GREATBATCH, INC.
Form DEF 14A
April 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x
Filed by a Party other than the Registrant ¨

Check the appropriate box:

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

GREATBATCH, INC.

(Name of Registrant as Specified In Its Charter)

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

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

GREATBATCH, INC.
10000 WEHRLE DRIVE
CLARENCE, NEW YORK 14031

April 13, 2009

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Greatbatch, Inc. which will be held on Friday, May 15, 2009 at 10:00 a.m. at the company's corporate offices at 10000 Wehrle Drive, Clarence, New York 14031.

Details of the business to be conducted at the Annual Meeting are given in the enclosed Notice of Annual Meeting and Proxy Statement. Included with the Proxy Statement is a copy of the company's 2008 Annual Report. We encourage you to read this document. It includes information on the company's operations, markets and products, as well as the company's audited financial statements.

Whether or not you attend the Annual Meeting, it is important that your shares be represented and voted. To make it easier for you to vote, we are offering Internet and telephone voting. The instructions included on your proxy card describe how to vote using these services. Of course, if you prefer, you can vote by mail by completing and signing your proxy card, and returning it in the enclosed postage-paid envelope provided.

We look forward to seeing you at the Annual Meeting.

Sincerely,

/s/ Bill R. Sanford

Bill R. Sanford
Chairman of the Board

/s/ Thomas J. Hook

Thomas J. Hook
President & Chief Executive Officer

GREATBATCH, INC.
10000 WEHRLE DRIVE
CLARENCE, NEW YORK 14031

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Greatbatch, Inc.:

The Annual Meeting of the Stockholders of Greatbatch, Inc. will be held at the company's corporate offices at 10000 Wehrle Drive, Clarence, New York 14031, on Friday, May 15, 2009 at 10:00 a.m. for the following purposes:

1. To elect ten directors for a term of one year and until their successors have been elected and qualified;

2. To approve the adoption of the Greatbatch, Inc. 2009 Stock Incentive Plan;

3. To ratify the appointment of Deloitte & Touche, LLP as the independent registered public accounting firm for Greatbatch, Inc. for fiscal year 2009; and

4. To consider and act upon other matters that may properly come before the Annual Meeting and any adjournments thereof.

Stockholders of record at 5:00 p.m., Eastern Standard Time, on April 2, 2009 are entitled to vote at the Annual Meeting.

By Order of the Board of Directors,

/s/ Timothy G. McEvoy

Timothy G. McEvoy
Vice President, General Counsel & Secretary

Clarence, New York
April 13, 2009

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE ANNUAL MEETING. YOU CAN VOTE YOUR SHARES BY PROXY BY USING ONE OF THE FOLLOWING METHODS: MARK, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE FURNISHED FOR THAT PURPOSE, OR VOTE BY TELEPHONE OR THE INTERNET USING THE INSTRUCTIONS ON THE ENCLOSED PROXY CARD. ANY PROXY MAY BE REVOKED IN THE MANNER DESCRIBED IN THE ACCOMPANYING PROXY STATEMENT AT ANY TIME PRIOR TO ITS EXERCISE AT THE ANNUAL MEETING OF STOCKHOLDERS. ANY STOCKHOLDER PRESENT AT THE MEETING MAY WITHDRAW HIS OR HER PROXY AND VOTE PERSONALLY ON ANY MATTER PROPERLY BROUGHT BEFORE THE MEETING.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 15, 2009

THE GREATBATCH, INC. 2009 PROXY STATEMENT AND 2008 ANNUAL REPORT ARE AVAILABLE AT
http://proxy.greatbatch.com

GREATBATCH, INC.
10000 WEHRLE DRIVE
CLARENCE, NEW YORK 14031

PROXY STATEMENT

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PROXY STATEMENT

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Greatbatch, Inc. (the "Company") of proxies in the accompanying form for use at the 2009 Annual Meeting of Stockholders or any adjournment or adjournments thereof. The Company will bear the expense of preparing, printing and mailing this proxy statement and the proxies solicited hereby. The Company has retained BNY Mellon Shareowner Services LLC, a proxy solicitation firm, to assist in the solicitation of proxies for the Annual Meeting for a fee of $7,500, plus out-of-pocket expenses.

The Annual Meeting of Stockholders of the Company will be held at 10:00 a.m. on May 15, 2009 at the Company's corporate offices located at 10000 Wehrle Drive, Clarence, New York 14031. The Company's mailing address is 10000 Wehrle Drive, Clarence, New York 14031, and its telephone number is (716) 759-5600.

This Proxy Statement and the accompanying form of proxy are first being sent to stockholders of record on or about April 13, 2009. A copy of the Company's 2008 Annual Report, including financial statements, has either previously been delivered or accompanies this Proxy Statement, but is not part of the proxy solicitation materials.

VOTING RIGHTS

Stockholders of record at 5:00 p.m., Eastern Time, on April 2, 2009 are entitled to vote at the Annual Meeting. At that time, the Company had outstanding 23,185,685 shares of common stock, $0.001 par value per share ("Common Stock"). Each share of Common Stock is entitled to one vote. An individual who has a beneficial interest in shares allocated to the Company stock fund account under the Greatbatch, Inc. 401(k) Retirement Plan (the "401(k) Plan") is entitled to vote the Common Stock allocated to that account.

Shares may not be voted at the meeting unless the owner is present or represented by proxy. A stockholder can be represented through the return of a physical proxy or by utilizing the telephone or Internet voting procedures. An individual with a beneficial interest in the 401(k) Plan may give directions to the trustee of the 401(k) Plan, or its designated representative, as to how the allocated shares should be voted by returning the proxy card or using the telephone or Internet voting methods. The telephone and Internet voting procedures are designed to authenticate stockholders by use of a control number and allow stockholders to confirm that their instructions have been properly recorded. The method by which you vote will in no way limit your right to vote at the Annual Meeting if you later decide to attend in person. A stockholder giving a proxy may revoke it at any time before it is exercised by giving written notice of such revocation or by delivering a later dated proxy, in either case, to Timothy G. McEvoy, the Company's Secretary, at the Company's mailing address set forth above, or by the vote of the stockholder in person at the Annual Meeting.

