted	Shares of Restricted Stock Granted	Fair Value of Restricted Stock Granted
Gary D. Henley	50,000	\$ 601,495	11,250	\$ 328,388
John K. Bakewell	18,000	\$ 216,538	8,000	\$ 233,520
Paul R. Kusters	12,000	\$ 144,359	6,000	\$ 175,140
Eric A. Stookey	14,000	\$ 168,419	7,000	\$ 204,330
Frank S. Bono	14,000	\$ 168,419	7,000	\$ 204,330

Our Compensation Committee estimates that we provide our executive officers with equity compensation of approximately 47% to 59% of overall compensation.

**Other Elements of Compensation and Perquisites.** In order to attract and retain employees while paying market levels of compensation, we provide our executive officers the following benefits and perks.

*Medical Insurance.* We provide to each executive officer and the executive officer's spouse and children such health, dental, and vision insurance coverage as we may from time to time make available to our other employees. We pay a portion of the premiums for this insurance for all employees.

*Life and Disability Insurance.* We provide to each executive officer such life and/or disability insurance, as we, in our sole discretion, may from time to time make available to our other executive employees of the same level of employment.

*Housing Allowance & Relocation Costs.* In order to attract and retain management talent, we provide relocation benefits, including a housing allowance, to certain executive officers upon their employment with us. The allowance is intended to partially defray the additional cost of housing while the employee relocates.

*Defined Contribution Plan.* We, and our designated affiliates, offer the Section 401(k) Savings/Retirement Plan (401(k) Plan), a tax-qualified retirement plan, to our eligible employees. The 401(k) Plan permits eligible employees to defer from 1% to 100% of their annual eligible compensation, subject to certain limitations imposed by the Internal Revenue Code. The employees' elective deferrals are immediately vested and non-forfeitable in the 401(k) Plan. We currently match up to 4% of contributions to the 401(k) Plan. For our EMEA executive officer, we sponsor a defined contribution program in which we contribute up to 12% of the executive officer's eligible compensation.



*Stock Purchase Plan.* Our 2002 Employee Stock Purchase Plan (ESPP), which qualifies under Section 423 of the Internal Revenue Code, permits participants to purchase our common stock on favorable terms. ESPP participants are granted a purchase right to acquire shares of common stock at a price that is 85% of the stock price on either the first day of the plan period or the stock price on the last day of the plan period, whichever is lower. The purchase dates occur on the last business day of June and December of each year. To pay for the shares, each participant may authorize periodic payroll deductions from their cash compensation, subject to certain limitations imposed by the Internal Revenue Code. All payroll deductions collected from the participant in a period are automatically applied to the purchase of common stock on that period's purchase date provided the participant remains an eligible employee and has not withdrawn from the ESPP prior to that date. Our ESPP is available only to U.S. employees.

**Table of Contents**

*Other.* We make available certain other perquisites or fringe benefits to certain executive officers, such as a car allowance or use of a company-provided automobile, travel insurance, airline club dues, professional society dues and food, and recreational fees incidental to official company functions, including board meetings.

**Severance Benefits.** We believe that companies should provide their executive officers with reasonable severance benefits, which should reflect the fact that it may be difficult for them to find comparable employment within a short period of time, that the executive officers will be better able to focus on their respective duties without the worry and uncertainty related to being terminated, and that executive officers' interests should be aligned with our stockholders' interests in connection with a potential change in control. Further, severance benefits help clarify what will happen in the event of our executive officers' termination from employment. To that end, our employment agreement with Mr. Henley includes provisions for separation pay, and we have entered into separation pay agreements with our remaining U.S.-based executive officers, including Messrs. Bakewell, Stookey, and Bono. The separation pay agreements are effective April 1, 2009, and their terms continue until their third anniversaries. Beginning on the second anniversary and each anniversary of the effective date thereafter, their terms will be extended automatically for one additional year unless we or the executive officer provide notice of termination of the employment agreement or separation pay agreement. In the event that the executive officer is terminated for cause or the executive officer terminates employment other than for good reason we shall have no obligations other than payment of accrued obligations described below. In the event of an involuntary termination of the executive officer, we will be obligated to pay a separation payment and accrued obligations and provide benefits to the executive officer as described below.

*Accrued Obligations.* Accrued obligations include (i) any accrued base salary through the date of termination, (ii) any annual cash incentive compensation awards earned but not yet paid, (iii) the value of any accrued vacation, (iv) reimbursement for any unreimbursed business expenses, and, (v) only in the case of an involuntary termination after a change in control or a termination at any time by reason of death, an annual incentive payment at target for the year that includes the date of termination, prorated for the portion of the year that the executive officer was employed.

*Separation Payment upon Involuntary Termination.* The total separation payment for Mr. Henley is the amount equal to twenty-four months multiplied by 1.75 times Mr. Henley's monthly base pay. The total separation payment for Messrs. Bakewell, Stookey, and Bono is the amount equal to twelve months multiplied by 1.5 times Mr. Bakewell's and 1.45 times each of Mr. Stookey and Mr. Bono's monthly base pay. Half of the total separation payment amount will be payable at or within a reasonable time after the date of termination. The remaining half of the total separation payment amount will be payable in installments beginning six months after the date of termination, with a final installment of the balance of the remaining half of the total separation payment to be made on or before March 15 of the calendar year following the year in which the date of termination.

*Benefits upon Involuntary Termination.* The executive officer will also receive benefits that include (i) health and dental coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA), which we must pay for a period not exceeding eighteen months, (ii) outplacement assistance for a period of twenty-four months for Mr. Henley and twelve months for Messrs. Bakewell, Stookey, and Bono, subject to termination if the executive officer accepts employment with another employer, (iii) financial planning services for a period of twenty-four months for Mr. Henley and twelve months for Messrs. Bakewell, Stookey, and Bono, (iv) payment to continue insurance coverage equal to the annual supplemental executive officer insurance benefit provided to the executive officer prior to the date of termination, and (v) reasonable attorneys' fees and expense if any such fees or expenses are incurred to enforce the separation pay agreement.

For purposes of the employment agreement and separation pay agreements, involuntary termination will occur if we terminate the employment of the executive officer other than for cause, disability, voluntary retirement or death of the executive officer or the executive officer resigns for good reason. A termination of the executive officer before a change in control by reason of the executive officer's retirement on or after age sixty-five does not constitute an involuntary termination.

**Table of Contents**

The definition of cause includes (i) willful failure of the executive officer to substantially perform the executive officer's duties that amounts to an intentional and extended neglect of the executive officer's duties, (ii) only prior to a change in control, continued, documented poor performance after giving the executive officer sufficient time to improve, (iii) the determination by our Board of Directors that the executive officer has engaged or is about to engage in conduct materially injurious to us, (iv) the executive officer's conviction or entering of a guilty or no contest plea to a felony charge, or (v) the executive officer's participation in the activities proscribed by the confidentiality, non-solicitation, and non-competition covenants described below or a material breach of any of the other covenants contained in the separation pay agreement.

Prior to a change in control, the definition of good reason includes (i) the assignment to the executive officer of any duties materially inconsistent with the range of duties and responsibilities appropriate to a senior executive of us, (ii) a material reduction in the executive officer's overall standing and responsibilities, (iii) a material reduction in the executive officer's aggregate annualized compensation and benefits opportunities, (iv) our failure to pay the executive officer any portion of the executive officer's compensation and benefits within thirty days after they become due, (v) any purported termination of the executive officer's employment that is not made pursuant to a notice of termination that reasonably details the basis for termination, (vi) the failure by us to obtain an agreement from any our successors requiring such successor to assume and agree to perform our obligations under the separation pay agreement, (vii) the failure by us to provide indemnification and directors and officers insurance protection contemplated by the agreement, or (viii) the failure by us to comply with any material provision of the separation pay agreement.

After a change in control, the definition of good reason includes, (i) a material and adverse change in the executive officer's title, authority as an executive officer, duties, responsibilities or reporting lines as in effect immediately prior to the change in control, (ii) a material reduction in the executive officer's aggregate annualized compensation opportunities, or (iii) the relocation of the executive officer's principal place of employment to a location that is more than forty miles from the executive officer's principal place of employment immediately prior to the change in control.

Under the employment agreement for Mr. Henley and the separation pay agreement for all other executive officers, the executive officer makes certain covenants that impose future obligations on the executive officer regarding confidentiality of information, transfer of inventions, non-solicitation of our employees for a period of twelve to twenty-four months, and noncompetition with our business for a period of twelve to twenty-four months. If we determine that a breach of any of these covenants has occurred, then our obligations to make payments or provide benefits shall cease immediately and permanently, and the executive officer shall repay an amount equal to 90% of the payments and benefits previously provided under the separation pay agreement, with interest. Upon termination for any reason other than cause, the executive officer must enter into a mutual release of all claims within forty-five days after the date of termination before any payments will be made to the executive officer.

If we are required to restate our balance sheet or statement of operations affecting any reporting period that transpires during the term of the separation pay agreement due to our material non-compliance with any financial requirements under securities laws, we may require the executive officer to reimburse us for any bonus or incentive-based or equity-based compensation received by the executive officer during the term of the separation pay agreement and any profits realized from the sale of our securities by the executive officer during the term of the separation pay agreement. If our Board of Directors determines that such a forfeiture is appropriate, we may withhold future amounts owed to the executive officer as compensation, and we may commence legal action to collect such sums as our Board of Directors determine is owed to us.

All payments under the separation pay agreement will be net of applicable tax withholdings. With the exception of Mr. Henley's employment agreement, each of the separation pay agreements contains a provision that reduces payment

under the separation pay agreement to avoid taxation under Section 4999 of the Code for parachute payments within the meaning of Section 280G of the Code if such reduction results in a larger after-tax payment to the executive officer.

On March 17, 2009, our Compensation Committee adopted a policy concerning gross-ups for taxes payable by executive officers. Generally, our policy is that executive officers should be responsible for the taxes payable by them with respect to their compensation. However, in unusual circumstances where our Compensation Committee

**Table of Contents**

believes that accommodations must be made to recruit a new executive officer, limited reimbursement for taxes payable may be included in their compensation agreements. In such unusual circumstances, the gross up will be limited to payments triggered by both a change in control and termination of employment and will be subject to a three year sunset provision. At the time we hired our President and CEO, we agreed to provide a gross-up to the executive officer's compensation. In continuation of this commitment, Mr. Henley's employment agreement provides for a gross-up payment if it is determined that any payment to Mr. Henley in the nature of compensation under his employment agreement or otherwise would be subject to the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed. Our obligation to make the gross-up payment is not conditioned upon Mr. Henley's termination of employment. The gross-up payment would not be deductible by us.

If we terminate Mr. Koster's employment for any reason, we are obligated to provide a notice period of six months, and we are required to continue to provide all aspects of his compensation over such period. Mr. Koster's right to receive post-employment pay and benefits is subject to his compliance with the non-competition and non-interference covenants contained in his employment agreement.

**Change in Control Benefits.** Our executive officers and other employees have built us into the successful enterprise that we are today, and the Compensation Committee believes that it is important to protect them in the event of a change in control. Further, it is our belief that the interests of stockholders will be best served if the interests of our executive officers are aligned with them, and providing change in control benefits should at least reduce the reluctance of executive officers to pursue potential change in control transactions that may be in the best interests of stockholders. Relative to our overall value, these potential change in control benefits are relatively minor.

Under the terms of the employment agreement for Mr. Henley and the separation pay agreements with our other U.S.-based executive officers, these change in control benefits are double trigger, which requires (i) a change in control and (ii) a termination other than for cause or death or other than resignation with good reason within twelve months of the expiration of their separation pay agreements before the executive officer receives their change in control benefit. If we give notice of termination of the separation pay agreement less than one year after a change in control, then the term of the separation pay agreement will be automatically extended until the later of the one year anniversary that follows such written notice or the second anniversary of the change in control. The change in control benefit requires us to pay a separation payment and accrued obligations and provide benefits to the executive officer as described above under the heading *Severance Payments*.

Subject to several exceptions, for purposes of the employment agreement for Mr. Henley and the separation pay agreements for our other U.S.-based executive officers, a change in control occurs if (i) any person or group of persons acquires more than 50% of our capital stock, (ii) any person or group of persons acquires 35% or more of the voting power represented by our capital stock in a twelve-month period, (iii) any person or group of persons acquires 40% of our assets in a twelve-month period, (iv) a majority of our directors are replaced in any twelve-month period by directors whose election is not endorsed by a majority of our directors, or (v) a merger or consolidation occurs pursuant to which 40% of our assets are to be transferred to a different entity.

In addition to the benefits under the employment agreement for Mr. Henley and the separation pay agreements for our other U.S.-based executive officers, terminated executive officers would be entitled to receive any benefits that they otherwise would have been entitled to receive under our 401(k) Plan. Additionally, upon a change in control, all unexercisable options will immediately vest and become exercisable and all restrictions on restricted stock will lapse. The Compensation Committee believes that these levels of benefits are consistent with the general practice among our peers, although we have not conducted a study to confirm this.

**Table of Contents****Potential Payments Upon Termination or Change in Control.**

The following table sets forth the benefits payable to our executive officers based upon a hypothetical termination and/or change in control date of December 31, 2008. Our Compensation Committee may, in its discretion, revise, amend, or add to the benefits if it deems advisable.

Name	Benefit	Termination for Disability	Termination for Cause	Termination without Cause	Change in Control with Termination	Change in Control without Termination
Gary D. Henley	Salary	\$	\$	\$ 1,708,000	\$ 1,708,000	\$
	Benefits continuation			18,334	18,334	
	Outplacement benefits			60,000	60,000	
	Other termination benefits <sup>(1)</sup>			13,000	13,000	
	Stock option acceleration <sup>(2)</sup>			136,500	136,500	136,500
	Restricted stock acceleration <sup>(3)</sup>				574,594	574,594
	Tax reimbursement				649,707	
	Total	\$	\$	\$ 1,935,834	\$ 3,160,135	\$ 711,094
John K. Bakewell	Salary	\$	\$	\$ 449,850	\$ 449,850	\$
	Benefits continuation			23,852	23,852	
	Outplacement benefits			40,000	40,000	
	Other termination benefits <sup>(1)</sup>			8,000	8,000	
	Stock option acceleration <sup>(2)</sup>			5,005	5,005	5,005
	Restricted stock acceleration <sup>(3)</sup>				439,245	439,245
		Total	\$	\$	\$ 526,707	\$ 965,952
Paul R. Kosters	Salary <sup>(1)</sup>	\$ 176,745	\$ 176,745	\$ 176,745	\$ 176,745	\$
	Stock option acceleration <sup>(2)</sup>			6,370	6,370	6,370
	Restricted stock acceleration <sup>(3)</sup>				365,227	365,227
	Phantom stock acceleration <sup>(3)</sup>				122,580	122,580
		Total	\$ 176,745	\$ 176,745	\$ 183,115	\$ 670,922
Eric A. Stookey	Salary <sup>(1)</sup>	\$	\$	\$ 346,985	\$ 346,985	\$
	Benefits continuation			23,599	23,599	
	Outplacement benefits			40,000	40,000	
	Other termination benefits <sup>(1)</sup>			8,000	8,000	
	Stock option acceleration <sup>(2)</sup>			3,640	3,640	3,640
	Restricted stock acceleration <sup>(3)</sup>				476,285	476,285

	Total	\$	\$	\$	422,224	\$	898,509	\$	479,925
Frank S. Bono	Salary <sup>(1)</sup>	\$	\$	\$	410,060	\$	410,060	\$	
	Benefits continuation				23,599		23,599		
	Outplacement benefits				40,000		40,000		
	Other termination benefits <sup>(1)</sup>				8,000		8,000		
	Stock option acceleration <sup>(2)</sup>								
	Restricted stock acceleration <sup>(3)</sup>						143,010		143,010
	Total	\$	\$	\$	481,659	\$	624,669	\$	143,010

- (1) The amounts in the Other termination benefits rows include the cost of financial planning services for twenty-four months, an annual physical, and continued executive insurance. Reimbursement of reasonable attorneys' fees and expenses is not included as the amount is not estimable.
- (2) Stock option acceleration is calculated as the intrinsic value of the unvested options on December 31, 2008. The intrinsic value is calculated as the difference between the market value of our common stock as of December 31, 2008, and the exercise price of the stock option. The market value as of December 31, 2008, is deemed to have been \$20.43 per share, which is the closing sale price of our common stock reported for transactions effected on the Nasdaq Global Select Market on December 31, 2008.
- (3) Restricted stock acceleration and phantom stock unit acceleration is calculated as the market value of the unvested awards on December 31, 2008. The market value as of December 31, 2008, is deemed to have been \$20.43 per share, which is the closing sale price of our common stock reported for transactions effected on the Nasdaq Global Select Market on December 31, 2008.



