WRIGHT MEDICAL GROUP INC
Form DEF 14A
April 15, 2009

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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 þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

þ Definitive Proxy Statement

o Definitive Additional Materials

o 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):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(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:

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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.

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

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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.

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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 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.

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.

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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(1, 2, 3)	Percentage of Shares Outstanding(4)
Directors and Executive Officers:		
Gary D. Henley	265,625	*
John K. Bakewell	177,308	*
Paul R. Kosters	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.(5) 605 Third Avenue New York, NY 10158	3,062,651	8.05%
Wells Fargo & Company(6) 420 Montgomery Street San Francisco, CA 94163	2,261,810	5.95%
Barclays Global Investors NA(7) 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. Kosters 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. Kosters 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.

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(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. Kosters 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.

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.* 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 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.* 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.* 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.

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.* 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 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.

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;

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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.

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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:

Name (Symbol)	Revenues (In millions)(1)	Market Cap (In millions)(2)	Number of Employees(1)
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 companies 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.

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

Name	Beginning Date	Ending Date
Gary D. Henley	April 2, 2009	April 2, 2012
Paul R. Kosters	March 1, 2007	N/A[1]

(1) Mr. Kosters employment agreement does not have a stated ending date; however, it can be terminated by Mr. Kosters 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 Kosters 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.

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

(1) Mr. Kosters compensation is paid in Euros. The exchange rate used to determine the U.S. Dollar equivalent of Mr. Kosters 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:

Position	2008 Target (% of base salary)	2009 Target (% of base salary)
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.

Performance Goal	2008 Target (% of bonus)	2009 Target (% of bonus)
Net Income[1]		40%
Revenue Growth	40-50%	40-50%
Free Cash Flow[1]		10-20%
Operating Income Growth[1]	20%	
Earning Per Share (EPS) Growth[1]	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:

Performance Goal	100% of target
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.

Name	Performance Incentive Bonus
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. Kosters, 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

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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. Kosters 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. Kosters 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. Kosters 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. Kosters:

	2008 (% of base salary)	**2009 (% of base salary)**
Target	45%	45%
Maximum	90%	90%

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

Performance Goal	**2008 Target (% of bonus)**	**2009 Target (% of bonus)**
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. Kosters control, we concluded that this performance component should be given less weight than operating income growth or revenue growth.

Mr. Kosters 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. Kosters 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. Kosters 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. Kosters 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. Kosters 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. Kosters 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

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 many 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

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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. Kosters 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. Kosters.

Name	Number of Options Granted	Grant Date Fair Value of Options Granted	Number of Shares of Restricted Stock Granted	Grant Date 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. Kosters	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.

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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.

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 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. Kosters 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. Kosters 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.

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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(1)			13,000	13,000	
	Stock option acceleration(2)			136,500	136,500	136,500
	Restricted stock acceleration(3)				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(1)			8,000	8,000	
	Stock option acceleration(2)			5,005	5,005	5,005
	Restricted stock acceleration(3)				439,245	439,245
	Total	$	$	$ 526,707	$ 965,952	$ 444,250
Paul R. Kosters	Salary(1)	$ 176,745	$ 176,745	$ 176,745	$ 176,745	$
	Stock option acceleration(2)			6,370	6,370	6,370
	Restricted stock acceleration(3)				365,227	365,227
	Phantom stock acceleration(3)				122,580	122,580
	Total	$ 176,745	$ 176,745	$ 183,115	$ 670,922	$ 494,177
Eric A. Stookey	Salary(1)	$	$	$ 346,985	$ 346,985	$
	Benefits continuation			23,599	23,599	
	Outplacement benefits			40,000	40,000	
	Other termination benefits(1)			8,000	8,000	
	Stock option acceleration(2)			3,640	3,640	3,640
	Restricted stock acceleration(3)				476,285	476,285

	Total	$	$	$ 422,224	$ 898,509	$ 479,925
Frank S. Bono	Salary[1]	$	$	$ 410,060	$ 410,060	$
	Benefits continuation			23,599	23,599	
	Outplacement benefits			40,000	40,000	
	Other termination benefits[1]			8,000	8,000	
	Stock option acceleration[2]					
	Restricted stock acceleration[3]				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.

(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.

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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.

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

(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. Kosters compensation is paid in Euros. The exchange rate used to determine the U.S. Dollar equivalent of Mr. Kosters 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.

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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	2008	$ 6,900	$ 2,400	$	$	$	$	$	$ 9,300
President and Chief	2007	6,750	9,600				6,336	90	22,776
Executive Officer	2006	6,600	7,200			44,391	3,953	24,752	86,896
John K. Bakewell	2008	6,900	2,100	1,500	1,556			754	12,810
Executive Vice President	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. Kosters(1)	2008	40,675	35,017						75,692
President, Europe, Middle East, and Africa	2007	34,225	31,138						65,363
Eric A. Stookey	2008	6,900	1,800						8,700
Vice President of North American Sales	2007	6,336	7,200						

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