Proxies will be voted in accordance with the stockholder's direction, if any. Unless otherwise directed, proxies will be voted in favor of the election as directors of the persons named under the caption "NOMINEES FOR DIRECTOR," in favor of the approval of the Greatbatch, Inc. 2009 Stock Incentive Plan, and in favor of ratifying the appointment of Deloitte & Touche LLP ("Deloitte & Touche") as the independent registered public accounting firm of the Company for fiscal year 2009.

The presence in person or by proxy of the holders of a majority of the outstanding Common Stock will constitute a quorum for the transaction of business at the meeting. Broker non-votes, abstentions and directions to withhold authority will be counted as being present or represented at the meeting for purposes of establishing a quorum.

The vote of a plurality of the shares of Common Stock present or represented at the meeting is required for the election of directors, assuming a quorum is present or represented at the meeting.

The affirmative vote of a majority of the shares cast is required to approve the adoption of the Greatbatch, Inc. 2009 Stock Incentive Plan, provided that a majority of the outstanding shares are voted on the proposal. In determining whether the proposal has received the requisite number of affirmative votes, abstentions will be counted and will have the same effect as a negative vote. Broker non-votes will have no effect on the approval of the adoption of the Greatbatch, Inc. 2009 Stock Incentive Plan.

The affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote thereon is required to ratify the appointment of Deloitte & Touche as the independent registered public accounting firm of the Company for fiscal year 2009, assuming a quorum is present or represented at the meeting. In determining whether the proposal has received the requisite number of affirmative votes, an abstention with respect to the ratification of Deloitte & Touche as the independent registered public accounting firm of the Company will be counted and will have the same effect as a vote against.

Principal Beneficial Owners of Shares

The following table sets forth certain information with respect to all persons known to the Company to be the beneficial owner of more than 5% of its outstanding Common Stock as of April 2, 2009.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
FMR LLC, Fidelity Management & Research Company, Edward C. Johnson 3d and Magellan Fund (1) 82 Devonshire Street Boston, MA 02109	2,181,700	9.4%
Barclays Global Investors, NA(2) 400 Howard Street San Francisco, CA 94105	1,623,494	7.0%
Wells Fargo & Company (3) 420 Montgomery Street San Francisco, CA 94163	1,532,818	6.6%
Capital Research Global Investors(4) 333 South Hope Street Los Angeles, CA 90071	1,395,600	6.0%

(1) FMR LLC ("FMR"), Fidelity Management & Research Company, ("Fidelity"), Edward C. Johnson 3d ("Johnson"), and Magellan Fund filed a Schedule 13F dated February 12, 2009. The beneficial ownership information presented and the remainder of the information contained in this footnote is based solely on the Schedule 13F. Fidelity, a wholly-owned subsidiary of FMR and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940 (the "Advisers Act"), is the beneficial owner of 2,181,700 shares of the Company's Common Stock as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940 ("ICA"). The ownership of one investment company, Magellan Fund, amounted to 2,181,700 shares of the Company's Common Stock. Johnson and FMR, through its control of Fidelity, and the Fidelity funds each has sole power to dispose of 2,181,700 of these shares. Neither FMR nor Johnson has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds. Through their ownership of voting common stock and the execution of a shareholders' voting agreement, members of the Johnson family may be deemed, under the ICA, to form a controlling group with respect to FMR.

(2) Barclays Global Investors, NA ("Barclays") filed a Schedule 13G dated February 5, 2009. The beneficial ownership information presented is based solely on the Schedule 13G. The reported securities are owned by Barclays and its affiliated companies listed in the Schedule 13G.

(3) Wells Fargo & Company filed a Schedule 13G dated February 2, 2009. The beneficial ownership information presented is based solely on the Schedule 13G. The reported securities are owned by Wells Fargo & Company and its subsidiaries listed in the Schedule 13G.

(4) Capital Research Global Investors ("CRGI"), a division of Capital Research and Management Company ("CRMC"), filed a Schedule 13G/A on February 13, 2009. The beneficial ownership information presented and the remainder of the information contained in this footnote is based solely on the Schedule 13G/A. CRGI is deemed to be the

beneficial owner of 1,395,600 shares of the Company's Common Stock as a result of CRMC acting as an investment adviser to various investment companies registered under Section 8 of the ICA. In its filing, CRGI disclaims beneficial ownership pursuant to Rule 13d-4.

COMPANY PROPOSALS

Proposal 1 – Election of Directors

Shares represented by properly executed proxies will be voted, unless such authority is withheld, for the election as directors of the Company of the following ten persons recommended by the Board of Directors (the "Board"), to hold office until the 2010 Annual Meeting of Stockholders and until their successors have been elected and qualified. Each of the nominees listed below was elected at the 2008 Annual Meeting of Stockholders, except for Mr. Dinkins, who was appointed as a director effective November 7, 2008.

If any nominee for any reason should become unavailable for election or if a vacancy should occur before the election (which events are not expected), it is intended that the shares represented by the proxies will be voted for such other person, if any, as the Corporate Governance and Nominating Committee shall designate. Information regarding the nominees standing for election as directors is set forth below:

Nominees for Director

Pamela G. Bailey is 60, is a member and Chair of the Corporate Governance and Nominating Committee, a member of the Compensation and Organization Committee, and has been a director since 2002.

Ms. Bailey is President and Chief Executive Officer of The Grocery Manufacturers Association ("GMA"), a Washington, D.C. based trade association. From April 2005 until January 2009, she was President and Chief Executive Officer of the Personal Care Products Council. Ms. Bailey served as President and Chief Executive Officer of the Advanced Medical Technology Association ("AdvaMed"), the world's largest association representing the medical technology industry, from June 1999 to April 2005. From 1970 to 1999, she served in the White House, the Department of Health and Human Services and other public and private organizations with responsibilities for health care public policy. Ms. Bailey is a director of MedCath Corporation, a national provider of high acuity healthcare services, and a director of The National Food Laboratory, Inc., a wholly owned subsidiary of GMA and a provider of integrated concepts to commercialization services to food industry customers. She also is a member of the board of trustees of Franklin and Marshall College.