**Table of Contents**

- (4) The amounts in the Salary row include an assumption that we would provide these benefits for a six-month period. Additionally, these amounts would be paid in Euros. The exchange rate used to determine the U.S. Dollar equivalent of was 1.47105 U.S. Dollars per Euro.

For purposes of these benefits, a change in control is deemed to occur, in general, if (i) a stockholder or group of stockholders acquires 50% or more of the total fair market value or the total voting power of our outstanding capital stock, or (ii) a majority of the members of the Board of Directors are replaced in any twelve month period by directors whose election is not endorsed by a majority of the members of the Board of Directors prior to the date of the election.

**Compensation of Chief Executive Officer.** Gary D. Henley was elected President and Chief Executive Officer on April 4, 2006. For the year ended December 31, 2008, we paid Mr. Henley a base salary of \$488,000 pursuant to his employment agreement with us. Mr. Henley also received a performance incentive bonus of \$323,089 under the Bonus Plan for 2008. In addition, on May 14, 2008, we granted Mr. Henley an option to purchase 50,000 shares of common stock under the 1999 Equity Incentive Plan and 11,250 shares of restricted stock. The exercise price of the stock option is \$29.19 per share, which was the fair market value of the common stock on the grant date as determined under the 1999 Equity Incentive Plan. Both the stock option and the restricted stock will vest in equal annual installments over a period of four years after the grant date. The Compensation Committee considers that the compensation paid to Mr. Henley for 2008 was reasonable and appropriate under the circumstances.

Table of Contents**EXECUTIVE COMPENSATION****Summary Compensation Information**

The table below sets forth summary compensation information for each of the last three fiscal years for our principal executive, our principal financial officer, our three other most highly compensated executive officers who were serving in such capacities on December 31, 2008, who we refer to collectively as our named executive officers.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards <sup>(1)</sup>	Non-Equity Incentive Plan Compensation <sup>(2)</sup>	All Other Compensation <sup>(3)</sup>	Total Compensation
My D. Henley <sup>(4)</sup>	2008	\$ 470,150		\$ 187,563	\$ 935,011	\$ 323,089	\$ 9,300	\$ 1,925,1
President and Chief Executive Officer	2007	416,250	\$ 74,906	72,814	764,979	129,624	22,776	1,481,3
	2006	290,875			450,114	36,854	86,896	864,7
John K. Bakewell	2008	293,675		145,445	330,752	134,629	12,810	917,3
Executive Vice President and Chief Financial Officer	2007	267,250	32,212	58,251	454,736	55,106	17,868	885,4
	2006	241,750			444,455	46,478	19,023	751,7
William R. Kusters	2008	353,490 <sup>(5)</sup>	31,152 <sup>(5)</sup>	184,628	444,004		75,692	1,088,9
President, Europe, Middle East, Africa	2007	322,784		117,366	471,282	27,913	65,363	1,004,7
William A. Stookey	2008	233,700		160,632	227,480	99,274	8,700	729,7
Executive Vice President of North American Sales	2007	211,192	22,937	75,758	314,897	38,269	13,536	676,5
Mark S. Bono	2008	278,350		32,372	247,023	104,499	11,850	674,0
Senior Vice President, Research and Development								

(1) The amounts in the Stock Awards and Option Awards columns represent the portion of the fair value of the awards that represent earned compensation for the year as reflected in the financial statements. The compensation expense above for the stock and option awards differs from the 2008 grant date fair values for these awards because the compensation expense is recognized over the vesting periods and includes the values for awards granted in 2008 and prior years.

(2) The amounts in the Non-Equity Incentive Plan Compensation column represent amounts earned by each named executive officer under the Bonus Plan for that year.

(3) The amounts in the All Other Compensation column are more fully described in table under All Other Compensation Supplemental.

(4) Mr. Henley became our President and Chief Executive Officer on April 4, 2006.

- (5) Mr. Kusters compensation is paid in Euros. The exchange rate used to determine the U.S. Dollar equivalent of Mr. Kusters compensation in 2008 was 1.47105 U.S. Dollars per Euro and in 2007 was 1.3708 U.S. Dollars per Euro.

See Compensation Discussion and Analysis above for a complete description of compensation plans pursuant to which the amounts listed under the Summary Compensation Table were paid or awarded and the criteria for such payment.

All stock options, shares of restricted stock, and phantom stock units vest upon a change in control, as defined in the 1999 Equity Incentive Plan.

**Table of Contents****All Other Compensation Supplemental**

The table below sets forth other compensation information for each of the last three fiscal years for our named executive officers.

Name and Principal Position	Year	Defined Contribution Plan	Housing/Car Allowance	Travel Bonus	Insurance Premiums	Relocation Expenses	Club or Professional Dues	Tax Gross Up	Total Other Compensation
Gary D. Henley President and Chief Executive Officer	2008	\$ 6,900	\$ 2,400	\$	\$	\$	\$	\$	\$ 9,300
	2007	6,750	9,600				6,336	90	22,776
	2006	6,600	7,200			44,391	3,953	24,752	86,896
John K. Bakewell Executive Vice President	2008	6,900	2,100	1,500	1,556			754	12,810
	2007	6,750	8,400		1,556		300	862	17,868
and Chief Financial Officer	2006	6,600	8,400	1,500	1,556		300	667	19,023
Paul R. Kusters <sup>(1)</sup> President, Europe, Middle East, and Africa	2008	40,675	35,017						75,692
	2007	34,225	31,138						65,363
Eric A. Stookey Vice President of North American Sales	2008	6,900	1,800						8,700
	2007	6,336	7,200						13,536
Frank S. Bono Senior Vice President, Research and Development	2008	6,900	1,950	3,000					11,850

(1) Mr. Kusters compensation is paid in Euros. The exchange rate used to determine the U.S. Dollar equivalent of Mr. Kusters compensation was 1.47105 U.S. Dollars per Euro in 2008 and 1.3708 U.S. Dollars per Euro in 2007.

**Grants of Plan-Based Awards**

The table below sets forth information concerning grants of plan based awards in 2008 to our named executive officers.

	All Other Stock	All Other Option Awards:	Grant Date
--	-----------------	--------------------------	------------

Name	Grant Date	Estimated Future Payouts			Awards: Number of Shares of Stock or Units	Number of Securities Underlying Options	Exercise Price Of Option Awards <sup>(2)</sup>	Fair Value of Stock and Option Awards
		Under Non-Equity Incentive Plans <sup>(1)</sup> Threshold	Target	Maximum				
Gary D. Henley	5/14/2008					50,000	\$ 29.19	\$ 601,495
	5/14/2008				11,250			328,388
	N/A	\$ 14,105	\$ 352,613	\$ 705,226				
John K. Bakewell	5/14/2008					18,000	29.19	216,538
	5/14/2008				8,000			233,520
	N/A	5,874	146,838	293,676				
Paul R. Kusters	5/14/2008					12,000	29.19	144,359
	5/14/2008				6,000			175,140
	N/A	19,089 <sup>(3)</sup>	159,071 <sup>(3)</sup>	318,142 <sup>(3)</sup>				
Eric A. Stookey	5/14/2008					14,000	29.19	168,419
	5/14/2008				7,000			204,330
	N/A	4,207	105,165	210,330				
Frank S. Bono	5/14/2008					14,000	29.19	168,419
	5/14/2008				7,000			204,330
	N/A	5,010	125,258	250,516				

(1) Estimated Future Payouts Under Non-Equity Incentive Plans represent the threshold, target, and maximum amounts that could be earned under the Bonus Plan or EMEA Bonus Plan at targets established for each level. Each named executive officer had a target incentive amount that could be earned if we met the targets established. Until the threshold performance is obtained, no incentive is earned. If the maximum performance had been achieved, the named executive officers would have received 200% of their targeted amount.

**Table of Contents**

- (2) The exercise price of each stock option granted to our named executive officers is equal to the fair market value, within the meaning of the 1999 Equity Incentive Plan, of the underlying shares of common stock on the grant date. This fair market value exercise price was calculated as the average of the highest and lowest reported sale prices on the trading day immediately prior to the grant date. The closing market price on the date of the grant of each stock option was \$29.16 per share.
- (3) Mr. Kusters' compensation is paid in Euros. The exchange rate used to determine the U.S. Dollar equivalent of Mr. Kusters' compensation was 1.47105 Dollars per Euro.

See Compensation Discussion and Analysis above for a complete description. All the stock options granted to the named executive officers were granted under the 1999 Equity Incentive Plan. The Compensation Committee, which administers the 1999 Equity Incentive Plan, has general authority to accelerate, extend, or otherwise modify the benefits under the stock options in certain circumstances within overall plan and other limitations. The Compensation Committee has no present intention to exercise that authority with respect to these stock options.

All stock options, shares of restricted stock, and phantom stock units vest upon a change in control, as defined in the 1999 Equity Incentive Plan. All of the stock options and restricted shares granted to our named executive officers in 2008 vest in equal annual installments on the first through fourth anniversaries of the grant date.

**Table of Contents****Outstanding Equity Awards**

The table below sets forth information regarding the outstanding equity awards held by our named executive officers at December 31, 2008.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercisable Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares of Units of Stock That Have Not Vested <sup>(1)</sup>
Gary D. Henley	150,000	150,000 <sup>(2)</sup>	\$ 19.52	4/4/2016	28,125 <sup>(5)</sup>	\$ 574,594
	12,500	37,500 <sup>(3)</sup>	24.08	5/17/2017		
		50,000 <sup>(4)</sup>	29.19	5/14/2018		
John K. Bakewell	10,000		18.94	3/28/2012	21,500 <sup>(7)</sup>	439,245
	9,249		16.59	3/25/2013		
	45,000		30.11	3/25/2014		
	60,000	20,000 <sup>(6)</sup>	23.39	4/4/2015		
	5,500	5,500 <sup>(2)</sup>	19.52	4/4/2016		
	18,000 <sup>(4)</sup>	29.19	5/14/2018			
Paul R. Kusters	52,500	17,500 <sup>(8)</sup>	25.50	5/19/2015	23,877 <sup>(10)</sup>	487,807
	7,000	7,000 <sup>(2)</sup>	19.52	4/4/2016		
	30,000	30,000 <sup>(9)</sup>	23.37	12/4/2016		
		12,000 <sup>(4)</sup>	29.19	5/14/2018		
Eric A. Stookey	3,000		18.94	3/28/2012	23,313 <sup>(13)</sup>	476,285
	26,350		27.30	10/23/2013		
	7,500		30.11	3/25/2014		
	5,625	1,875 <sup>(11)</sup>	25.60	8/4/2015		
	37,500	12,500 <sup>(12)</sup>	24.74	9/19/2015		
	4,000	4,000 <sup>(2)</sup>	19.52	4/4/2016		
		14,000 <sup>(4)</sup>	29.19	5/14/2018		
Frank S. Bono	18,750	56,250 <sup>(14)</sup>	25.44	7/24/2017	7,000 <sup>(15)</sup>	143,010
		14,000 <sup>(4)</sup>	29.19	5/14/2018		

- (1) Calculated as the market value on December 31, 2008, which is deemed to have been \$20.43 per share, the closing sale price of our common stock reported for transactions effected on the Nasdaq Global Select Market on December 31, 2008.
- (2) These options vest and become exercisable in two equal installments on 4/4/2009 and 4/4/2010.
- (3) These options vest and become exercisable in three equal installments on 5/17/2009, 5/17/2010, and 5/17/2011.
- (4) These options vest and become exercisable in four equal installments on 5/14/2009, 5/14/2010, 5/14/2011, and 5/14/2012.
- (5) 16,875 of these shares of restricted stock vest in three equal installments on 5/17/2009, 5/17/2010, and 5/17/2011. 11,250 of these shares of restricted stock vest in four equal installments on 5/14/2009, 5/14/2010, 5/14/2011, and 5/14/2012.
- (6) These options vest and become exercisable on 4/4/2009.
- (7) 13,500 of these shares of restricted stock vest in three equal installments on 5/17/2009, 5/17/2010, and 5/17/2011. 8,000 of these shares of restricted stock vest in four equal installments on 5/14/2009, 5/14/2010, 5/14/2011, and 5/14/2012.



**Table of Contents**

- (8) These options vest and become exercisable on 5/19/2009.
- (9) These options vest and become exercisable in two equal installments on 7/1/2009 and 7/1/2010.
- (10) 3,627 of these shares of restricted stock vest in two equal installments on 7/1/2009 and 7/1/2010. 14,250 of these shares of restricted stock vest in three equal installments on 5/17/2009, 5/17/2010, and 5/17/2011. 6,000 of these shares of restricted stock were replaced with 6,000 phantom stock units due to foreign tax law considerations in January, 2009. The restricted stock would have vested, and the phantom stock units will vest in four equal installments on 5/14/2009, 5/14/2010, 5/14/2011, and 5/14/2012.
- (11) These options vest and become exercisable on 8/4/2009.
- (12) These options vest and become exercisable on 9/19/2009.
- (13) 5,063 of these shares of restricted stock vest in three equal installments on 3/1/2009, 3/1/2010, and 3/1/2011. 11,250 of these shares of restricted stock vest in three equal installments on 5/17/2009, 5/17/2010, and 5/17/2011. 7,000 of these shares of restricted stock vest in four equal installments on 5/14/2009, 5/14/2010, 5/14/2011, and 5/14/2012.
- (14) These options vest and become exercisable in three equal installments on 7/24/2009, 7/24/2010, and 7/24/2011.
- (15) These shares of restricted stock vest in four equal installments on 5/14/2009, 5/14/2010, 5/14/2011, and 5/14/2012.

**Option Exercises and Stock Vested During 2008**

The following table provides information on stock option exercises and vesting of restricted stock during 2008 for the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized Upon Exercise	Number of Shares Acquired on Vesting	Value Realized Upon Vesting
Gary D. Henley			5,625	\$ 165,769
John K. Bakewell			4,500	132,615
Paul R. Kusters			6,564	191,518
Eric A. Stookey	4,728	\$ 72,500	5,437	154,914
Frank S. Bono				

Table of Contents**DIRECTOR COMPENSATION****Director Compensation**

We compensate our directors for their services as members of the Board of Directors and committees with a combination of annual retainers and stock options. Directors who are not employees are eligible to receive compensation for their services as directors, while directors who are our employees are ineligible to receive separate director compensation. The following table sets forth a summary of the compensation we paid to our non-employee directors in 2008:

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Stock Option Awards <sup>(2)</sup>	Total
F. Barry Bays <sup>(3)</sup>	\$	\$	\$ 154,282	\$ 154,282
Gary D. Blackford <sup>(4)</sup>	28,434	19,820	28,595	76,849
Martin J. Emerson	50,000	53,009	119,389	222,398
Lawrence W. Hamilton	43,000	53,009	70,871	166,880
John L. Micolot	42,500	53,009	70,908	166,417
Amy S. Paul <sup>(5)</sup>	24,011	19,820	28,595	72,426
Robert Quillinan	53,978	53,009	70,629	177,616
David D. Stevens	76,593	53,009	94,094	223,696
Thomas E. Timbie <sup>(6)</sup>	23,192		(35,697)	(12,505)
James T. Treace	35,000	53,009	96,507	184,516

(1) The values set forth in this column are based on the amounts recognized for financial statement reporting purposes computed in accordance with FAS 123R. The grant date fair value of each restricted stock award granted in 2008 was as follows: Mr. Blackford \$125,079; Mr. Emerson \$83,629; Mr. Hamilton - \$83,629; Mr. Micolot \$83,629; Ms. Paul \$125,079; Mr. Quillinan \$83,629; Mr. Stevens \$83,629; Mr. Treace \$83,629. The compensation expense for the restricted stock awards differs from the 2008 grant date fair values for these awards because the compensation expense is recognized over the vesting periods and includes the values for awards granted in 2008 and prior years.