Michael Dinkins is 55, is a member of the Audit Committee, a member of the Compensation and Organization Committee, and has been a director since 2008.

Mr. Dinkins is the Executive Vice President and Chief Financial Officer of USI Insurance Services, an insurance intermediary company. From 2005 until 2008, he was Executive Vice President and Chief Financial Officer of Hilb Rogal & Hobbs Co., an insurance and risk management services company. Mr. Dinkins was Vice President, Global Control & Reengineering at Guidant Corporation from 2004 to 2005, and Vice President and Chief Financial Officer for NCR Worldwide Customer Service Operation from 2002 to 2004. Prior to 2002, he held senior positions at Access Worldwide Communications, Cadmus Communications Group and General Electric Company.

Thomas J. Hook is 46, is a member of the Technology Innovation Committee, and has been a director since 2006.

Mr. Hook is the Company's President and Chief Executive Officer. Prior to August 2006, he was the Company's Chief Operating Officer, a position to which he was appointed upon joining the Company in September 2004. From August 2002 until September 2004, Mr. Hook was employed by CTI Molecular Imaging where he had served as President, CTI Solutions Group. From March 2000 to July 2002, he was General Manager, Functional and Molecular Imaging for General Electric Medical Systems. From 1997 to 2000, Mr. Hook worked for the Van Owen Group Acquisition Company and prior to that, Duracell, Inc. He is a director of Central Radiopharmaceuticals, Inc. and serves on the audit committee of that board, Intelect Medical, Inc., HealthNow New York, Inc., and the Buffalo-Niagara Partnership. Mr. Hook is also a member of the board of trustees of St. Bonaventure University.

Kevin C. Melia is 61, is a member and Chair of the Audit Committee, a member of the Technology Innovation Committee, and has been a director since 2007.

Mr. Melia is the former non-executive Chairman of IONA Technologies PLC, a leading middleware software company, a position he held from 2003 through 2008. From 2003 until November of 2007, he also was the non-executive Chairman of A.Net (formerly Lightbridge Inc.), an e-payment company. Mr. Melia was the co-founder, Chairman and Chief Executive Officer of Manufacturers' Services Ltd. ("MSL") from June 1994 to January 2003, a leading company in the electronics manufacturing services industry. Prior to establishing MSL, he held a number of senior executive positions over a five-year period at Sun Microsystems. Mr. Melia also held a number of senior executive positions in operations and finance over a sixteen-year career at Digital Equipment Corporation. He is a director of RadiSys Corporation, a provider of embedded advanced solutions for the communications networking and commercial systems markets, and serves on the audit committee of that board, and Analogic Corporation, a high-technology signal and image processing company. Mr. Melia also is a director of DCC plc, a procurement, sales, marketing, distribution and business support services group headquartered in Dublin, Ireland, and serves on the audit committee of that board. He also is a joint managing director of Boulder Brook Partners LLC, a private investment company and a member of the board of directors of C&S Wholesale Grocers.

Dr. Joseph A. Miller, Jr. is 67, is a member and Chair of the Technology Innovation Committee, a member of the Corporate Governance and Nominating Committee, and has been a director since 2003.

Dr. Miller is Executive Vice President and Chief Technology Officer for Corning, Inc. Before joining Corning in 2002, he served as Senior Vice President of E.I. DuPont de Nemours from 1999 to 2001 and held various executive positions with that company prior to that time. Dr. Miller also serves on the board of directors of Dow Corning Corporation and serves on the corporate responsibility committee of that board.

Bill R. Sanford is 65, is Chairman of the Board, is a member of the Corporate Governance and Nominating Committee, and has been a director since 2000.

Mr. Sanford is the Founder and Chairman of Symark LLC, a technology commercialization and business development company. He is Executive Founder and retired Chairman and Chief Executive Officer of STERIS Corporation, a global provider of infection and contamination prevention systems, products, services and technologies. Mr. Sanford serves on the board of directors of KeyCorp and on the executive and risk management committees of that board. He also is a director of several early and growth stage private biosciences and technology companies and not-for-profit organizations.

Peter H. Soderberg is 62, is a member of the Audit Committee, a member of the Compensation and Organization Committee, and has been a director since 2002.

Mr. Soderberg is President and Chief Executive Officer of Hill-Rom Holdings, Inc. From January 2000 to March 2006, he was President and Chief Executive Officer of Welch Allyn, Inc., and prior to that, Chief Operating Officer of Welch Allyn's medical products business. Mr. Soderberg serves on the board of directors of Hill-Rom Holdings, Inc., Constellation Brands, Inc. and AdvaMed.

William B. Summers, Jr. is 58, is a member and Chair of the Compensation and Organization Committee, a member of the Audit Committee, and has been a director since 2001.

Mr. Summers retired in June 2006 as Chairman of McDonald Investments, Inc., a position he had held since 1998. He also held the additional positions of President (from 1989 through 1998) and Chief Executive Officer (from 1994 through 1998) of that investment company. Mr. Summers serves on the board of directors of RPM, Inc. and is a member and chairman of its audit committee and a member of its executive committee, and on the board of directors of Developers Diversified Realty, Inc. and is a member of its audit, compensation and pricing committees. He also serves on the advisory boards of Molded Fiberglass Companies, Dix & Eaton and MAI Wealth Advisors LLC. Mr. Summers also serves on the board of directors of The Rock and Roll Hall of Fame and Museum, Baldwin-Wallace College, The Great Lakes Science Center, and the Community Partnership for Arts and Culture.

John P. Wareham is 67, is a member of the Audit Committee, a member of the Technology Innovation Committee, and has been a director since 2004.

Mr. Wareham retired as Beckman Coulter, Inc.'s Chairman in April 2005 and as its Chief Executive Officer in February 2005 after having held a number of positions with the company beginning in 1984. Mr. Wareham is currently the non-executive Chairman of STERIS Corporation and serves on the compensation committee of that board. He also serves on the board of ResMed Corporation and its audit and governance committees and on the board of Accuray Incorporated.

Dr. Helena S. Wisniewski is 59, is a member of the Technology Innovation Committee, a member of the Corporate Governance and Nominating Committee, and has been a director since 2008.

Dr. Wisniewski is a member of the Naval Research Advisory Committee, a position to which she was appointed in 2007 by the Secretary of the Navy. From August 2004 until October 2008, Dr. Wisniewski served as Vice President, Research and Enterprise Development at the Stevens Institute of Technology. During that same period, she also was Chief Executive Officer of Castle Point Holdings, Inc., a Stevens Institute-owned company that invested in technology companies. From 2001 through 2004, Dr. Wisniewski was Chief Executive Officer and Chairman of Aurora Biometrics, a company she founded. Before that, she was a senior executive at Lockheed Corporation and a Vice President of Titan Corporation. Dr. Wisniewski also serves on the board of directors of Smart Trax, Inc. an educational media company, and on the advisory board to Soar Technology Inc., a company that develops cognitive software to solve complex problems in training, modelling and simulation, robotics, and medical informatics.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR”
THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR.

Proposal 2 – Approval of the adoption of the Greatbatch, Inc. 2009 Stock Incentive Plan

Stockholders are being asked to approve the Greatbatch, Inc. 2009 Stock Incentive Plan (the "2009 Plan"), which was adopted by the Board on March 2, 2009, subject to stockholder approval. If approved by stockholders, the 2009 Plan will supplement the Company's existing 2005 Stock Incentive Plan in providing stock-based incentive compensation to select employees (including employees who are directors and prospective employees conditioned on their becoming employees), non-employee directors, consultants and service providers. As of April 2, 2009, 229,868 shares were available for issuance under the Company's 2005 Stock Incentive Plan. The 2009 Plan was designed by the Compensation and Organization Committee (the "Compensation Committee"), with the assistance of management and an outside compensation consultant, as part of a comprehensive compensation strategy to provide long-term incentive for employees and non-employees to contribute to the growth of the Company and attain specific performance goals. See the Long-Term Equity Awards section of the Compensation Discussion and Analysis in this proxy statement for further discussion.

Approval of the 2009 Plan will allow the Company to continue to award grants of stock options, restricted stock, restricted stock units, stock appreciation rights and stock bonuses to employees and to non-employee directors, consultants and service providers. A stock option is the right to purchase a certain number of shares of stock, at a certain exercise price, in the future. A stock appreciation right is the right to receive the net of the market price of a share of stock and the exercise price of the right, in stock, in the future. Restricted stock is a share award conditioned upon continued employment, the passage of time or the achievement of performance objectives. A restricted stock unit is the right to receive the market price of a share of stock in stock or cash in the future. A stock bonus is a bonus payable in shares of the Company's stock. The purpose of these awards is to attract and retain talented employees and the services of select non-employees, further align employee and stockholder interests and closely link employee compensation with Company performance. If approved, the 2009 Plan will provide an essential component of the total compensation package offered to employees, reflecting the importance that the Company places on motivating superior results with long-term, performance-based incentives.

The 2009 Plan also reflects several compensation and governance best practices. The 2009 Plan does not permit stock option re-pricing, the use of discounted options, the reloading of option grants, or the adding back of shares used to pay the exercise price of awards or to satisfy tax withholding obligations. Additionally, the 2009 Plan limits the term on options and stock appreciation rights to ten years, only allows the accelerated vesting of awards upon the consummation of a change in control, and does not provide for the grant of dividend equivalents. The 2009 Plan contains no evergreen features which would provide for automatic replenishment of authorized shares, limits the number of stock options and stock appreciation rights that may be issued to any person in any fiscal year, other than those subject to attainment of specified performance criteria, and limits the number of awards of restricted stock or restricted stock units to 150,000 in any fiscal year.

Key Terms - The following is a summary of the material features of the 2009 Plan, which is qualified by reference to the full text of the 2009 Plan, as set forth as Exhibit A:

Plan Term:	March 2, 2009 to March 1, 2019.
Eligible Participants:	Employees of the Company (including employees who are also directors and prospective employees conditioned on their becoming employees), non-employee consultants or service providers and non-employee directors of the Company as the Compensation Committee designates from time to time. The Company has approximately 3,300 employees and 9 non-employee directors who would be eligible to participate in the 2009 Plan.
Shares Authorized:	

	1,350,000, subject to adjustment only to reflect stock splits and similar events. Awards that are forfeited, expire, cancelled or lapse become available for future grants. Shares used to pay the exercise price of a stock option and shares withheld to satisfy tax withholding obligations will not be available for future grants. When a stock settled stock appreciation right is exercised, the shares subject to a stock appreciation right grant agreement will be counted against the shares available for award as one share for every share subject thereto, regardless of the number of shares used to settle the stock appreciation right upon exercise.	
Shares Authorized as a Percent of Outstanding Common Stock:	5.8%	
Award Types:	(1)	Non-qualified and incentive stock option - the right to purchase a certain number of shares of stock, at a certain exercise price, in the future.
	(2)	Restricted stock - share award conditioned upon continued employment, the passage of time or the achievement of performance objectives.
	(3)	Restricted stock unit - the right to receive the market price of a share of stock, in stock or cash, in the future.

	(4) Stock appreciation right - the right to receive the net of the market price of a share of stock and the exercise price of the right, in stock, in the future. (5) Stock bonus - a bonus payable in shares of stock.
Award Terms:	Stock options and stock appreciation rights will have a term no longer than ten years. All awards made under the 2009 Plan may be subject to vesting and other contingencies as determined by the Compensation Committee and will be evidenced by agreements which set forth the terms and conditions of each award. The Compensation Committee, in its discretion, may accelerate or extend the period for the exercise or vesting of any awards.
Shares Authorized for Stock Options or Stock Appreciation Rights:	Maximum of 1,350,000 shares issued as either non-qualified or incentive stock options, or stock appreciation rights.
Shares Authorized for Restricted Stock, Restricted Stock Units or Stock Bonuses:	Maximum of 200,000 shares issued as either restricted stock, restricted stock units or stock bonuses.
Vesting:	Determined by the Compensation Committee, subject to exceptions in the event of a change of control. Upon the consummation of an event constituting a change in control of the Company as defined in the 2009 Plan, all awards outstanding will become immediately vested.
Not Permitted:	(1) Granting stock options or stock appreciation rights at a price below market price on the date of grant. As of April 2, 2009, the closing price per share of the Company's Common Stock was $19.84 per share. (2) Repricing of a stock option or stock appreciation right without stockholder approval. (3) Granting more than 150,000 shares of restricted stock or restricted stock units in any fiscal year. (4) Granting time-based stock options or stock appreciation rights to any one employee during any fiscal year in excess of 100,000 shares.