As of December 31, 2008, the directors had the following number of shares of restricted stock outstanding: Mr. Blackford 4,285; Mr. Emerson 2,865; Mr. Hamilton 2,865; Mr. Micolot 2,865; Ms. Paul 4,285; Mr. Quillinan 2,865; Mr. Stevens 2,865; and Mr. Treace 2,865. Each of Mr. Bays and Mr. Timbie had no shares of restricted stock outstanding as of December 31, 2008.

(2) The values set forth in this column are based on the amounts recognized for financial statement reporting purposes computed in accordance with FAS 123R. The grant date fair value of each stock option award granted in 2008 was as follows: Mr. Blackford \$180,449; Mr. Emerson \$120,299; Mr. Hamilton \$120,299; Mr. Micolot \$120,299; Ms. Paul \$180,449; Mr. Quillinan \$120,299; Mr. Stevens \$120,299; Mr. Timbie \$26,625; and Mr. Treace \$120,299. The compensation expense for the stock option awards differs from the 2008 grant date fair values for the stock option awards because the compensation expense is recognized over the vesting periods

and includes the values for awards granted in 2008 and prior years.

As of December 31, 2008, the directors had the following number of stock options outstanding: Mr. Blackford 15,000; Mr. Emerson 42,500; Mr. Hamilton 30,000; Mr. Miclot 30,000; Ms. Paul 15,000; Mr. Quillinan 30,000; Mr. Stevens 60,000; and Mr. Treace 45,000. Each of Mr. Bays and Mr. Timbie had stock options outstanding as of December 31, 2008.

- (3) Mr. Bays term as a director expired on May 14, 2008. On that date, he forfeited 25,000 stock options, of which 12,500 stock options would have vested on April 4, 2009 and 12,500 stock options would have vested on April 4, 2010.
- (4) Mr. Blackford was elected to be a director on May 14, 2008.
- (5) Ms. Paul was elected to be a director on May 14, 2008.
- (6) Mr. Timbie retired effective May 14, 2008. On April 21, 2008, we modified 12,500 stock options that were granted on May 17, 2007, and which were initially scheduled to vest on May 17, 2008, to a revised vesting date of May 14, 2008. The modification of such options resulted in a reversal of expense of \$49,830. On the date of his retirement, he forfeited 1,250 stock options which would have vested on May 12, 2009.

**Table of Contents**

Eligible directors are paid an annual retainer of \$35,000. All directors are reimbursed for their out-of-pocket expenses incurred in connection with attending meetings of the Board of Directors and its committees. In addition, upon their initial election to the Board of Directors, eligible directors are granted a stock option to purchase 15,000 shares of common stock and a restricted stock award worth \$125,000 on the date of grant. Directors reelected to office shall be granted an option to purchase 10,000 shares of common stock and a restricted stock award worth \$83,500 on the date of grant. The stock options were granted pursuant to the 1999 Equity Incentive Plan, with an exercise price equal to the fair market value of the common stock on the grant date as determined under the 1999 Equity Incentive Plan. The stock options vest and become exercisable in equal annual installments over a period of four years after the grant date for the initial 15,000 share stock option and for the subsequent 10,000 share stock option. The restricted stock awards were granted pursuant to the 1999 Equity Incentive Plan and vest in equal annual installments over a period of four years after the grant date for the initial \$125,000 restricted stock award and in a single installment one year after the grant date for the subsequent \$83,500 restricted stock award. Future equity awards will be granted to eligible directors under our 2009 Equity Incentive Plan, if it is approved by our stockholders.

In addition to the compensation discussed above, eligible directors are paid in accordance with the following:

Effective May 14, 2008, the non-executive Chairman of the Board of Directors is paid a supplemental annual retainer of \$50,000. Prior to May 14, 2008, our Executive Chairman of the Board of Directors was paid an annual fee of \$100,000 per year.

**Audit Committee** The members of the Audit Committee are paid a supplemental annual retainer of \$25,000 for the chairman and \$10,000 for the other members.

**Compensation Committee** The members of the Compensation Committee are paid a supplemental annual retainer of \$10,000 for the chairman and \$5,000 for the other members.

**Nominating, Compliance and Governance Committee** The members of the Nominating, Compliance and Governance Committee are paid a supplemental annual retainer of \$7,500 for the chairman and \$3,000 for the other members.

The Board of Directors has adopted Director Stock Ownership Guidelines whereby each non-employee director is required to hold 25,000 shares, vested options, or vested, restricted shares. Each director shall be given three years to achieve the threshold ownership. Once the threshold is reached, a director would be permitted to sell shares; provided, that the threshold is maintained. When a director leaves the board of directors, the director may sell any vested shares they possess.

**Compensation Committee Interlocks and Insider Participation**

David D. Stevens, Martin J. Emerson, and Lawrence W. Hamilton, our current directors, served as members of the Compensation Committee of the Board of Directors in 2008. No member of the Compensation Committee is or was an officer or employee of ours or any of our subsidiaries. In addition, no executive officer of ours served during 2008 as a director or a member of the compensation committee of any entity that had an executive officer serving as our director or a member of our Compensation Committee.

Table of Contents

**PROPOSAL 1 ELECTION OF DIRECTORS**

**Director Nominees**

Upon the recommendation of the Nominating, Compliance and Governance Committee, the Board of Directors has nominated the individuals listed below for election as our directors. Each nominee is an existing director and was elected by our stockholders at the 2008 annual meeting of stockholders. Each nominee has consented to serve on the Board of Directors. The Board of Directors does not know of any reason why any nominee would not be able to serve as a director. However, if any nominee was to become unable to serve as a director, the Board of Directors may designate a substitute nominee, in which case the persons named as proxies will vote for such substitute nominee.

**Gary D. Blackford.** Mr. Blackford, age 51, has been one of directors since May 2008. Since 2007, Mr. Blackford has served as Chairman of the Board of Directors of Universal Hospital Services, Inc. In addition to his role as Chairman, Mr. Blackford has been the President, Chief Executive Officer and a member of the Board of Directors of Universal Hospital Services, Inc. since 2003. From 2001 to 2002, Mr. Blackford was Chief Executive Officer for Curative Health Services. From 1999 to 2001, Mr. Blackford served as Chief Executive Officer for ShopforSchool, Inc. He was the Chief Operating Officer for Value Rx from 1995 to 1998 and the Chief Operating Officer and Chief Financial Officer of MedIntel Systems Corporation from 1993 to 1994. Mr. Blackford is a director of Universal Hospital Services, Inc., a public reporting company.

**Martin J. Emerson.** Mr. Emerson, age 45, has been one of our directors since 2006. He currently serves as President, Chief Executive Officer, and Director of Galil Medical, a private medical device company. He was the President and Chief Executive Officer and a director of American Medical Systems Holdings, Inc., a medical device company, from 2005 to January 2008, where he also served as the President and Chief Operating Officer from 2004 to 2005, the Executive Vice President of Global Sales and Marketing and Chief Operating Officer from 2003 to 2004, and a Vice President and the General Manager of International from 2000 to 2002. Mr. Emerson has over twenty-three years of experience in the medical device industry. He was the General Manager and Finance Director in Singapore for Boston Scientific Corporation from 1998 to 2000. Mr. Emerson was the Vice President and Regional Financial Officer in Singapore for MasterCard International Incorporated from 1997 to 1998. He also held management positions with Baxter International Inc. from 1985 to 1997, most recently as the Vice President of Finance of its Hospital Business division. Mr. Emerson is a director of Incisive Surgical, Inc., a private company.

**Lawrence W. Hamilton.** Mr. Hamilton, age 51, has been one of our directors since 2007. Mr. Hamilton served as the Senior Vice President, Human Resources at Tech Data Corporation, a distributor of information technology, from 1996 to 2006, and as the Vice President, Human Resources from 1993 to 1996. Mr. Hamilton served in a variety of human resource management positions with Bristol-Myers Squibb Company from 1985 to 1993. Mr. Hamilton is a certified Senior Professional in Human Resources and recently received the Certified Compensation Professional designation from the American Compensation Association.

**Gary D. Henley.** Mr. Henley, age 60, has been one of our directors and our President and Chief Executive Officer since 2006. He has twenty-five years of experience in the orthopaedic medical device industry. Mr. Henley was an executive with Orthofix International N.V., a diversified orthopaedic products company, from 1997 to 2006, most recently serving as the President of its Americas Division. He was the President of the Endoscopy Video Division of Smith & Nephew Richards, Inc., from 1987 until 1996. Mr. Henley was the President and Chief Executive Officer of Cecorp, Inc., a maker of surgical visualization devices for the arthroscopic and endoscopic markets, from 1982 to 1987.

**John L. Miclot.** John L. Miclot, age 49, has been one of our directors since 2007. He is currently the President and Chief Executive Officer of CCS Medical, Inc., a provider of products and services for patients with chronic diseases. Prior to joining CCS Medical, he was the President and Chief Executive Officer of Respiroics, Inc., a provider of sleep and respiratory products, from 2003 until November 2008. Mr. Miclot served in various positions at Respiroics, Inc. from 1998 to 2003, including Chief Strategic Officer and President of the Homecare Division. His previous employer, Healthdyne Technologies, Inc., a medical device company, was acquired by Respiroics, Inc. in 1998. Mr. Miclot served in various positions at Healthdyne Technologies, Inc., including Senior Vice President, Sales and Marketing, from 1995 to 1998. He began his career at DeRoyal Industries, Inc., Baxter

**Table of Contents**

International Inc., and Ohmeda Medical, Inc. Mr. Miclot is a director of ev3 Inc., a NASDAQ publicly traded company as well as a director of the Pittsburgh Zoo & PPG Aquarium and Burger King Cancer Caring Center, both charitable institutions, Allegheny Conference on Community Development, Washington & Jefferson College and the American Association for Homecare, all private companies.

**Amy S. Paul.** Ms. Paul, age 57, has been one of our directors since May 2008. Ms. Paul retired in 2008 following a twenty-six-year career with C.R. Bard, Inc., a medical device company, most recently serving as the Group Vice President-International since 2003. She served in various positions at C.R. Bard, Inc. from 1982 to 2003, including President of Bard Access Systems, Inc., President of Bard Endoscopic Technologies, Vice President and Business Manager of Bard Ventures, Vice President of Marketing of Bard Cardiopulmonary Division, Marketing Manager for Davol Inc., and Senior Product Manager for Davol Inc.

**Robert J. Quillinan.** Mr. Quillinan, age 61, has been one of our directors since 2006. He retired in 2003 following a twenty-three-year career with Coherent, Inc., a leading supplier of lasers, precision optics, and related accessories used in commercial and scientific research applications. At Coherent, Inc., Mr. Quillinan served as Executive Vice President of Mergers and Acquisitions from 2002 to 2003, Executive Vice President and Chief Financial Officer from 1983 to 2002, Vice President and Treasurer from 1982 to 1983, and Corporate Controller from 1980 to 1982. He was the Director of Financial Services for Synertek, Inc. from 1978 to 1980 and an audit manager for Main, LaFrentz & Co. from 1971 to 1978.

**David D. Stevens.** Mr. Stevens, age 55, has been one of our directors since 2004. He has been a private investor since 2006. Mr. Stevens was the Chief Executive Officer of Accredo Health Group, Inc., a subsidiary of Medco Health Solutions, Inc., from 2005 to 2006. He was the Chairman of the Board and Chief Executive Officer of Accredo Health, Inc. from 1996 to 2005. Mr. Stevens was the President and Chief Operating Officer of Southern Health Systems, Inc. from 1983 to 1996. He is a director of Medco Health Solutions, Inc. and Thomas & Betts Corporation, both public companies.

**Board of Directors Recommendation**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* EACH OF THE NOMINEES FOR DIRECTOR LISTED ABOVE.** Each proxy solicited on behalf of the Board of Directors will be voted *FOR* the election of the director nominees unless the stockholder instructs otherwise in the proxy.

**Table of Contents**

**PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR**

**General**

The Audit Committee of the Board of Directors has selected KPMG LLP (KPMG) as the independent auditor to perform the audit of our consolidated financial statements for 2009. KPMG has audited our consolidated financial statements since 2002. KPMG is a registered public accounting firm.

The Board of Directors is asking the stockholders to ratify the selection of KPMG as our independent auditor for 2009. Although not required by law, Nasdaq's listing standards, or our bylaws, the Board of Directors is submitting the selection of KPMG to the stockholders for ratification as a matter of good corporate practice. Even if the selection is ratified, the Audit Committee, in its discretion, may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

Representatives of KPMG are expected to be present at the meeting. They will have an opportunity to make a statement if they desire and will be available to respond to appropriate questions from our stockholders.

**Board of Directors Recommendation**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* THE RATIFICATION OF THE SELECTION OF KPMG AS OUR INDEPENDENT AUDITOR FOR 2009.** Each proxy solicited on behalf of the Board of Directors will be voted *FOR* the ratification of the selection of KPMG as our independent auditor for 2009 unless the stockholder instructs otherwise in the proxy. If the stockholders do not ratify the selection, the matter will be reconsidered by the Audit Committee and the Board of Directors.

**Audit and Non-Audit Services**

The Audit Committee is directly responsible for the appointment, compensation, and oversight of our independent auditor. In addition to retaining KPMG to audit our consolidated financial statements for 2008, the Audit Committee retained KPMG to provide other auditing and advisory services in 2008. The Audit Committee understands the need for KPMG to maintain objectivity and independence in its audits of our financial statements. The Audit Committee has reviewed all non-audit services provided by KPMG in 2008 and has concluded that the provision of such services was compatible with maintaining KPMG's independence in the conduct of its auditing functions.

To help ensure the independence of the independent auditor, the Audit Committee has adopted a policy for the pre-approval of all audit and non-audit services to be performed for us by our independent auditor. Pursuant to this policy, all audit and non-audit services to be performed by the independent auditor must be approved in advance by the Audit Committee. The Audit Committee may delegate to one or more of its members the authority to grant the required approvals, provided that any exercise of such authority is presented to the full Audit Committee at its next regularly scheduled meeting.

The table below sets forth the aggregate fees billed by KPMG for audit and non-audit services provided to us in 2008 and 2007.

Fees	2008	2007
------	------	------



Edgar Filing: WRIGHT MEDICAL GROUP INC - Form DEF 14A

Audit Fees	\$ 1,015,000	\$ 1,090,000
Audit-Related Fees	32,000	95,000
Tax Fees:		
Tax Compliance Fees	20,000	29,000
All Other Tax Fees	77,000	30,000
Total Tax Fees	97,000	59,000
All Other Fees		2,000
Total	\$ 1,144,000	\$ 1,246,000

**Table of Contents**

In the above table, in accordance with the SEC's definitions and rules, "audit fees" are fees for professional services for the audit of a company's financial statements included in the annual report on Form 10-K, for the review of a company's financial statements included in the quarterly reports on Form 10-Q, and for services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements; "audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of a company's financial statements; "tax fees" are fees for tax compliance, tax advice, and tax planning; and "all other fees" are fees for any services not included in the first three categories.

**Other Independence Measures**

We have taken additional steps to ensure the independence of our independent auditor. The Audit Committee requires that the lead and concurring partners assigned to the audit of our consolidated financial statements be rotated off the independent auditor's audit engagement at least every five years. The Board of Directors, upon the recommendation of the Audit Committee, also has adopted a policy restricting the hiring of employees or former employees of the independent auditor, who participated in any capacity in the audit of our consolidated financial statements.

**Table of Contents**

**PROPOSAL 3 APPROVAL OF WRIGHT MEDICAL GROUP, INC.  
2009 EQUITY INCENTIVE PLAN**

**Introduction**

Upon approval of the Wright Medical Group, Inc. 2009 Equity Incentive Plan (the 2009 Equity Incentive Plan), we will be authorized to grant equity-based awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, performance share units, and stock bonuses to our and our subsidiaries employees (including executive officers), directors, and consultants. The purpose of the 2009 Equity Incentive Plan is to provide a means for us to attract able persons to become and remain employees and directors of and consultants to us and our subsidiaries by providing them with long-term, equity based incentive compensation. The objectives of the 2009 Equity Incentive Plan are to strengthen the commitment of employees, directors, and consultants to our welfare and to promote an identity of interest between them and our stockholders. The 2009 Equity Incentive Plan is substantially similar to our 1999 Equity Incentive Plan, which will expire on December 7, 2009.