Tax Consequences – Stock option grants under the 2009 Plan may be intended to qualify as incentive stock options under Internal Revenue Code ("IRC") §422 or may be non-qualified stock options governed by IRC §83. Generally, no federal income tax is payable by a participant upon the grant of a stock option and no deduction is taken by the Company. Under current tax laws, if a participant exercises a non-qualified stock option, he or she will have taxable income equal to the difference between the market price of the stock on the exercise date and the stock option grant price. The Company will be entitled to a corresponding deduction on its income tax return. A participant will have no taxable income upon exercising an incentive stock option if the shares received are held for the applicable holding periods (except that alternative minimum tax may apply), and the Company will receive no deduction when an incentive stock option is exercised. The treatment for a participant of a disposition of shares acquired through the exercise of an option depends on how long the shares were held and on whether the shares were acquired by exercising an incentive stock option or a non-qualified stock option. The Company may be entitled to a deduction in the case of a disposition of shares acquired under an incentive stock option that occurs before the applicable holding periods have been satisfied.

Restricted stock and restricted stock units are also governed by IRC §83. Generally, no taxes are due when the award is made, but the award becomes taxable when it is no longer subject to a “substantial risk of forfeiture” (i.e., becomes vested or transferable). Income tax is paid on the value of the stock or units at ordinary rates when the restrictions lapse, and then at capital gains rates when the shares are sold.

The grant of a stock appreciation right will not result in income for the participant or in a tax deduction for the Company. Upon the settlement of such a right, the participant will recognize ordinary income equal to the aggregate value of the payment received, and the Company generally will be entitled to a tax deduction in the same amount.

In general, participants will recognize ordinary income upon the receipt of shares or cash with respect to other awards granted under the 2009 Plan and the Company will become entitled to a deduction at such time equal to the amount of income recognized by the participant.

Awards granted under the 2009 Plan may qualify as “performance-based compensation” under IRC §162(m) in order to preserve federal income tax deductions by the Company with respect to annual compensation required to be taken into account under §162(m) that is in excess of $1 million and paid to one of the Company’s most highly compensated executive officers. To qualify, options and other awards must be granted under the 2009 Plan by a committee consisting of two or more “outside directors” (as defined under §162(m)) and time-based options and stock appreciation rights must satisfy the 2009 Plan’s limit on the total number of shares that may be awarded to any one participant during any calendar year. In addition, for awards other than time-based options and stock appreciation rights to qualify, the grant, issuance, vesting or retention of the award must be contingent upon satisfying one or more of the performance criteria, as established and certified by a committee consisting solely of two or more “outside directors.”

The foregoing is only a summary of the effect of federal income taxation on the participant and the Company under the 2009 Plan. It does not purport to be complete and does not discuss the tax consequences arising in the context of a participant's death or the income tax laws of any municipality, state or foreign country in which the participant's income may be taxable.

Transferability - Awards granted under the 2009 Plan generally are not transferable except by will or the laws of descent and distribution.

Administration - The Compensation Committee, which is made up entirely of independent directors, will administer the 2009 Plan. The Compensation Committee will select the employees and non-employees who receive awards, determine the number of shares covered thereby, and, subject to the terms and limitations expressly set forth in the 2009 Plan, establish the terms, conditions and other provisions of the grants. The Compensation Committee may interpret the 2009 Plan and establish, amend and rescind any of its rules relating to the 2009 Plan, unless expressly prohibited in the 2009 Plan.

Amendments - The Board may, at any time, suspend or terminate the 2009 Plan or revise or amend it in any respect whatsoever; provided, however, that stockholder approval shall be required if and to the extent required by Rule 16b-3 or by any comparable or successor exemption under which the Board believes it is appropriate for the 2009 Plan to qualify, or if and to the extent the Board determines that such approval is appropriate for purposes of satisfying IRC §162(m), §422 or §409A or any applicable rule or listing standard of any stock exchange, automated quotation system or similar organization. Nothing in the 2009 Plan restricts the Compensation Committee's ability to exercise its discretionary authority to administer the plan, which discretion may be exercised without amendment to the 2009 Plan. No action may, without the consent of a participant, reduce the participant's rights under any outstanding grant.

Plan Awards – The Compensation Committee has approved the Company's 2009 Supplemental Annual Long-Term Incentive Award Program award (the "2009 Awards"), subject to the approval of the 2009 Plan by the Company's stockholders. The 2009 SALT Awards consisted of 319,851 non-qualified stock options with an exercise price of $26.53 and were awarded to senior managers of the Company, including the Named Executive Officers (as defined below). Vesting of the 2009 Awards is dependent on whether or not the Company achieves certain three-year performance measures. The 2009 Awards have a market value of $3.5 million as of the January 5, 2009 grant date. The following table sets forth the number and grant date value of the 2009 Awards:

	Stock Option Grants	
Name	Number of Shares (#)	Grant Date Value ($)
Thomas J. Hook	76,297	830,874
Thomas J. Mazza	20,456	222,766
Mauricio Arellano	15,985	174,077
Susan M. Bratton	15,529	169,111
Susan H. Campbell	15,985	174,077
Other Senior Managers	175,599	1,912,273

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR"
THE APPROVAL OF THE ADOPTION OF THE GREATBATCH, INC. 2009 STOCK INCENTIVE PLAN.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information regarding the Company's equity compensation plans as of January 2, 2009:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights or upon vesting of shares granted under restricted stock plan (a)	Weighted-average exercise price of outstanding options, warrants and rights; Weighted-average share price of restricted stock shares granted (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	2,296,858	$ 24.05	436,050
Equity compensation plan approved by security holders (2)	207,765	$ 22.86	436,050
Total	2,504,623	$ 25.03	436,050

(1) Consists of stock options issued under the 1997 Stock Option Plan, 1998 Stock Option Plan, Non-Employee Director Stock Incentive Plan and the 2005 Stock Incentive Plan.
(2) Consists of shares of restricted stock granted pursuant to the 2002 Restricted Stock Plan and 2005 Stock Incentive Plan.