**Summary of 2009 Equity Incentive Plan**

The following is a summary of the detailed provisions of the 2009 Equity Incentive Plan as proposed to be approved. The statements contained herein are qualified in their entirety by reference to the 2009 Equity Incentive Plan, a copy of which is attached as Appendix A to this Proxy Statement.

**General.** The 2009 Equity Incentive Plan authorizes us to grant to eligible persons the following types of equity-based awards: options to purchase common stock that qualify as incentive stock options within the meaning of Section 422 of the Code; options to purchase common stock that do not qualify as incentive stock options under the Code, which are also referred to as nonqualified stock options; stock appreciation rights (SARs); shares of restricted stock; restricted stock units; performance share units; and stock bonuses.

**Eligible Persons.** Approximately 830 non-union employees and directors of and consultants to us and our related entities are eligible to receive equity-based awards under the 2009 Equity Incentive Plan. Under present law, incentive stock options may be granted only to employees.

**Shares Available.** The aggregate number of shares of common stock which may be made subject to all awards granted under the 2009 Equity Incentive Plan is 750,000 shares, plus the number of shares of common stock granted under the 1999 Equity Incentive Plan that are not exercised or are forfeited, lapsed or expired, or otherwise terminate without delivery of any shares of common stock subject thereto, to the extent such common stock would otherwise again have been available for issuance under the 1999 Equity Incentive Plan. Any and all shares of Stock that may be made subject to Awards are authorized to be issued pursuant to Incentive Stock Options. Shares issued as full value awards (that is, awards other than stock options or stock appreciation rights) may not exceed 750,000 shares plus the number of full value awards that would have otherwise been available for issuance under the 1999 Equity Incentive Plan that are not granted or forfeited. The awards granted under the 2009 Equity Incentive Plan and the foregoing share limitations are subject to equitable adjustment or substitution, as determined by the Compensation Committee, in its sole discretion, in the event of certain changes in our outstanding shares of common stock or its capital structure resulting from stock dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization. In the event that any stock option, SAR, restricted stock, restricted stock unit, or performance share unit expires or is surrendered, terminated, or forfeited, the shares of common stock no longer subject to such award will be released and thereafter available for new awards to be granted under the 2009 Equity Incentive Plan.

We are authorized to grant equity-based awards under the 1999 Equity Incentive Plan for up to 10,467,051 shares of common stock, of which full value awards are limited to 1,279,555. At February 28, 2009, we had granted stock options and stock bonuses to approximately 760 employees, directors and independent distributors. At February 28, 2009, we had granted full value awards to approximately 510 employees, directors and independent distributors. We thus far have not granted any stock appreciation rights or performance share units under the 1999 Equity Incentive Plan. At February 28, 2009, we had issued (i) 4,456,168 shares of common stock pursuant to stock option exercises, (ii) 131,429 shares of common stock pursuant to vesting of restricted stock awards, and (iii) 69,688 shares of common stock as stock bonuses, we had paid cash in an amount equivalent to

## **Table of Contents**

52,356 shares of common stock to offset the tax consequences of the stock bonuses, and there were outstanding stock options to purchase 4,000,194 shares of common stock (weighted-average exercise price for which is \$24.30 and the weighted-average remaining term for which is 6.4 years) and unvested restricted shares of 789,199. As a result, at February 28, 2009, there were 968,017 remaining shares of common stock available for future awards under the 1999 Equity Incentive Plan, of which full value awards were limited to 358,927 shares.

**Administration.** The Compensation Committee of the Board of Directors is authorized to administer the 2009 Equity Incentive Plan. The Compensation Committee has the authority, subject to the provisions of the 2009 Equity Incentive Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the administration of the 2009 Equity Incentive Plan as it may deem necessary or advisable. The Compensation Committee has the power, subject to the provisions of the 2009 Equity Incentive Plan, to select the eligible persons to participate in the 2009 Equity Incentive Plan; determine the nature and extent of the awards to be made to each participant; determine the time or times when awards will be made to participants; establish the performance goals and determine the period of time within which performance is measured with respect to performance share units; determine the period of time during which shares of restricted stock are subject to restrictions; determine the conditions for the payment of awards; and prescribe the forms of agreements and documents evidencing the awards.

### **Types of Equity-Based Awards**

**Stock Options.** The Compensation Committee may grant awards of stock options to eligible persons under the 2009 Equity Incentive Plan. Nonqualified stock options may be granted to all eligible persons, but incentive stock options may be granted only to employees of ours and our related entities.

The Compensation Committee may set the exercise price of stock options, provided that the exercise price is not less than the fair market value of the underlying common stock on the date of grant. Stock options will vest and become exercisable in such a manner and on such date or dates as are determined by the Compensation Committee. The stock options will expire after a period not exceeding ten years from the date of grant, as determined by the Compensation Committee, subject to earlier termination in the event that the participant's employment or service with us or a related entity ceases before the end of the option period. If an incentive stock option is granted to a participant who owns or is deemed to own more than 10% of the combined voting power of all classes of our stock, the option period may not exceed five years and the exercise price may not be less than 110% of the fair market value of the underlying common stock on the date of grant. Each stock option is to be evidenced by a stock option agreement containing such provisions, consistent with the 2009 Equity Incentive Plan, as are determined by the Compensation Committee.

**Stock Appreciation Rights.** The Compensation Committee may grant awards of stock appreciation rights to eligible persons, alone or in tandem with stock options, pursuant to the 2009 Equity Incentive Plan. A SAR confers on the participant the right to receive the value equal to the excess of the fair market value of one share of common stock on the date of exercise over the exercise price of the SAR. We may pay an exercised SAR's excess value in the form of cash, shares of common stock, or a combination of both as determined by the Compensation Committee. If, on the day that an unexercised SAR is scheduled to expire, the fair market value of the common stock exceeds the exercise price of the SAR, the SAR will be deemed to have been exercised by the participant on such last day, and we will make the appropriate payment therefore. Each SAR is to be subject to such terms and conditions as are imposed by the Compensation Committee and are not inconsistent with the 2009 Equity Incentive Plan.

**Restricted Stock.** The Compensation Committee may grant awards of restricted stock to eligible persons under the 2009 Equity Incentive Plan. Upon the award of the restricted stock, we issue such stock to be held in a restricted book entry account in the name of the participant. The participant's rights to the restricted stock are subject to certain transferability and forfeiture restrictions during a restricted period which commences on the date of grant of the restricted stock and expires from time to time in accordance with a schedule established by the Compensation

Committee. While the restrictions are in place, the participant generally has the rights and privileges of a stockholder as to the restricted stock, including the right to vote the restricted stock and to receive dividends thereon. Upon the expiration of the restricted period, the restrictions are of no further force or effect with respect to

## **Table of Contents**

the restricted stock, and we will remove the restrictions of such restricted book entry account. Each restricted stock award is to be evidenced by an agreement between us and the participant setting forth the applicable restrictions.

***Restricted Stock Units.*** The Compensation Committee may grant awards of restricted stock units to eligible persons pursuant to the 2009 Equity Incentive Plan. A restricted stock unit is a hypothetical investment equal to one share of common stock. We do not issue any shares of common stock when a restricted stock unit award is made, and the participant is not considered a stockholder of ours. The participant's rights with respect to the restricted stock units are subject to certain forfeiture provisions during a restricted period which commences as of the date of grant of the restricted stock units and expires from time to time in accordance with a schedule established by the Compensation Committee. Upon the expiration of the restricted period, we deliver to the participant one share of common stock for each restricted stock unit for which the restrictions have expired. The terms and conditions of each grant of restricted stock units are to be reflected in a written award agreement.

***Performance Share Units.*** The Compensation Committee is authorized to establish performance share unit programs and may grant awards of performance share units to eligible persons in accordance with such programs under the 2009 Equity Incentive Plan. The Compensation Committee determines the number of performance share units to be granted to each eligible person who is selected to receive such an award. At the beginning of each performance measurement period, referred to in the 2009 Equity Incentive Plan as an award period, the Compensation Committee establishes written performance goals based on our financial objectives for such award period and a schedule relating the accomplishment of the performance goals to the performance share units to be earned by the participants. The performance goals may include absolute or relative growth in earnings per share or rate of return on stockholders equity or any other measurement of corporate performance and may be determined on an individual basis or by categories of participants. The Compensation Committee may adjust the performance goals during the award period to account for certain events affecting us. At the completion of the award period, the Compensation Committee calculates the number of shares of common stock earned with respect to each participant's performance share unit award by multiplying the number of performance share units granted to the participant by a performance factor representing the degree of attainment of the performance goals. Payment of earned performance share units is made in the form of shares of common stock or, at the Compensation Committee's discretion, cash if requested by the participant.

***Stock Bonuses.*** The Compensation Committee may issue unrestricted shares of common stock to eligible persons pursuant to the 2009 Equity Incentive Plan. The Compensation Committee may grant the stock awards as or in payment of a bonus to the participant, to provide incentives for the participant, or to recognize the participant's special achievements or contributions.

***Transferability.*** A participant's rights and interest under the 2009 Equity Incentive Plan, including amounts payable, may not be sold, assigned, donated, transferred or otherwise disposed of, mortgaged, pledged or encumbered except, in the event of a participant's death, to a designated beneficiary to the extent permitted in the 2009 Equity Incentive Plan, or in the absence of such designation, by will or the laws of descent and distribution. The Compensation Committee, however, may allow for the transfer of awards other than incentive stock options to other persons or entities.

***Change of Control Provisions.*** The award agreements entered into under the 2009 Equity Incentive Plan may provide for change in control provisions. In the absence of such provisions, in the event that (i) we are merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by our stockholders in a form other than stock or other equity interests of the surviving entity, (ii) all or substantially all of our assets are acquired by another person, (iii) the reorganization or liquidation of us, or (iv) we enter into a written agreement to do any of the foregoing, the Compensation Committee may in its discretion and upon at least ten days advance notice to the affected persons, cancel any outstanding awards and pay to the holders in cash the value of such

awards based upon the price per share of stock received or to be received by our other stockholders in such event.

**Amendment and Termination.** The Board of Directors may terminate the 2009 Equity Incentive Plan at any time. The Board of Directors or the Compensation Committee may suspend and, if suspended, reinstate the 2009 Equity Incentive Plan in whole or in part at any time and from time to time. Any amendment of the 2009 Equity Incentive Plan must be approved by our stockholders to the extent that such approval is required by the 2009



## **Table of Contents**

Equity Incentive Plan, applicable law, the rules and regulations of the SEC, or the rules and regulations of any national securities exchange on which the common stock is then listed.

### **Federal Income Tax Consequences**

The following is a summary of the material anticipated United States federal income tax consequences of the 2009 Equity Incentive Plan to us and the participants. The summary is based on current federal income tax law, which is subject to change, and does not address state, local, or foreign tax consequences or considerations.

**Stock Options.** The grant of a stock option that does not have a readily ascertainable value will not result in taxable income at the time of the grant for either us or the optionee. Upon exercising an incentive stock option, the optionee will have no taxable income (except that the alternative minimum tax may apply) and we will receive no deduction. Upon exercising a nonqualified stock option, the optionee will recognize ordinary income in the amount by which the fair market value of the common stock at the time of exercise exceeds the stock option exercise price, and we will be entitled to a deduction for the same amount. The optionee's income is subject to withholding tax as wages.

The tax treatment of the optionee upon a disposition of shares of common stock acquired through the exercise of a stock option is dependent upon the length of time that the shares have been held and on whether such shares were acquired by exercising an incentive stock option or a nonqualified stock option. If an employee exercises an incentive stock option and holds the shares for two years from the date of grant and one year after exercise, then any gain or loss realized based on the exercise price of the stock option will be treated as long-term capital gain or loss. Shares obtained upon exercise of an incentive stock option that are sold without satisfying these holding periods will be treated as shares received from the exercise of a nonqualified stock option. Generally, upon the sale of shares obtained by exercising a nonqualified stock option, the optionee will treat the gain realized on the sale as a capital gain. Generally, there will be no tax consequence to us in connection with the disposition of shares of common stock acquired under a stock option, except that we may be entitled to a deduction in the case of a disposition of shares acquired upon exercise of an incentive stock option before the applicable holding periods have been satisfied.

**Stock Appreciation Rights.** The grant of a SAR will not result in taxable income to the participant at the time of the award. Upon exercising the SAR, the participant will recognize ordinary income in the amount by which the fair market value of the common stock or the amount of cash, as the case may be, exceeds the SAR exercise price, if any. We will be entitled to a deduction for the same amount. The participant's income is subject to withholding tax as wages. Upon a disposition of shares of common stock acquired through the exercise of the SAR, the participant may recognize capital gain or loss, the character of which is dependent upon the length of time that the shares have been held. Generally, there will be no tax consequences to us in connection with the disposition of shares of common stock acquired under a SAR.

**Restricted Stock.** An award of shares of common stock that is limited in terms of transferability and is subject to a substantial risk of forfeiture (*i.e.*, restricted stock) will not result in taxable income to the participant at the time of the grant. Prior to the lapse of either of the restrictions on the restricted stock, any dividends on such shares will be paid currently and will be treated as ordinary compensation income to the participant, subject to withholding. Upon the lapse of either of the restrictions, the participant will recognize ordinary compensation income in the amount of the fair market value of the shares of common stock at the time that the restriction lapses, less the amount paid for the shares, if any.

Alternatively, within thirty days after transfer of the restricted stock, a participant may make an election under Section 83(b) of the Code, which would allow the participant to include in income in the year that the restricted common stock is awarded an amount equal to the fair market value of the restricted stock on the date of such award determined as if the restricted common stock were not subject to restrictions. The employer is then entitled to a

compensation-paid deduction in the same amount. The election is required to be written and delivered to the employer within that thirty-day period. The participant is also required to confirm the election with the filing of the participant's federal income tax return for the year in which the award is made. Failure to satisfy either of these requirements may invalidate the intended election. In the event of a valid Section 83(b) election, the participant will not recognize income at the time that the restrictions actually lapse. In addition, any appreciation or depreciation in the value of the stock and any dividends paid on the stock after a valid Section 83(b) election are not deductible by

## **Table of Contents**

the employer as compensation paid. For purposes of determining the period of time that the participant holds the restricted stock, the holding period begins on the award date when a participant makes a Section 83(b) election. Further, any dividends received after the Section 83(b) election is made will constitute ordinary dividend income to the participant and will not be deductible by the employer. If the restricted stock subject to the Section 83(b) election is subsequently forfeited, however, the participant is not entitled to a deduction or tax refund.

We will be entitled to a deduction for the year in which the participant recognizes ordinary income with respect to the restricted stock in an amount equal to such income.

**Restricted Stock Units.** The grant of a restricted stock unit will not result in taxable income to the participant at the time of the grant. At the time that we make a payment with respect to the restricted stock unit, the participant will recognize ordinary compensation income in an amount equal to the fair market value of the shares of common stock received or in the amount of the cash received, as the case may be. Wage withholding rules will apply. We will be entitled to a deduction at the time of payment in an amount equal to such income.

**Performance Share Units.** The grant of a performance share unit will not result in taxable income to the participant at the time of the grant. At the time that we make a payment with respect to the performance share units, the participant will recognize ordinary compensation income in an amount equal to the fair market value of the shares of common stock received or in the amount of the cash received, as the case may be. Wage withholding rules will apply. We will be entitled to a deduction at the time of payment in an amount equal to such income.

**Stock Bonuses.** A participant who receives a stock bonus will recognize ordinary compensation income upon receipt of the stock in an amount equal to the fair market value of the stock on the date of grant. Wage withholding rules will apply. We will be entitled to a deduction at the time of grant in an amount equal to such income.

**Effect of Section 162(m) of the Code.** Section 162(m) of the Code limits to \$1 million per person the annual amount that we may deduct for compensation paid to any of our most highly compensated employees. Compensation payable as a result of the attainment of performance goals may be excluded from this limit. To qualify as performance-based compensation, the 2009 Equity Incentive Plan and the awards made thereunder must meet certain requirements. For example, stock options and SARs granted with an exercise price not less than the fair market value of the underlying shares of common stock are considered performance-based compensation, so long as the 2009 Equity Incentive Plan and the stock option or SAR meet certain requirements, because the amount of compensation is attributable to an increase in the price of the common stock. Restricted stock awards may or may not qualify as performance-based compensation, depending on whether the vesting of the restricted stock is based on the attainment of performance-based goals. Our policy is to grant awards meeting the requirements of Section 162(m) and applicable regulations to our most highly compensated employees.

## **Common Stock Price**

The last sale price of our common stock on March 6, 2009, as reported by the Nasdaq Global Select Market, was \$12.15 per share.

**Table of Contents****Award Grants**

**Past Award Grants.** The following table sets forth information regarding the number of equity-based awards that were made under the 1999 Equity Incentive Plan during 2008, to (i) each of our executive officers who are named in the Summary Compensation Table, (ii) all current executive officers as a group, (iii) all current directors, who are not executive officers, as a group, and (iv) all employees, who are not executive officers, as a group. There is no applicable disclosure to be made with regard to any associate of our current directors, director nominees, and executive officers or any other recipient of 5% or more of the stock options.

Name or Category	Number of Shares of Common Stock Underlying Options on Exercise	Number of Shares of Restricted Stock or Phantom Stock Units on Vesting
Gary D. Henley	50,000	11,250
John K. Bakewell	18,000	8,000
Paul R. Kusters	12,000	6,000
Eric A. Stookey	14,000	7,000
Frank S. Bono	14,000	7,000
All current executive officers as a group	215,000	42,750
All current directors, who are not executive officers, as a group	80,000	22,895
All employees, who are not executive officers, as a group	254,000	484,652

**Future Award Grants.** The granting of equity-based awards under the 1999 Equity Incentive Plan and the 2009 Equity Incentive Plan is at the discretion of the Compensation Committee. The Compensation Committee has not yet determined any awards that will be granted under the 1999 Equity Incentive Plan or, if approved, the 2009 Equity Incentive Plan to the persons and groups of persons identified in the preceding table. See *Executive Compensation Grant of Plan Based Awards* for information regarding the stock options, restricted stock, and phantom stock units granted in 2008 to our executive officers named in the Summary Compensation Table.

**Board of Directors Recommendation**

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* THE APPROVAL OF OUR 2009 EQUITY INCENTIVE PLAN.** Each proxy solicited on behalf of the Board of Directors will be voted *FOR* the approval of our 2009 Equity Incentive Plan unless the stockholder instructs otherwise in the proxy.

**Table of Contents****EXECUTIVE OFFICERS****Executive Officers and Other Senior Management**

The table below sets forth certain information concerning our executive officers and other senior management.

Name	Age	Position(s)
Executive Officers:		
Gary D. Henley	60	President and Chief Executive Officer
John K. Bakewell	47	Executive Vice President and Chief Financial Officer
Frank S. Bono	46	Senior Vice President, Research and Development
William L. Griffin, Jr.	60	Senior Vice President, Global Operations
Jason P. Hood	44	Vice President, General Counsel, and Secretary
Paul R. Kusters	44	President, Europe, Middle East, and Africa
Eric A. Stookey	38	Vice President, North American Sales
Other Senior Management:		
Paul A. Arrendell	43	Vice President, Global Quality Systems
Lance A. Berry	36	Vice President and Corporate Controller
Timothy E. Davis, Jr.	39	Vice President, Business Development
Rhonda L. Fellows	53	Senior Vice President, Government Affairs and Reimbursement
William J. Flannery	55	Vice President, Logistics and Materials
Cary P. Hagan	42	Vice President, OrthoRecon Marketing
Karen L. Harris	47	Vice President, International Sales and Distribution
Kyle M. Joines	41	Vice President, Manufacturing
Joyce B. Jones	55	Vice President and Treasurer
Lisa L. Michels	34	Vice President and Chief Compliance Officer
Alicia M. Napoli	54	Vice President, Clinical and Regulatory
William F. Scott	63	Vice President, Sales and Marketing Services
Edward A. Steiger	57	Vice President, Human Resources
John T. Treace	37	Vice President, Biologics and Extremities Marketing

Gary D. Henley has been one of our directors and our President and Chief Executive Officer since 2006. He has twenty-five years of experience in the orthopaedic medical device industry. Mr. Henley was an executive officer with Orthofix International N.V., a diversified orthopaedic products company, from 1997 to 2006, most recently serving as the President of its Americas Division. He was the President of the Endoscopy Video Division of Smith & Nephew Richards, Inc. from 1987 until 1996. Mr. Henley was the President and Chief Executive Officer of Cecorp, Inc., a maker of surgical visualization devices for the arthroscopic and endoscopic markets, from 1982 to 1987.

John K. Bakewell has been our Executive Vice President and Chief Financial Officer since 2000. He was the Vice President of Finance and Administration and Chief Financial Officer of Altra Energy Technologies, Inc., a software and e-commerce solutions provider to the energy industry, from 1998 to 2000. Mr. Bakewell was the Vice President of Finance and Administration and Chief Financial Officer of Cyberonics, Inc., a publicly held manufacturer of medical devices for the treatment of epilepsy and other neurological disorders, from 1993 to 1998. He was the Chief Financial Officer of ZEOS International Ltd., a publicly held manufacturer and direct marketer of personal computers

and related products, from 1990 to 1993. Mr. Bakewell is a director of ev3 Inc., a public endovascular medical device company, and Keystone Dental, Inc., a private dental implant medical device company.

**Table of Contents**

Frank S. Bono has been our Senior Vice President, Research and Development since 2007. Mr. Bono has over seventeen years of experience in the orthopaedic medical device industry. He was employed by Medtronic Spinal and Biologics, Inc. in various product development positions from 2003 to 2007, serving as Vice President Product Development and most recently as Vice President Ventures Technology Development. Mr. Bono was the Vice President Product Development of Spine Wave, Inc., a minimally invasive spinal implant company, from 2002 to 2003. Mr. Bono was employed by DePuy, Inc., a subsidiary of Johnson & Johnson, holding various technical positions in both total joint and spinal reconstruction from 1992 to 2002, where he ultimately served as the Vice President of Research and Development for the Core Spinal Product line.

William F. Griffin, Jr. has been our Senior Vice President, Global Operations since July 2008. Prior to joining us, Mr. Griffin had global responsibility for all operations at Smith & Nephew, Inc. since 2002. From 1997 until 2002, he held positions at Johnson & Johnson Medical, including most recently serving as its Vice President and General Manager. Mr. Griffin began his career in the medical device industry with Becton, Dickinson and Company where he spent twenty-three years with the final position of Vice President of Global Supply Chain Services.

Jason P. Hood has been our Vice President since 2002 and our General Counsel and Secretary since 1998. He served as our Corporate Counsel in 1998. Mr. Hood was an attorney with Sedgwick Noble Lowndes, an international employee benefits consulting firm, which was a division of Sedgwick, Inc., and is currently a part of Marsh & McLennan, Inc., from 1997 to 1998. He was an associate with the law firm of Glankler Brown, PLLC, from 1994 to 1997, where he concentrated his practice in employment law and general civil litigation. Mr. Hood is licensed to practice law in the State of Tennessee. Prior to starting his legal career, Mr. Hood held executive positions in strategic planning and human resources development with a multi-national specialty chemical company.

Paul R. Kusters has been the President, Europe, Middle East, and Africa since 2005. He was the Business Director of the European Spinal division of Medtronic, Inc. from 2002 to 2005. Mr. Kusters was the Regional Director of Northern Europe of Medtronic Sofamor Danek, Inc. from 1997 to 2001. He held various positions with Stryker Corporation from 1992 to 1997, including serving as the Sales Director of Germany, the Sales Manager of Austria, Switzerland and Eastern Europe, and the Product Manager of the Spinal division.

Eric A. Stookey has been our Vice President, North American Sales since 2007. He has served us in various other marketing and sales positions since 1995, including as the Vice President U.S. Sales from 2005 until 2007, the Senior Director of Sales Central Region from 2003 to 2005 and the Director of Marketing for Large Joint Reconstruction Products from 2001 to 2003. He was employed by DePuy Orthopedics, Inc. from 1993 to 1995.

Paul A. Arrendell has been our Vice President, Global Quality Systems since 2007. He served as our Senior Director, Global Quality Systems from 2005 to 2007, and as our Director, Regulatory Compliance from 2004 to 2005. From 1998 to 2004, Mr. Arrendell was employed by Abbott Laboratories, Diagnostics Division, in a variety of quality-related roles, most recently serving as the Site Operations Quality Manager.

Lance A. Berry has been our Vice President since 2004 and our Corporate Controller since 2002. He was an accountant in the auditing division of Arthur Andersen, LLP from 1995 to 2002, where he held various positions of increasing responsibility, most recently as Audit Manager, and his clients consisted primarily of multinational and public companies. Mr. Berry is a certified public accountant.

Timothy E. Davis, Jr. has been our Vice President, Business Development since 2006. He was a partner with MB Venture Partners, LLC, a medical technology and life sciences venture capital firm specializing in musculoskeletal diseases, from 2004 to 2006. Mr. Davis was the Vice President of Vector Fund Management, a healthcare and life sciences venture capital firm, from 1997 to 2004. He was a Senior Consultant at Gemini Consulting Group, a healthcare consulting firm, from 1995 to 1997 and a Sales Specialist at Parke-Davis Company, a pharmaceutical

company, from 1992 to 1994.

Rhonda L. Fellows has been our Senior Vice President of Government Affairs and Reimbursement since 2007. Prior to joining us, she worked for Orthofix International N.V., a diversified orthopaedic products company, from 1998 to 2007, most recently serving as Senior Vice President, Government Affairs and HIPAA Privacy Officer. Ms. Fellows served as National Accounts Manager for Medtronic, Inc., a medical technology company, from 1991



**Table of Contents**

to 1996, until her division was sold to Empi Inc., a manufacturer and provider of non-invasive medical products, where she served from 1996 to 1997.

William J. Flannery has been our Vice President, Logistics and Materials since 2004. He served as our Senior Director Materials and Purchasing from 1994 to 2004. Mr. Flannery has twenty-nine years of experience in the orthopaedic medical device industry. He was employed by United States Surgical Corporation, a manufacturer of products used to perform minimally invasive surgical procedures, in various operational positions from 1978 to 1994, where he ultimately served as the Senior Director of Materials.

Cary P. Hagan has been our Vice President, OrthoRecon Marketing since 2006. He served as our Senior Director Biologics Marketing and Business from 2003 to 2006, as the Product Manager for Biologics from 1996 to 2003, and in various other marketing and sales roles since 1989.

Karen L. Harris has been our Vice President, International Sales and Distribution since 1998. She served as our Vice President European Business Development from 1997 to 1998. Ms. Harris was employed by MicroAire Surgical Instruments, Inc., in various sales and marketing positions from 1990 to 1997, most recently serving as the Director of International Sales and Marketing.

Kyle M. Joines has been our Vice President, Manufacturing since 2004. He served as our Senior Director Manufacturing from 2001 to 2004, the Director Manufacturing from 1998 to 2001, and in various other production positions from 1993 to 1998. Mr. Joines was employed by Precision Castparts Corp., a global manufacturer of complex metal components and products, from 1990 to 1992, where he ultimately served as the Foundry Coordinator.

Joyce B. Jones has been our Vice President and Treasurer since 2002. She served as our Vice President Finance and Controller from 1998 to 2002 and in various other finance and accounting positions from 1989 to 1998. Ms. Jones was the Corporate Controller of Insituform Technologies, Inc., a provider of specialized pipeline rehabilitation technologies and services, from 1986 to 1989.

Lisa L. Michels has been our Vice President and Chief Compliance Officer since December 2008. Prior to joining us, she worked for Smith & Nephew Inc. from 2006 to December 2008, most recently as the Group Director of Regulatory Affairs. Ms. Michels was also employed by Baxter International, Inc. from 2004 to 2006 and by GE Medical Systems, a division of General Electric Company, from 1999 to 2004 where she served in various regulatory and compliance positions.

Alicia M. Napoli has been our Vice President of Clinical and Regulatory Affairs since April, 2008. Ms. Napoli was previously Sr. Director of Regulatory and Clinical Affairs at Covidien Ltd. She led global submissions and clinical trials for its Imaging Solutions and Pharmaceutical business sector, including drug and device registrations throughout the world. She spent her first twenty years in progressive quality systems and regulatory compliance positions at Baxter International Inc. and Mallinckrodt Inc.

William F. Scott has been our Vice President, Sales and Marketing Services since 2004. He served as our Vice President U.S. Sales from 2003 to 2004, our Senior Director Sales Administration from 2001 to 2003, and our Senior Director Regional Sales in 2001. Mr. Scott was the Vice President of Domestic Sales of Medtronic Xomed, Inc. from 1999 to 2001 and the Director of Sales Administration of its predecessor, Xomed Surgical Products, Inc., from 1997 to 1999. He was the Director of Sales of Interpore International, Inc., an orthopaedic medical device company, from 1996 to 1997. Mr. Scott was employed by Smith & Nephew Richards, Inc., and its predecessor, Richards Medical Company, Inc., in various sales and marketing positions from 1966 to 1996, most recently serving as the Vice President of International Sales of ENT.

Edward A. Steiger has been our Vice President, Human Resources since November 2008. He has seven years of experience in the medical device industry and 34 years of total experience related to various aspects of human resources. Prior to joining us, Mr. Steiger was employed by Sempra Energy as Vice President, Human Resources for its global businesses from 2003 to 2008. From 1998 to 2003, Mr. Steiger worked for Monsanto Company, most recently as its Vice President, Global Staffing. From 1992 to 1997, Mr. Steiger was Vice President, Human Resources for Tastemaker, a specialty chemical/ flavor partnership between Mallinckrodt Inc. and Hercules

**Table of Contents**

Incorporated. From 1985 to 1992, Mr. Steiger held a number of key positions at Allergan, Inc. a global eye care pharmaceutical and medical device company.

John T. Treace has been our Vice President, Biologics and Extremities Marketing since 2005. He served as our Vice President and General Manager Biologics and Extremity Marketing from 2003 to 2005 and the Senior Director Biologics Marketing from 2001 to 2003. Mr. Treace was the Director of Marketing of Medtronic Xomed, Inc., and its predecessor, Xomed Surgical Products, Inc., from 1996 to 2000. He was the Director of Marketing of TreBay Medical Corp. from 1994 to 1996.

**Code of Business Conduct**

We have adopted a Code of Business Conduct which applies to all of our directors, officers, employees and agents, as well as those of our subsidiaries. The Code of Business Conduct satisfies the SEC's requirements for a code of ethics and Nasdaq's requirements for a code of conduct. The Code of Business Conduct is posted on our website at <http://www.wmt.com/corporate/codeofconduct.pdf>. The information on our website, however, is not a part of this Proxy Statement. The Code of Business Conduct may be waived for any director or officer only by the Board of Directors upon the recommendation of both our Nominating, Compliance and Governance Committee and our ethics officer. The Board of Directors has no present intention to permit any waiver of the Code of Business Conduct for any director or officer.

**Table of Contents**

**OTHER MATTERS**

As of the date hereof, the Board of Directors knows of no business that will be presented at the meeting other than the proposals described in this Proxy Statement. If any other proposal properly comes before the stockholders for a vote at the meeting, the proxy holders will vote the shares of common stock represented by proxies that are submitted to us in accordance with their best judgment.

**ADDITIONAL INFORMATION**

**Solicitation of Proxies**

We will solicit proxies on behalf of the Board of Directors by mail, telephone, facsimile, or other electronic means or in person. We have retained MacKenzie Partners, Inc. to assist in soliciting proxies for a fee of \$7,500 plus the reimbursement of its distribution costs and other costs and expenses. We will pay the proxy solicitation costs. We will supply copies of the proxy solicitation materials to brokerage firms, banks, and other nominees for the purpose of soliciting proxies from the beneficial owners of the shares of common stock held of record by such nominees. We request that such brokerage firms, banks, and other nominees forward the proxy solicitation materials to the beneficial owners and will reimburse them for their reasonable expenses.