PROPOSAL 3 – Ratification of the Appointment of Independent Registered Public Accounting Firm

On recommendation of the Audit Committee, the accounting firm of Deloitte & Touche has been appointed by the Board as the Company's independent registered public accounting firm for fiscal year 2009, a capacity in which it has served since 2000. Although stockholder approval of the selection of the independent registered public accounting firm is not required by law, the Company has determined that it is desirable to request that the stockholders ratify the appointment of Deloitte & Touche as the Company's independent registered public accounting firm for fiscal year 2009. In the event the stockholders fail to ratify the appointment, the Board will reconsider this appointment and make such a determination as it believes to be in the Company's and its stockholders' best interests. Even if the appointment is ratified, the Board, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Board determines that such a change would be in the Company's and its stockholders' best interests. Representatives of Deloitte & Touche are expected to be present at the Annual Meeting. The representatives may, if they wish, make a statement and, it is expected, will be available to respond to appropriate questions.

Audit Fees. The following table sets forth the aggregate fees billed by Deloitte & Touche for services provided to the Company during fiscal years 2008 and 2007:

	2008	2007

Audit Fees(1)	$	1,341,200	$	1,035,700
Audit-Related Fees(2)		-		18,900
Total Audit and Audit-Related Fees		1,341,200		1,054,600
Tax Fees(3)		24,300		24,800
All Other Fees(4)		-		2,100
Total Fees	$	1,365,500	$	1,081,500

(1) The amounts indicated represent fees billed by Deloitte & Touche for services rendered for the audit of the Company’s annual consolidated financial statements and for its review of the Company’s quarterly condensed consolidated financial statements.

(2) The amounts indicated represent fees billed by Deloitte & Touche for audit-related services, including services related to the review of registration statements.

(3) The amounts indicated represent fees billed by Deloitte & Touche for tax compliance, planning and consulting.

(4) The amounts indicated represent fees billed by Deloitte & Touche for due diligence services.

Audit Committee Pre-Approval Policy on Audit and Non-Audit Services. As described in the Charter of the Audit Committee, the Audit Committee must review and pre-approve both audit and non-audit services to be provided by the Company's independent registered public accounting firm (other than with respect to de minimis exceptions permitted by Regulation S-X, Rule 2-01(c)(7)(i)(c)). This duty may be delegated to one or more designated members of the Audit Committee with any such pre-approval reported to the Audit Committee at its next regularly scheduled meeting. None of the services described above provided by Deloitte & Touche were approved by the Audit Committee under the de minimis exception rule.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2009

STOCK OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS

Direct and indirect ownership of Common Stock by each of the directors, each of the executive officers who are named in the Summary Compensation Table (the "Named Executive Officers"), and by all directors and executive officers as a group is set forth in the following table as of April 2, 2009, together with the percentage of total shares outstanding represented by such ownership. For purposes of this table, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 under the Exchange Act, under which, in general, a person is deemed to be the beneficial owner of a security if he or she has or shares the power to vote or to direct the voting of the security or the power to dispose or to direct the disposition of the security, or if he or she has the right to acquire the beneficial ownership of the security within 60 days.

Name of Beneficial Owner	Number of Shares	Percent of Class
Pamela G. Bailey(1)	44,216	*
Michael Dinkins(2)	3,700	*
Thomas J. Hook(3)	243,458	1.0%
Kevin C. Melia(4)	21,352	*
Dr. Joseph A. Miller, Jr.(5).	37,100	*
Bill R. Sanford(6)	81,115	*
Peter H. Soderberg(7)	43,180	*
William B. Summers, Jr.(8)	53,758	*
John P. Wareham(9)	36,337	*
Dr. Helena S. Wisniewski(10)	14,590	*
Thomas J. Mazza(11)	60,488	*
Mauricio Arellano(12)	54,555	*
Susan M. Bratton(13)	123,962	*
Susan H. Campbell(14)	59,378	*
All Directors and Executive Officers as a group (17 persons)	962,484	4.1%

(1) Includes (i) 32,416 shares Ms. Bailey has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 2,261 shares awarded to her under the Company's 2005 Stock Incentive Plan; and (iii) 9,539 shares directly held by her.

(2) Includes (i) 1,041 shares Mr. Dinkins has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 2,261 shares awarded to him under the Company's 2005 Stock Incentive Plan; and (iii) 398 shares directly held by him.

(3)

Includes (i) 146,357 shares Mr. Hook has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 75,123 shares awarded to him under the Company's 2002 Restricted Stock Plan and 2005 Stock Incentive Plan; (iii) 2,306 shares allocated to his account under the 401(k) Plan; and (iv) 19,672 shares directly held by him.

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(4) Includes (i) 12,941 shares Mr. Melia has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 2,261 shares awarded to him under the Company's 2005 Stock Incentive Plan; and (iii) 6,150 shares directly held by him.

(5) Includes (i) 27,166 shares Dr. Miller has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 2,261 shares awarded to him under the Company's 2005 Stock Incentive Plan; and (iii) 7,673 shares directly held by him.

(6) Includes (i) 39,025 shares Mr. Sanford has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 3,392 shares awarded to him under the Company's 2005 Stock Incentive Plan; and (iii) 38,698 shares directly held by him.

(7) Includes (i) 32,416 shares Mr. Soderberg has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 2,261 shares awarded to him under the Company's 2005 Stock Incentive Plan; and (iii) 8,503 shares directly held by him.

(8) Includes (i) 32,416 shares Mr. Summers has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 2,261 shares awarded to him under the Company's 2005 Stock Incentive Plan; and (iii) 19,081 shares directly held by him.

(9) Includes (i) 26,916 shares Mr. Wareham has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 2,261 shares awarded to him under the Company's 2005 Stock Incentive Plan; and (iii) 7,160 shares directly held by him.

(10) Includes 9,847 shares Dr. Wisniewski has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 2,261 shares awarded to her under the Company's 2005 Stock Incentive Plan; and (iii) 2,482 shares directly held by her.