**Mailing Address of Principal Executive Office**

The mailing address of our principal executive office is Wright Medical Group, Inc., 5677 Airline Road, Arlington, Tennessee 38002.

**Stockholder Proposals for Inclusion in Proxy Statement for 2010 Annual Meeting of Stockholders**

To be considered for inclusion in our proxy statement for the 2010 Annual Meeting of Stockholders, a stockholder proposal must be received by us no later than the close of business on December 16, 2009. Stockholder proposals must be sent to Corporate Secretary, Wright Medical Group, Inc., 5677 Airline Road, Arlington, Tennessee 38002. We will not be required to include in our proxy statement any stockholder proposal that does not meet all the requirements for such inclusion established by the SEC's proxy rules and Delaware corporate law.

**Other Stockholder Proposals for Presentation at 2010 Annual Meeting of Stockholders**

For any proposal that is not submitted for inclusion in our proxy statement for the 2010 Annual Meeting of Stockholders, but is instead sought to be presented directly at the meeting, the SEC's rules permit management to vote proxies in its discretion if: (i) we receive notice of the proposal before the close of business on March 1, 2010, and advise stockholders in the proxy statement about the nature of the matter and how management intends to vote on such matter; or (ii) we do not receive notice of the proposal prior to the close of business on February 23, 2010. Notices of intention to present proposals at the 2010 Annual Meeting of Stockholders should be sent to Corporate Secretary, Wright Medical Group, Inc., 5677 Airline Road, Arlington, Tennessee 38002.

By Order of the Board of Directors,

Jason P. Hood  
Secretary

Arlington, Tennessee  
April 15, 2009

**Table of Contents**

**APPENDIX A**

**WRIGHT MEDICAL GROUP, INC.  
2009 EQUITY INCENTIVE PLAN**

1. Purpose.

(a) The purpose of the Plan is to provide a means through which the Company may attract able persons to become and remain directors of the Company or any Related Entity and enter and remain in the employ of the Company or any Related Entity and to provide a means whereby employees, directors and consultants of the Company and any Related Entity can acquire and maintain Stock ownership, or be paid incentive compensation measured by reference to the value of Stock, thereby strengthening their commitment to the welfare of the Company and promoting an identity of interest between stockholders and these employees, directors and consultants.

(b) So that the appropriate incentive can be provided, the Plan provides for granting Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Share Units and Stock Bonus, or any combination of the foregoing.

2. Definitions. The following definitions shall be applicable throughout the Plan:

(a) Award means, individually or collectively, any Incentive Stock Option, Nonqualified Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Share Unit or Stock Bonus granted under the Plan.

(b) Award Period means a period of time within which performance is measured for the purpose of determining whether a Performance Share Unit has been earned.

(c) Board means the Board of Directors of the Company.

(d) Cause means the Company or a Related Entity having cause to terminate a Participant's employment or service in accordance with the provisions of any existing employment, consulting or any other agreement between the Participant and the Company or a Related Entity or, in the absence of such an employment, consulting or other agreement, upon (i) the determination by the Committee that the Participant has ceased to perform the Participant's duties to the Company or a Related Entity (other than as a result of the Participant's incapacity due to physical or mental illness or injury), which failure amounts to intentional and extended neglect of the Participant's duties, (ii) the Committee's determination that the Participant has engaged or is about to engage in conduct injurious to the Company or a Related Entity, or (iii) the Participant having plead no contest to a charge of a felony or having been convicted of a felony.

(e) Code means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any regulations under such section.

(f) Committee means the full Board, the Compensation Committee of the Board or such other committee as the Board may appoint to administer the Plan.

(g) Common Stock means the common stock, par value \$0.01 per share, of the Company.

- (h) **Company** means Wright Medical Group, Inc., a Delaware corporation, and any successor thereto.
- (i) **Date of Grant** means the date on which the granting of an Award is authorized, or such other date as may be specified in such authorization.
- (j) **Disability** means the complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a Participant was employed or served when such disability commenced or, if the Participant was retired when such disability commenced, the inability to engage in any substantial gainful activity, in either case as determined by the Committee based upon medical evidence acceptable to it.
- (k) **Eligible Person** means any (i) person regularly employed by the Company or any Related Entity; provided, however, that no such employee covered by a collective bargaining agreement shall be an Eligible Person unless and to the extent that such eligibility is set forth in such collective bargaining agreement or in an agreement or

**Table of Contents**

instrument relating thereto; (ii) director of the Company or any Related Entity; or (iii) consultant to the Company or any Related Entity.

(l) Exchange Act means the Securities Exchange Act of 1934, as amended.

(m) Fair Market Value on a given date means (i) if the Stock is listed on a national securities exchange, the closing price of a share of Stock reported as having occurred on the primary exchange with which the Stock is listed and traded on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which such a sale was reported; (ii) if the Stock is not listed on any national securities exchange but is quoted on an automated quotation system, the closing price of a share of Stock reported on the date prior to such date, or, if there is no such sale on that date, then on the last preceding date on which a sale was reported; or (iii) if the Stock is not listed on a national securities exchange nor quoted on an automated quotation system, the amount determined pursuant to one of the methods set forth in Treas. Reg. § 1.409A-1(b)(5)(iv)(B)(2), as elected by the Committee.

(n) Full Value Award means any Award, other than Options or Stock Appreciation Rights, which is settled by the issuance of Common Stock.

(o) Holder means a Participant who has been granted an Award.

(p) Incentive Stock Option means an Option granted by the Committee to a Participant under the Plan which is designated by the Committee as an Incentive Stock Option pursuant to Section 422 of the Code.

(q) Non-Employee Director means a non-employee director within the meaning of Rule 16b-3 of the Exchange Act or any successor rule or regulation.

(r) Nonqualified Stock Option means an Option granted under the Plan which is not designated as an Incentive Stock Option.

(s) Normal Termination means termination of status as an Eligible Person:

(i) upon retirement pursuant to the retirement plan of the Company or any Related Entity, as may be applicable at the time to the Participant in question;

(ii) on account of Disability;

(iii) with the written approval of the Committee;

(iv) voluntary on the part of the Participant; or

(v) by the Company or any Related Entity without Cause.

(t) Option means an Award granted under Section 7 of the Plan.

(u) Option Period means the period described in Section 7(c).

(v) Option Price means the exercise price set for an Option described in Section 7(a).

(w) Participant means an Eligible Person who has been selected by the Committee to participate in the Plan and to receive an Award.



(x) Performance Goals means the performance objectives of the Company or a Related Entity during an Award Period or Restricted Period established for the purpose of determining whether, and to what extent, Awards will be earned for an Award Period or Restricted Period.

(y) Performance Share Unit means a hypothetical investment equal to one share of Stock granted in connection with an Award made under Section 9 of the Plan.

(z) Plan means the Wright Medical Group, Inc. 2009 Equity Incentive Plan, as may be amended and/or restated from time to time.

(aa) Qualified Committee means a committee composed of at least two Qualified Directors.

(bb) Qualified Director means a person who is (i) an Non-Employee Director and (ii) an outside director within the meaning of Section 162(m) of the Code.

A-2

---

**Table of Contents**

(cc) **Related Entity** means, when referring to a subsidiary, any business entity (other than the Company) which, at the time of the granting of an Award, is in an unbroken chain of entities ending with the Company, if stock or voting interests possessing 50% or more of the total combined voting power of all classes of stock or other ownership interests of each of the entities other than the Company is owned by one of the other entities in such chain and, when referring to a parent entity, the term **Related Entity** shall mean any entity in an unbroken chain of entities ending with the Company if, at the time of the granting of the Award, each of the entities other than the Company owns stock or other ownership interests possessing 50% or more of the total combined voting power of all classes of stock (or other ownership interests) in one of the other entities in such chain. In addition, with respect to an Incentive Stock Option, the definition of **Related Entity** as used in this Plan shall apply by only considering entities that are corporations.

(dd) **Restricted Period** means, with respect to any share of Restricted Stock or any Restricted Stock Unit, the period of time determined by the Committee during which such Award is subject to the restrictions set forth in Section 10.

(ee) **Restricted Stock** means an Award of Restricted Stock granted under Section 10 of the Plan.

(ff) **Restricted Stock Unit** means a hypothetical investment equal to one share of Stock granted in connection with an Award made under Section 10 of the Plan.

(gg) **Securities Act** means the Securities Act of 1933, as amended.

(hh) **Stock** means the Common Stock or such other authorized shares of stock of the Company as from time to time may be authorized for use under the Plan.

(ii) **Stock Appreciation Right** or **SAR** means an Award granted under Section 8 of the Plan.

(jj) **Stock Bonus** means an Award granted under Section 11 of the Plan.

(kk) **Stock Option Agreement** means the agreement between the Company and a Participant who has been granted an Option pursuant to Section 7 which defines the rights and obligations of the parties as required in Section 7(d).

(ll) **Vested Unit** shall have the meaning ascribed thereto in Section 10(e).

3. **Effective Date, Duration and Shareholder Approval.** The Plan shall be effective as of May 13, 2009. The effectiveness of the Plan and the validity of any and all Awards granted hereunder is contingent upon approval of the Plan by the stockholders of the Company in a manner which complies with (i) Section 422(b)(1) and, to the extent provided in Section 16 herein, Section 162(m) of the Code and (ii) if listed, the requirements of the national securities exchange with which the Stock is listed. Unless and until the stockholders approve the Plan in compliance with the applicable requirements, no Award granted hereunder shall be effective. The expiration date of the Plan, after which no Awards may be granted hereunder, shall be May 13, 2019; provided, however, that the administration of the Plan shall continue in effect until all matters relating to the payment of Awards previously granted have been settled.

4. **Administration.** The Plan shall be administered by the full Board or the Committee, provided that the Committee shall be composed of at least two persons, each member of which, at the time he takes any action with respect to an Award under the Plan, shall be a Non-Employee Director; and further provided, that to the extent that the Company determines that an Award is intended to comply with Section 162(m) of the Code, the Plan shall be administered by a Qualified Committee. The majority of the members of the Committee shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present or acts approved in writing by a majority of the Committee shall be deemed the acts of the Committee. Subject to the provisions of the Plan, the Committee shall have exclusive power to:

- (a) select the Eligible Persons to participate in the Plan;
- (b) determine the nature and extent of the Awards to be made to each Participant;
- (c) determine the time or times when Awards will be made to Participants;

A-3

---

**Table of Contents**

- (d) determine the duration of each Award Period and Restricted Period;
- (e) determine the conditions to which the payment of Awards may be subject;
- (f) establish the Performance Goals for each Award Period;
- (g) prescribe the form of Stock Option Agreement or other form or forms evidencing Awards; and
- (h) cause records to be established in which there shall be entered, from time to time as Awards are made to Participants, the date of each Award, the number of Incentive Stock Options, Nonqualified Stock Options, SARs, Restricted Stock Units, Performance Share Units, shares of Restricted Stock and Stock Bonuses awarded by the Committee to each Participant, the expiration date, the Award Period and the duration of any applicable Restricted Period.

The Committee shall have the authority, subject to the provisions of the Plan, to establish, adopt, or revise such rules and regulations and to make all such determinations relating to the Plan as it may deem necessary or advisable for the administration of the Plan. The Committee's interpretation of the Plan or any documents evidencing Awards granted pursuant thereto and all decisions and determinations by the Committee with respect to the Plan shall be final, binding, and conclusive on all parties unless otherwise determined by the Board.

5. Grant of Awards; Shares Subject to the Plan. The Committee may, from time to time, grant Awards of Options, Stock Appreciation Rights, Restricted Stock Units, Performance Share Units, shares of Restricted Stock, Stock Bonuses to one or more Eligible Persons; provided, however, that:

- (a) Subject to Section 13, the aggregate number of shares of Stock which may be made subject to all Awards shall be equal to the sum of (i) 750,000 shares of Common Stock plus (ii) the number of shares of Stock granted under the Company's Fifth Amended and Restated 1999 Equity Incentive Plan, as amended, that are not exercised or are forfeited, lapse or expire, or otherwise terminate without delivery of any Stock subject thereto, to the extent such Stock would otherwise again have been available for issuance under such Fifth Amended and Restated 1999 Equity Incentive Plan, as amended. The number of Full Value Awards may not exceed the sum of (i) 750,000 shares of Common Stock plus (ii) the number of shares of Full Value Awards permitted under the Company's Fifth Amended and Restated 1999 Equity Incentive Plan, as amended, that have not been granted to an Eligible Person, to the extent such Stock would otherwise again have been available for issuance under such Fifth Amended and Restated 1999 Equity Incentive Plan. Any and all shares of Stock that may be made subject to Awards are authorized to be issued pursuant to Incentive Stock Options;
- (b) Such shares shall be deemed to have been used in payment of Awards whether they are actually delivered or the Fair Market Value equivalent of such shares is paid in cash. In the event any Option, SAR not attached to an Option, Restricted Stock, Restricted Stock Unit or Performance Share Unit shall be surrendered, terminate, expire, or be forfeited, the number of shares of Stock no longer subject thereto shall thereupon be released and shall thereafter be available for new Awards under the Plan;
- (c) Stock delivered by the Company in settlement of Awards under the Plan may be authorized and unissued Stock or Stock held in the treasury of the Company or may be purchased on the open market or by private purchase; and
- (d) The Committee may, in its sole discretion, require a Participant to pay consideration for an Award in an amount and in a manner as the Committee deems appropriate.

6. Eligibility. Participation shall be limited to Eligible Persons who have received written notification from the Committee, or from a person designated by the Committee, that they have been selected to participate in the Plan.

7. Discretionary Grant of Stock Options. The Committee is authorized to grant one or more Incentive Stock Options or Nonqualified Stock Options to any Eligible Person; provided, however, that no Incentive Stock Options shall be granted to any Eligible Person who is not an employee of the Company or a Related Entity. Each

**Table of Contents**

Option granted shall be subject to the following conditions, or to such other conditions as may be reflected in the applicable Stock Option Agreement:

(a) Option Price. The exercise price ( Option Price ) per share of Stock for each Option shall be set by the Committee at the time of grant; provided, however, that no Option shall be granted with a per share exercise price that is less than the Fair Market Value of a share of Stock at the Date of Grant.

(b) Manner of Exercise and Form of Payment. Options which have become exercisable may be exercised by delivery of written notice of exercise to the Committee accompanied by payment of the Option Price. The Option Price shall be payable in cash and/or shares of Stock valued at the Fair Market Value on the date the Option is exercised or, in the discretion of the Committee, either (i) in other property having a fair market value on the date of exercise equal to the Option Price, or (ii) by delivering to the Committee a copy of irrevocable instructions to a stockbroker to deliver promptly to the Company an amount of sale or loan proceeds sufficient to pay the Option Price.

(c) Option Period and Expiration. Options shall vest and become exercisable in such manner and on such date or dates determined by the Committee and shall expire after such period, not to exceed ten years from the Date of Grant, as may be determined by the Committee (the Option Period ), provided, however, that notwithstanding any vesting dates set by the Committee, the Committee may in its sole discretion accelerate the exercisability of any Option, which acceleration shall not affect the terms and conditions of any such Option other than with respect to exercisability. If an Option is exercisable in installments, such installments or portions thereof which become exercisable shall remain exercisable until the Option expires.

Unless otherwise stated in the applicable Option Agreement, the Option shall expire earlier than the end of the Option Period in the following circumstances:

(i) If prior to the end of the Option Period, the Holder shall undergo a Normal Termination, the Option shall expire on the earlier of the last day of the Option Period or the date that is thirty days after the date of such Normal Termination. In such event, the Option shall remain exercisable by the Holder until its expiration, only to the extent the Option was exercisable at the time of such Normal Termination.

(ii) If the Holder dies prior to the end of the Option Period and while still in the employ or service of the Company or any Related Entity or within thirty days of Normal Termination, the Option shall expire on the earlier of the last day of the Option Period or the date that is thirty days after the date of death of the Holder. In such event, the Option shall remain exercisable by the person or persons to whom the Holder's rights under the Option pass by will or the applicable laws of descent and distribution until its expiration, only to the extent the Option was exercisable by the Holder at the time of death.

(iii) If the Holder ceases to be Eligible Person for reasons other than Normal Termination or death, the Option shall expire immediately upon such cessation of the Holder's status as an Eligible Person.

(d) Stock Option Agreement Other Terms and Conditions. Each Option granted under the Plan shall be evidenced by a Stock Option Agreement, which shall contain such provisions as may be determined by the Committee and, except as may be specifically stated otherwise in such Stock Option Agreement, which shall be subject to the following terms and conditions:

(i) Each Option issued pursuant to this Section 7 or portion thereof that is exercisable shall be exercisable for the full amount or for any part thereof.

(ii) Each share of Stock purchased through the exercise of an Option issued pursuant to this Section 7 shall be paid for in full at the time of the exercise. Each Option shall cease to be exercisable, as to any share of Stock, when the Holder purchases the share or exercises a related SAR or when the Option expires.

(iii) Subject to Section 12(k), Options issued pursuant to this Section 7 shall not be transferable by the Holder except by will or the laws of descent and distribution and shall be exercisable during the Holder's lifetime only by such Holder.

**Table of Contents**

(iv) Each Option issued pursuant to this Section 7 shall vest and become exercisable by the Holder in accordance with the vesting schedule established by the Committee and set forth in the Stock Option Agreement.

(v) Each Stock Option Agreement may contain a provision that, upon demand by the Committee for such a representation, the Holder shall deliver to the Committee at the time of any exercise of an Option issued pursuant to this Section 7 a written representation that the shares to be acquired upon such exercise are to be acquired for investment and not for resale or with a view to the distribution thereof. Upon such demand, delivery of such representation prior to the delivery of any shares issued upon exercise of an Option issued pursuant to this Section 7 shall be a condition precedent to the right of the Holder or such other person to purchase any shares. In the event certificates for Stock are delivered under the Plan with respect to which such investment representation has been obtained, the Committee may cause a legend or legends to be placed on such certificates to make appropriate reference to such representation and to restrict transfer in the absence of compliance with applicable federal or state securities laws.

(vi) Each Incentive Stock Option Agreement shall contain a provision requiring the Holder to notify the Company in writing immediately after the Holder makes a disqualifying disposition of any Stock acquired pursuant to the exercise of such Incentive Stock Option. A disqualifying disposition is any disposition (including any sale) of such Stock before the later of (a) two years after the Date of Grant of the Incentive Stock Option or (b) one year after the date the Holder acquired the Stock by exercising the Incentive Stock Option.

(e) Incentive Stock Option Grants to 10% Stockholders. Notwithstanding anything to the contrary in this Section 7, if an Incentive Stock Option is granted to a Holder who owns stock representing more than ten percent of the voting power of all classes of stock of the Company or of a Related Entity, the Option Period shall not exceed five years from the Date of Grant of such Option and the Option Price shall be at least 110 percent of the Fair Market Value (on the Date of Grant) of the Stock subject to the Option.

(f) \$100,000 Per Year Limitation for Incentive Stock Options. To the extent the aggregate Fair Market Value (determined as of the Date of Grant) of Stock for which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and its Subsidiaries) exceeds \$100,000, such excess Incentive Stock Options shall be treated as Nonqualified Stock Options.

(g) Prohibition on Option Repricing. Subject to Section 13, without the prior approval of the Company's stockholders, the Company shall not, and the Committee shall not authorize the Company to, (i) amend any outstanding Option to reduce its Option Price or (ii) cancel any Option and replace it with the grant of any new Award with a higher intrinsic value. This prohibition on Option repricing shall not be construed to prohibit the adjustments for extraordinary changes in the Company's capital structure that are otherwise permitted under Section 13 of this Plan.

8. Stock Appreciation Rights. Any Option granted under the Plan may include SARs, either at the Date of Grant or, except in the case of an Incentive Stock Option, by subsequent amendment. The Committee also may award SARs independent of any Option. A SAR shall confer on the Holder thereof the right to receive in shares of Stock, cash or a combination thereof the value equal to the excess of the Fair Market Value of one share of Stock on the date of exercise over the exercise price for the SAR, with respect to every share of Stock for which the SAR is granted. An SAR shall be subject to such terms and conditions not inconsistent with the Plan as the Committee shall impose, including, but not limited to, the following:

(a) Vesting. SARs granted in connection with an Option shall become exercisable, be transferable and shall expire according to the same vesting schedule, transferability rules and expiration provisions as the corresponding Option. A SAR granted independent of an Option shall become exercisable, be transferable and shall expire in accordance with a vesting schedule, transferability rules and expiration provisions as established by the Committee and reflected in an



Award agreement.

(b) Automatic Exercise. If on the last day of the Option Period (or in the case of a SAR independent of an Option, the period established by the Committee after which the SAR shall expire), the Fair Market Value of the Stock exceeds the Option Price (or in the case of an SAR granted independent of an Option, the Fair Market

A-6

---

**Table of Contents**

Value of the Stock on the Date of Grant), the Holder has not exercised the SAR or the corresponding Option, and neither the SAR nor the corresponding Option has expired, such SAR shall be deemed to have been exercised by the Holder on such last day and the Company shall make the appropriate payment therefor.

(c) Payment. Upon the exercise of a SAR, the Company shall pay to the Holder an amount equal to the number of shares subject to the SAR multiplied by the excess, if any, of the Fair Market Value of one share of Stock on the exercise date over the Option Price, in the case of an SAR granted in connection with an Option, or the Fair Market Value of one share of Stock on the Date of Grant, in the case of a SAR granted independent of an Option. The Company shall pay such excess in cash, in shares of Stock valued at Fair Market Value, or any combination thereof, as determined by the Committee. Fractional shares shall be settled in cash.

(d) Method of Exercise. A Holder may exercise a SAR after such time as the SAR vests by filing an irrevocable written notice with the Committee or its designee, specifying the number of SARs to be exercised, and the date on which such SARs were awarded.

(e) Expiration. Each SAR shall cease to be exercisable, as to any share of Stock, when the Holder exercises the SAR or exercises a related Option, with respect to such share of Stock. Except as otherwise provided, in the case of SARs granted in connection with Options, a SAR shall expire on a date designated by the Committee which is not later than seven years after the Date of Grant of the SAR. In the case of SARs granted independent of Options, a SAR shall expire on a date designated by the Committee which is not later than ten years after the Date of Grant of the SAR.

(f) Prohibition on SAR Repricing. Subject to Section 13, without the prior approval of the Company's stockholders, the Company shall not, and the Committee shall not authorize the Company to, (i) amend any outstanding SAR to reduce its exercise price or (ii) cancel any SAR and replace it with the grant of any new Award with a higher intrinsic value. This prohibition on SAR repricing shall not be construed to prohibit the adjustments for extraordinary changes in the Company's capital structure that are otherwise permitted under Section 13 of this Plan.

(g) Fair Market Value. No SAR shall be granted with an exercise price that is less than the Fair Market Value of a share of Stock at the Date of Grant of the SAR.

9. Performance Share Units.

(a) Award Grants. The Committee is authorized to establish Performance Share Unit programs to be effective over designated Award Periods determined by the Committee. The Committee may grant Performance Share Units to Eligible Persons in accordance with such Performance Share Unit programs. At the beginning of each Award Period, the Committee will establish written Performance Goals based upon financial objectives for the Company for such Award Period and a schedule relating the accomplishment of the Performance Goals to the Awards to be earned by Participants. Performance Goals may include absolute or relative growth in earnings per share or rate of return on stockholders' equity or other measurement of corporate performance and may be determined on an individual basis or by categories of Participants. The Committee shall determine the number of Performance Share Units to be awarded, if any, to each Eligible Person who is selected to receive such an Award. The Committee may add new Participants to a Performance Share program after its commencement by making pro rata grants.

(b) Determination of Award. At the completion of an Award Period, or at other times as specified by the Committee, the Committee shall calculate the number of shares of Stock earned with respect to each Participant's Performance Share Units by multiplying the number of Performance Share Units granted to the Participant by a performance factor representing the degree of attainment of the Performance Goals.

(c) Partial Awards. A Participant for less than a full Award Period, whether by reason of commencement or termination of employment or otherwise, shall receive such portion of an Award, if any, for that Award Period as the Committee shall determine.

(d) Form of Payment. Performance Share Units shall be payable in that number of shares of Stock determined in accordance with Section 9(b); provided, however, that, at its discretion, the Committee may make payment to any Participant in the form of cash upon the specific request of such Participant. The amount of any

A-7

---

**Table of Contents**

payment made in cash shall be based upon the Fair Market Value of the Stock on the day of payment. Payments of Performance Share Units shall be made as soon as practicable after the completion of an Award Period, but in no event later than two and one half months after the end of the calendar year in which the Award Period ends.

(e) Adjustment of Performance Goals. The Committee may, during the Award Period, make such adjustments to Performance Goals as it may deem appropriate, to compensate for, or reflect, (i) extraordinary or non-recurring events experienced during an Award Period by the Company or by any Related Entity whose performance is relevant to the determination of whether Performance Goals have been attained; (ii) any significant changes that may have occurred during such Award Period in applicable accounting rules or principles or changes in the Company's method of accounting or in that of any Related Entity whose performance is relevant to the determination of whether an Award has been earned or (iii) any significant changes that may have occurred during such Award Period in tax laws or other laws or regulations that alter or affect the computation of the measures of Performance Goals used for the calculation of Awards; provided, however, that with respect to Performance Share Units intended to qualify as performance-based compensation under Section 162(m) of the Code, such adjustments shall be made only to the extent that the Committee determines that such adjustments may be made without a loss of deductibility of the compensation includible with respect to such Award under Section 162(m) of the Code.

10. Restricted Stock and Restricted Stock Units.

(a) Award of Restricted Stock and Restricted Stock Units.

(i) The Committee shall have the authority (A) to grant Restricted Stock and Restricted Stock Units, (B) to issue or transfer Restricted Stock to Eligible Persons, and (C) to establish terms, conditions and restrictions applicable to such Restricted Stock and Restricted Stock Units, including the Restricted Period, which may differ with respect to each grantee, the time or times at which Restricted Stock or Restricted Stock Units shall be granted or become vested and the number of shares or units to be covered by each grant.

(ii) The Holder of Restricted Stock shall execute and deliver to the Company an Award agreement with respect to the Restricted Stock setting forth the restrictions applicable to such Restricted Stock. If the Committee determines that the Restricted Stock shall be held in escrow rather than delivered to the Holder pending the release of the applicable restrictions, the Holder additionally shall execute and deliver to the Company (A) an escrow agreement satisfactory to the Committee, and (B) the appropriate blank stock powers with respect to the Restricted Stock covered by such agreements. If a Holder shall fail to execute a Restricted Stock agreement and, if applicable, an escrow agreement and stock powers, the Award shall be null and void. Subject to the restrictions set forth in Section 10(b), the Holder shall generally have the rights and privileges of a stockholder as to such Restricted Stock, including the right to vote such Restricted Stock. Cash dividends and stock dividends with respect to the Restricted Stock shall be currently paid to the Holder.

(iii) Upon the Award of Restricted Stock, the Committee shall either (i) cause a stock certificate registered in the name of the Holder to be issued and, if it so determines, deposited together with the stock powers with an escrow agent designated by the Committee, or (ii) issue such Stock to be held in a restricted book entry account in the name of the Holder. If an escrow arrangement is used, the Committee shall cause the escrow agent to issue to the Holder a receipt evidencing any stock certificate held by it registered in the name of the Holder.

(iv) The terms and conditions of a grant of Restricted Stock Units shall be reflected in a written Award agreement. No shares of Stock shall be issued at the time a Restricted Stock Unit Award is made, and the Company will not be required to set aside a fund for the payment of any such Award.

(b) Restrictions.

(i) Restricted Stock awarded to a Participant shall be subject to the following restrictions until the expiration of the Restricted Period, and to such other terms and conditions as may be set forth in the applicable Award agreement:  
(A) if a stock certificate registered in the name of the Holder is issued and an escrow arrangement is used, the Holder shall not be entitled to delivery of the stock certificate; (B) the shares shall be subject to the restrictions on transferability set forth in the Award agreement; (C) the shares shall be subject to

A-8

---

**Table of Contents**

forfeiture to the extent provided in subparagraph (d) and the Award Agreement and, to the extent such shares are forfeited, the stock certificates, if any, shall be returned to the Company, and all rights of the Holder to such shares and as a stockholder shall terminate without further obligation on the part of the Company.

(ii) Restricted Stock Units awarded to any Participant shall be subject to (A) forfeiture until the expiration of the Restricted Period, to the extent provided in subparagraph (d) and the Award agreement, and to the extent such Awards are forfeited, all rights of the Holder to such Awards shall terminate without further obligation on the part of the Company and (B) such other terms and conditions as may be set forth in the applicable Award agreement.

(c) Restricted Period. The Restricted Period of Restricted Stock and Restricted Stock Units shall commence on the Date of Grant and shall expire from time to time as to that part of the Restricted Stock and Restricted Stock Units indicated in a schedule established by the Committee and set forth in a written Award agreement. Notwithstanding the foregoing, the Committee shall have the authority to accelerate the end of the Restricted Period on the Restricted Stock and Restricted Stock Units whenever it may determine that, by reason of changes in applicable laws or other changes in circumstances arising after the Date of Grant such action is appropriate.

(d) Forfeiture Provisions. Except to the extent determined by the Committee and reflected in the underlying Award agreement, in the event a Holder terminates their status as an Eligible Person during a Restricted Period for any reason, that portion of the Award with respect to which restrictions have not expired shall be completely forfeited to the Company.

(e) Delivery of Restricted Stock and Settlement of Restricted Stock Units. Upon the expiration of the Restricted Period with respect to any shares of Stock covered by a Restricted Stock Award, the restrictions set forth in Section 10(b) and the Award agreement shall be of no further force or effect with respect to shares of Restricted Stock which have not then been forfeited. If an escrow arrangement is used, upon such expiration, the Company shall deliver to the Holder, or the Holder's beneficiary, without charge, the stock certificate evidencing the shares of Restricted Stock which have not then been forfeited and with respect to which the Restricted Period has expired (to the nearest full share) and any cash dividends or stock dividends credited to the Holder's account with respect to such Restricted Stock and the interest thereon, if any. If the shares of Stock are held in a restricted book entry account in the name of the Holder, upon such expiration, the Company shall remove the restrictions of such restricted book entry account for such shares of Restricted Stock which have not been forfeited and with respect to which the Restricted Period has expired (to the nearest full share) and any cash dividend or stock dividends credited to the Holders' account with respect to such Restricted Stock and the interest thereon, if any.

As soon as administratively feasible, but in no event later than two and one half months after the end of the calendar year in which such occurs, upon the expiration of the Restricted Period with respect to any Restricted Stock Units the Company shall deliver to the Holder, or the Holder's beneficiary, without charge, one share of Stock for each Restricted Stock Unit which has not then been forfeited and with respect to which the Restricted Period has expired ( Vested Unit ); provided, however, that, if so noted in the applicable Award agreement, the Committee may, in its sole discretion, elect to pay cash or part cash and part Stock in lieu of delivering only Stock for Vested Units. If cash payment is made in lieu of delivering Stock, the amount of such payment shall be equal to the Fair Market Value of the Stock as of the date on which the Restricted Period lapsed with respect to such Vested Unit.

(f) Stock Restrictions. Each certificate representing Restricted Stock awarded under the Plan shall bear the following legend until the end of the Restricted Period with respect to such Stock:

Transfer of this certificate and the shares represented hereby is restricted pursuant to the terms of a Restricted Stock Agreement, dated as of \_\_\_\_\_ between Wright Medical Group, Inc. and \_\_\_\_\_. A copy of such Agreement is on file at the offices of the Company at 5677 Airline Road, Arlington, Tennessee 38002.

Stop transfer orders shall be entered with the Company's transfer agent and registrar against the transfer of legended securities.

11. Stock Bonus. The Committee may issue unrestricted Stock to Eligible Persons, alone or in tandem with other Awards, in such amounts and subject to such terms and conditions as the Committee shall from time to time in

A-9

---

**Table of Contents**

its sole discretion determine. A Stock Bonus shall be granted as or in payment of a bonus, to provide incentives, or to recognize special achievements or contributions.