(11) Includes (i) 39,519 shares Mr. Mazza has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 12,405 shares awarded to him under the Company's 2002 Restricted Stock Plan and 2005 Stock Incentive Plan; (iii) 2,513 shares allocated to his account under the 401(k) Plan; and (iv) 6,051 shares directly held by him.

(12) Includes (i) 35,039 shares Mr. Arellano has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 11,697 shares awarded to him under the Company's 2002 Restricted Stock Plan and 2005 Stock Incentive Plan; (iii) 2,391 shares allocated to his account under the 401(k) Plan; and (iv) 5,428 shares directly held by him.

(13) Includes (i) 53,360 shares Ms. Bratton has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 11,182 shares awarded to her under the Company's 2002 Restricted Stock Plan and 2005 Stock Incentive Plan; (iii) 4,671 shares allocated to her account under the 401(k) Plan; and (iv) 54,749 shares directly held by her.

(14) Includes (i) 38,974 shares Ms. Campbell has the right to acquire pursuant to options exercisable currently or within 60 days after April 2, 2009; (ii) 11,608 shares awarded to her under the Company's 2002 Restricted Stock Plan and 2005 Stock Incentive Plan; (iii) 2,584 shares allocated to her account under the 401(k) Plan; and (iv) 6,212 shares directly held by her.

* Less than 1%

Section 16(a) Beneficial Ownership Reporting Compliance. Under Section 16(a) of the Exchange Act, the Company's directors and officers are required to report their beneficial ownership of the Common Stock and any changes in that beneficial ownership to the SEC and the New York Stock Exchange. The Company believes that these filing requirements were satisfied by its directors and officers during 2008, except that Thomas S. Summer, a former director, was late in reporting a sale of shares following an option exercise. In making the foregoing statement, the Company has relied on copies of the reporting forms received by it or on the written representations from such reporting persons that no forms were required to be filed under the applicable rules of the SEC.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The compensation programs for our Executive Leadership Team, which includes all of the Named Executive Officers, are designed to be consistent with our compensation philosophy. Our philosophy is to provide senior level managers with a compensation package that is both competitive and encourages those executives to act in the best interest of our stockholders. To achieve this, we design our compensation programs to provide fixed cash and equity based compensation at the targeted competitive market median rate and performance or "at risk" cash and equity based compensation at above competitive market median rates if above competitive market median performance is achieved. We believe that paying above competitive market median compensation for above competitive market median performance is important in order to attract, retain and properly incentivize senior level management and should provide value to our shareholders through a higher stock price, which should benefit from the higher level of performance.

As illustrated in the graphs below, we believe that performance and equity based compensation should increase as a percentage of total direct compensation as salary grade levels increase. The ratio of the President & Chief Executive Officer's and other Named Executive Officer's total cash and direct compensation is targeted to be consistent with the Company's peer group of companies. By following this philosophy, we believe we can attract and retain executives who have the appropriate skill set to carry out our strategic plans and attain both our short- and long-term financial and strategic goals.

The following graphs depict the mix of cash vs. equity of compensation granted to our Named Executive Officers during 2008 assuming target level performance:

The following graphs depict the mix of time versus performance based compensation granted to our Named Executive Officers during 2008 assuming target level performance:

Our compensation programs are designed by our Compensation Committee in collaboration with management and approved by our Board. Our compensation programs consist of the following cash and non-cash components:

- Base Salary
- Annual Cash Incentives
- Long-Term Equity Awards
  - Ø Time-Based
  - Ø Performance-Based
- Retirement and Change in Control Agreements
- Other Personal Benefits

Other than as discussed within this section, we do not believe the compensation for our Named Executive Officers in 2009 will change materially from 2008.

Compensation Committee Practices and Procedures

The Compensation Committee, in collaboration with management, is responsible for the design and administration of our compensation programs with appropriate approval and general oversight from the Board. This responsibility includes the determination of compensation levels and awards provided. Historically, the Compensation Committee has directly engaged Ernst & Young LLP to independently advise the Compensation Committee on compensation matters. During 2008, Ernst & Young served as the independent advisors to the Compensation Committee in matters of executive compensation and benefits in response to recommendations made by management. A representative of Ernst & Young was present in person or by telephone for all seven of the meetings held by the Compensation Committee during 2008.

The Compensation Committee also is responsible for recommending to the Board for approval the performance and merit adjustments for Mr. Hook, our President & Chief Executive Officer. For the remaining Named Executive Officers, Mr. Hook makes recommendations regarding performance and merit adjustments to the Compensation Committee for approval. Grants of equity-based compensation are recommended by management and approved by the Compensation Committee in accordance with approved equity grant guidelines previously established by the Compensation Committee with market data assistance from Ernst & Young.

During 2008, Thomas J. Hook, President & Chief Executive Officer, Thomas J. Mazza, Senior Vice President & Chief Financial Officer, Barbara M. Davis, Vice President of Human Resources and Timothy G. McEvoy, Vice President, General Counsel & Secretary, attended meetings of the Compensation Committee to provide counsel and assistance to the Compensation Committee. These executives were excused from meetings when items pertaining to their individual compensation were discussed and for executive sessions of the Committee.

Competitive Market Review

As one factor in considering approval of levels and elements of our compensation programs, the Compensation Committee compares our compensation programs and performance against an approved peer group of companies. The peer group consists of fifteen publicly traded companies that are similar in size and in similar industries as the Company and with whom we may compete for executive talent. The Compensation Committee typically reevaluates the peer group every two to three years or sooner if an event, such as an acquisition, no longer makes the companies in the peer group comparable to the Company.

The companies comprising our compensation peer group, which was last updated in 2008, are:

CONMED Corporation	ResMed Inc.
CTS Corporation	SonoSite, Inc.
Datascope Corporation	Symmetry Medical, Inc.
DJO, Inc.	Thoratec Corporation
Edwards Lifesciences Corp.	Vital Signs, Inc.
Ev3, Inc.	Wright Medical Group, Inc.
Integra LifeSciences Holdings Corp.	ZOLL Medical Corporation
Merit Medical Systems, Inc.	