12. General.

(a) Additional Provisions of an Award. Awards may be subject to such other provisions (whether or not applicable to the benefit awarded to any other Participant) as the Committee determines appropriate including, without limitation, provisions to assist the Participant in financing the purchase of Stock upon the exercise of Options, provisions for the forfeiture of or restrictions on resale or other disposition of shares of Stock acquired under any Award, provisions giving the Company the right to repurchase shares of Stock acquired under any Award in the event the Participant elects to dispose of such shares, and provisions to comply with Federal and state securities laws and Federal and state tax withholding requirements. Any such provisions shall be reflected in the applicable Award agreement.

(b) Privileges of Stock Ownership. Except as otherwise specifically provided in the Plan, no person shall be entitled to the privileges of stock ownership in respect of shares of Stock which are subject to Awards hereunder until such shares have been issued to that person.

(c) Government and Other Regulations. The obligation of the Company to make payment of Awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Award to the contrary, the Company shall be under no obligation to offer to sell or to sell and shall be prohibited from offering to sell or selling any shares of Stock pursuant to an Award unless such shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale under the Securities Act any of the shares of Stock to be offered or sold under the Plan. If the shares of Stock offered for sale or sold under the Plan are offered or sold pursuant to an exemption from registration under the Securities Act, the Company may restrict the transfer of such shares and may legend the Stock certificates representing such shares in such manner as it deems advisable to ensure the availability of any such exemption.

(d) Tax Withholding. Notwithstanding any other provision of the Plan, the Company or any Related Entity, as appropriate, shall have the right to deduct from all Awards cash and/or Stock, valued at Fair Market Value on the date of payment, in an amount necessary to satisfy all Federal, state or local taxes as required by law to be withheld with respect to such Awards and, in the case of Awards paid in Stock, the Holder or other person receiving such Stock may be required to pay prior to delivery of such Stock, the amount of any such taxes which are required to be withheld, if any, with respect to such Stock. Subject in particular cases to the disapproval of the Committee, shares of Stock of equivalent Fair Market Value in payment of such withholding tax obligations may be accepted if the Holder of the Award elects to make payment in such manner.

(e) Claim to Awards and Employment Rights. No employee or other person shall have any claim or right to be granted an Award under the Plan or, having been selected for the grant of an Award, to be selected for a grant of any other Award. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the employ or service of the Company or any Related Entity.

(f) Designation and Change of Beneficiary. Each Participant may file with the Committee a written designation of one or more persons as the beneficiary who shall be entitled to receive the rights or amounts payable with respect to an Award due under the Plan upon the Participant's death. A Participant may, from time to time, revoke or change the Participant's beneficiary designation without the consent of any prior beneficiary by filing a new designation with the



Committee. The last such designation received by the Committee shall be controlling; provided, however, that no designation, or change or revocation thereof, shall be effective unless received by the Committee prior to the Participant's death, and in no event shall it be effective as of a date prior to such receipt. If no beneficiary designation is filed by the Participant, the beneficiary shall be deemed to be the Participant's spouse, if the Participant is unmarried at the time of death, the Participant's estate.

A-10

---

**Table of Contents**

(g) Payments to Persons other Than Participants. If the Committee shall find that any person to whom any amount is payable under the Plan is unable to care for such person's affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or such person's estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs, be paid to such person's spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(h) No Liability of Committee Members. No member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on such member's behalf in such member's capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each member of the Committee and each other employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or willful bad faith; provided, however, that approval of the Board shall be required for the payment of any amount in settlement of a claim against any such person. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's certificate of incorporation or bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

(i) Governing Law. The Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware without regard to the principles of conflicts of law thereof.

(j) Funding. No provision of the Plan shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Holders shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(k) Non-transferability. A person's rights and interest under the Plan, including amounts payable, may not be sold, assigned, donated, or transferred or otherwise disposed of, mortgaged, pledged or encumbered except, in the event of a Holder's death, to a designated beneficiary to the extent permitted by the Plan, or in the absence of such designation, by will or the laws of descent and distribution; provided, however, the Committee may, in its sole discretion, allow for transfer of Awards other than Incentive Stock Options to other persons or entities. Notwithstanding the foregoing provision, in no event may an Award be transferred by a grantee for value.

(l) Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying, acting or failing to act, and shall not be liable for having so relied, acted or failed to act in good faith, upon any report made by the independent public accountant of the Company and any Related Entity and upon any other information furnished in connection with the Plan by any person or persons other than himself.

(m) Relationship to Other Benefits. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company except as otherwise specifically provided in such other plan.

(n) Expenses. The expenses of administering the Plan shall be borne by the Company.

(o) Pronouns. Masculine pronouns and other words of masculine gender shall refer to both men and women.

(p) Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings shall control.

13. Changes in Capital Structure. Awards granted under the Plan and any agreements evidencing such Awards, the maximum number of shares of Stock subject to all Awards, and the maximum number of shares of Stock with respect to which any one person may be granted Options or SARs during any year, if applicable, shall be

**Table of Contents**

subject to equitable adjustment or substitution, as determined by the Committee in its sole discretion, as to the number, price or kind of a share of Stock or other consideration subject to such Awards (a) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the Date of Grant of any such Award or (b) in the event of any change in applicable laws or any change in circumstances which results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants in the Plan, or which otherwise warrants equitable adjustment because it interferes with the intended operation of the Plan. In addition, in the event of any such adjustment or substitution, the aggregate number of shares of Stock available under the Plan shall be appropriately adjusted by the Committee, whose determination shall be conclusive. With respect to Awards intended to qualify as performance-based compensation under Section 162(m) of the Code, such adjustments or substitutions shall be made only to the extent that the Committee determines that such adjustments or substitutions may be made without a loss of deductibility for such Awards under Section 162(m) of the Code. With respect to Awards of Stock rights intended to be excluded from the definition of deferred compensation under Code Section 409A, such adjustments or substitutions shall be made only to the extent that the adjustments or substitutions are made pursuant to Treas. Reg. § 1.409A-1(b)(5)(v)(D). The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

Notwithstanding the above, in the event of any of the following: (a) the Company is merged or consolidated with another corporation or entity and, in connection therewith, consideration is received by shareholders of the Company in a form other than stock or other equity interests of the surviving entity; (b) all or substantially all of the assets of the Company are acquired by another person; or (c) the reorganization or liquidation of the Company; then the Committee may, in its discretion and upon at least 10 days advance notice to the affected persons, cancel any outstanding Awards and pay to the Holders thereof, in cash, the value of such Awards based upon the price per share of Stock received or to be received by other shareholders of the Company in the event. The terms of this Section 13 may be varied by the Committee in any particular Award agreement.

14. Non-exclusivity of the Plan. Neither the adoption of this Plan by the Board nor the submission of this Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

15. Amendments and Termination. The Board may at any time terminate the Plan. Subject to Sections 7(g), 8(f) and 13, with the express written consent of an individual Participant, the Board or the Committee may cancel or reduce or otherwise alter outstanding Awards if, in its judgment, the tax, accounting, or other effects of the Plan or potential payouts thereunder would not be in the best interest of the Company. The Board or the Committee may, at any time, or from time to time, amend or suspend and, if suspended, reinstate, the Plan in whole or in part; provided, however, that any amendment of the Plan shall require the approval of the Company's stockholders to the extent that such approval is then required by the Plan, applicable law, the rules and regulations of the Securities and Exchange Commission, or the rules and regulations of any national securities exchange on which the Stock is then listed or any automated quotation system on which the Stock is then quoted.

16. Effect of Section 162(m) of the Code. The Plan, and all Awards issued thereunder, are intended to be exempt from the application of Section 162(m) of the Code, which restricts under certain circumstances the Federal income tax deduction for compensation paid by a public company to named executives in excess of \$1 million per year. The Committee may, without shareholder approval, amend the Plan retroactively and/or prospectively to the extent it determines necessary in order to comply with any subsequent clarification of Section 162(m) of the Code required to preserve the Company's Federal income tax deduction for compensation paid pursuant to the Plan. To the extent that

the Committee determines as of the Date of Grant of an Award that the Award is intended to comply with Section 162(m) of the Code, such Award shall not be effective until any stockholder approval required under Section 162(m) of the Code to provide a full Federal income tax deduction has been obtained.

A-12

---

**Table of Contents**

17. Compliance with Section 409A.

(a) This Plan shall at all times be administered and the provisions of this Plan shall be interpreted consistent with the requirements of Section 409A of the Code and any and all regulations thereunder, including such regulations as may be promulgated after the effective date of this Plan. Without limiting the foregoing, for purposes of Section 409A of the Code,

(i) each payment (as defined by Section 409A of the Code) made under this Plan or an Award shall be considered a separate payment;

(ii) payments shall be deemed exempt from the definition of deferred compensation under Section 409A of the Code to the fullest extent possible under (i) the short-term deferral exemption of Treasury Regulation § 1.409A-1(b)(4), and (ii) with respect to amounts paid as separation pay no later than the second calendar year following the calendar year containing the participant's separation from service (as defined for purposes of Section 409A of the Code) the two years/two-times separation pay exemption of Treasury Regulation § 1.409A-1(b)(9)(iii), which are hereby incorporated by reference, and

(iii) if the Participant is a specified employee as defined in Section 409A of the Code (and as applied according to procedures of the Company and its affiliates) as of the Participant's separation from service, to the extent any payment under the Plan or an Award constitutes deferred compensation (after taking into account any applicable exemptions from Section 409A of the Code) and to the extent required by Section 409A of the Code, no payments due under the Plan or an Award may be made until the earlier of: (i) the first day of the seventh month following the Participant's separation from service, or (ii) the Participant's date of death; provided, however, that any payments delayed during this six-month period shall be paid in the aggregate in a lump sum, without interest, on the first day of the seventh month following the Participant's separation from service. To the extent that the payment terms for an Award are otherwise set forth in a written employment agreement or change in control agreement with a specified employee (or other Company plan applicable to the specified employee) and such payment terms otherwise meet the requirements of Section 409A of the Code and the application of such terms does not result in a violation of Section 409A of the Code, the foregoing payment terms shall be disregarded and the payment terms set forth in the applicable agreement or plan shall apply.

(b) If this Plan or any Award fails to meet the requirements of Section 409A of the Code, neither the Company nor any of its affiliates shall have any liability for any tax, penalty or interest imposed on the Participant by Section 409A of the Code, and the Participant shall have no recourse against the Company or any of its affiliates for payment of any such tax, penalty or interest imposed by Section 409A of the Code.

IN WITNESS WHEREOF, the undersigned has caused the Plan to be executed on behalf of the Company as of May 13, 2009.

WRIGHT MEDICAL GROUP, INC.

By:

Gary D. Henley  
President and Chief Executive Officer

A-13

**Table of Contents**

---

**Table of Contents**

**Wright Medical Group, Inc.**      **5677 Airline Road, Arlington, Tennessee**      **901-867-9971**      **www.wmt.com**  
**38002**

April 15, 2009

Dear Stockholder:

It is a great pleasure to have this opportunity to provide you with our 2008 Annual Report and the Proxy Statement for our 2009 Annual Meeting of Stockholders. The Annual Report discusses our performance in 2008 as well as our business strategy for the future. The Proxy Statement provides you with information relating to the business to be conducted at our annual meeting on May 13, 2009.

**YOUR VOTE IS IMPORTANT!**

**You can submit your proxy in one of two ways:**

1. Call toll-free 1-800-PROXIES (1-800-776-9437) on a touch-tone telephone at any time and follow the instructions on the reverse side; or
2. Complete, sign, date, and return your proxy card in the accompanying envelope.

Thank you for your continued interest in, and ownership of, Wright Medical Group, Inc.

Sincerely,

Gary D. Henley  
President and Chief Executive Officer

**PROXY**

**PROXY**

**WRIGHT MEDICAL GROUP, INC.**  
**2009 ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD ON MAY 13, 2009**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The 2009 Annual Meeting of Stockholders of Wright Medical Group, Inc. (the Company) will be held at the Embassy Suites Hotel, located at 1022 South Shady Grove Road, Memphis, Tennessee, on May 13, 2009, beginning at 9:00 a.m. (Central Time). The undersigned hereby acknowledges receipt of the combined Notice of 2009 Annual Meeting of Stockholders and Proxy Statement dated April 15, 2009, accompanying this proxy, to which reference is hereby made for further information regarding the meeting and the matters to be considered and voted on by the stockholders at the meeting.

The undersigned hereby appoints Gary D. Henley, John K. Bakewell, and Jason P. Hood, and each of them, attorneys and agents, with full power of substitution, to vote, as the undersigned's proxy, all the shares of common stock of the Company owned of record by the undersigned as of the record date and otherwise to act on behalf of the undersigned at the meeting and any postponement or adjournment thereof, in accordance with the instructions set forth herein and with discretionary authority with respect to any other business, not known or determined at the time of the solicitation of this proxy, that properly comes before such meeting or any postponement or adjournment thereof.

The undersigned hereby revokes any proxy heretofore given and directs said attorneys and agents to vote or act as indicated on the reverse side hereof.

**(Continued and to be signed on the reverse side)**



**Table of Contents**

**2009 ANNUAL MEETING OF STOCKHOLDERS  
OF  
WRIGHT MEDICAL GROUP, INC.  
May 13, 2009  
PROXY VOTING INSTRUCTIONS**

**TELEPHONE** Please call toll-free **1-800-PROXIES (1-800-776-9437)** in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your control number and proxy card available when you call.

OR

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

OR

**IN PERSON** You may vote your shares in person by attending the Annual Meeting.

**COMPANY NUMBER** \_\_\_\_\_

**ACCOUNT NUMBER** \_\_\_\_\_

You may enter your voting instructions as 1-800-PROXIES in the United States or 1-718-921-8500 from foreign countries up until 11:59 PM (Eastern Time) the day before the meeting date.

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:** The Notice of Meeting, proxy statement and proxy card are available at [www.wmt.com/proxy](http://www.wmt.com/proxy).

6 Please detach along perforated line and mail in the envelope provided **IF** you are not voting via telephone. 6

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR* THE PROPOSALS.  
PLEASE SIGN, DATE, AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.  
PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE. ý**

1. To elect directors to serve on our Board of Directors for a term of one year.

- FOR ALL NOMINEES
- WITHHOLD AUTHORITY FOR ALL NOMINEES
- FOR ALL NOMINEES EXCEPT (See instruction below.)

NOMINEES:    ;    Gary D. Blackford  
                  ;    Martin J. Emerson  
                  ;    Lawrence W. Hamilton  
                  ;    Gary D. Henley  
                  ;    John L. Micolot  
                  ;    Amy S. Paul  
                  ;    Robert J. Quillinan  
                  ;    David D. Stevens

**INSTRUCTION:** To withhold authority to vote for any individual nominee(s), mark **FOR ALL NOMINEES EXCEPT** and fill in the circle next to each nominee from whom you wish to withhold your vote as shown here: 1

2. To ratify the selection of KPMG LLP as our independent auditor for 2009.

FOR             AGAINST            ABSTAIN

---

**Table of Contents**

3. To approve our 2009 Equity Incentive Plan.

FOR       AGAINST       ABSTAIN

With respect to any other item of business that properly comes before the meeting, the proxy holders are authorized to vote the undersigned's shares in accordance with their best judgment.

**THIS PROXY IS SOLICITED ON BEHALF OF OUR BOARD OF DIRECTORS AND WILL BE VOTED IN ACCORDANCE WITH THE UNDERSIGNED'S INSTRUCTIONS SET FORTH HEREIN. IF NO INSTRUCTIONS ARE PROVIDED, THIS PROXY WILL BE VOTED *FOR* EACH OF THE PROPOSALS DESCRIBED ABOVE.**

To change the address on your account, please check the box at right and indicate your new address in the address space provided 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. If the shares are held jointly, each holder should sign. If signing as executor, administrator, attorney, trustee, or guardian, please indicate your full title as such. If the shares are held by a corporation, partnership, or limited liability company, please sign the full name of the entity by the duly authorized officer, partner, or member, respectively.