No changes were made to our peer group for 2009. We believe that this is an appropriate size for a peer group in order to obtain a representative sample of our market and maintain a manageable level for analysis purposes. We believe these companies (1) have relevant overlap with our industry, customers and products, (2) are similar in size and (3) have key metrics that are consistent with our high growth strategy. The key metrics considered included revenue size and growth rate, earnings per share (“EPS”) growth, average gross margins, enterprise value, EBITDA/enterprise value and revenue/enterprise value.

Our total compensation packages are based in part upon a 2008 market study performed by Ernst & Young which utilized compensation peer group data supplemented by market survey data and adjusted for factors such as prior individual performance and expected future contributions, performance of the Company, internal equity within our Company and the degree of difficulty in replacing the individual. The 2008 market study, which provided base salary, total cash compensation and total direct compensation analysis, was based upon proxy data of our peer group and 2007 and 2008 survey data, trended to 2008, from the following sources:

Title	Publisher	Year
Executive Compensation Assessor	ERI	2008

U.S. Executive Survey Report	Mercer HR Consulting	2007
Top Management Compensation Calculator	Watson Wyatt Data Services	2007/2008

In determining recommended compensation levels, the Ernst & Young analysis utilized various analytical tools including total remuneration analysis, tally sheets, internal pay equity analysis and equity wealth accumulation and sensitivity analysis. In making final compensation decisions for 2008, the Compensation Committee considered all of theses analyses. The Compensation Committee has determined that, absent a meaningful change in circumstances, such tools should be utilized on a periodic, as opposed to annual, basis.

The Compensation Committee sets the performance goals for annual cash incentives and long-term equity programs based upon the current year and long-range plan of the Company. Our current year and long-range plan takes into consideration the performance of our largest customers supplemented by performance information for our peer group as well as relevant market indices. We believe the performance of our largest customers should be considered since they account for a large percentage of our sales. Additionally, we believe broader market indices are appropriate for consideration in establishing future performance metrics given that the peer group companies above do not have businesses that are exactly comparable to ours.

The market indices considered include:

- Medical markets revenue growth rates as published by Bear Sterns, iData Research; Lazard, Morgan Stanley, Thomas Weisel, Wachovia, and BMO; and
- Oil & Gas Market Growth (as a proxy for our Electrochem Solutions Segment).

Base Salary

We want to provide our Executive Leadership Team with a fixed level of cash compensation in the form of base salary that is consistent with their skill level, experience, knowledge, length of service with the Company and the level of responsibility and complexity of their position. The target salary for our Executive Leadership Team is based in part on the competitive market median of our compensation peer group, supplemented by published survey data (the "competitive market"). Our general practice is to be within 90% to 110% of the competitive market median. In addition to the factors listed above, actual base salaries may differ from the competitive market median target as a result of various other factors including prior individual performance and expected future contributions, performance of the Company, internal equity within our Company and the degree of difficulty in replacing the individual. Any such differences are approved by the Compensation Committee and in the case of Mr. Hook, the Board. The base salaries of senior level managers are reviewed by the Compensation Committee on an annual basis, as well as at the time of promotion or significant changes in responsibility. We expect the base salaries of our Named Executive Officers to generally increase in-line with any increases to the median competitive market rates.

The 2008 base salaries for our Named Executive Officers compared to the 2008 peer group and competitive market median are as follows:

	2008 Base Salary	% of Competitive Market Median
Thomas J. Hook	$ 475,000	104%
Thomas J. Mazza	262,200	106%
Mauricio Arellano	248,800	87%
Susan M. Bratton	241,700	84%
Susan H. Campbell	248,800	87%

The 2009 base salaries for our Named Executive Officers are as follows:

	2009 Base Salary
Thomas J. Hook	$ 491,600
Thomas J. Mazza	271,500
Mauricio Arellano	267,500
Susan M. Bratton	250,200
Susan H. Campbell	267,500

2009 base salaries were increased by 3.5% from the 2008 levels. This is consistent with the average merit budget applied across the Company's U.S. based organization. We believe this reflects the solid performance of the Company during a year of internal integration and external financial market turmoil as well as reasonable proxy for the competitive market increase during 2008 for companies with similar performance to ours. An additional $10,000 increase was provided to the base salary of Mauricio Arellano and Susan Campbell considering the increased size and complexity of the Cardiac & Neurology and Orthopaedics Businesses during 2008. Our last market review of salaries was performed in 2008. See Competitive Market Review section above.

Annual Cash Incentives

Overview. The payment of annual cash incentives is formula-based and is governed by our Short-Term Incentive Compensation Program ("STIC Program"). The objective of the STIC Program is to provide a target level of cash compensation that is based upon the achievement of internal Company performance objectives which take into consideration the competitive market median performance with the opportunity for above median compensation for above median performance up to 65th to 75th percentile of the competitive market.

Employees at the manager level and above are eligible to participate in our STIC Program. STIC Program awards for the Executive Leadership Team are based upon Company-wide performance goals. For all other levels, STIC Program awards are primarily based upon a combination of the achievement of specific individual operational goals and Company-wide performance. As a result, this component of compensation can be highly variable from year to year.

STIC Program awards are calculated based upon the following formulas:

Total Available Award (TAA) = (Base Salary x Individual STIC %) x STIC Funding %
Actual Award = ((TAA x 75%) x Individual Performance %) + (TAA x 25%)

For senior management of the Company, other than the Executive Leadership Team, individual business unit and functional goals (Individual Performance %) impact 75% of the actual award and cannot exceed 100%. The remaining 25% of the award is determined by the achievement of the Company performance target (same as funding target). In general, the higher the salary grade of an employee, the more the individual performance goals are based upon the performance of the Company. The Executive Leadership Team's performance goals are based upon overall Company performance metrics (same as funding target) and were 100% achieved for fiscal years 2006 to 2008.

STIC Funding %. Overall funding of the STIC Program is based upon a Company-wide performance measure as recommended by the Compensation Committee and approved by the Board at its first meeting of every year. This measure is subject to adjustment based upon Compensation Committee-approved unusual or extraordinary items that were not contemplated when the performance measure was set.

Funding of the STIC Program is calculated in accordance with the following scale:

Achievement of Performance Measure	Funding %
0% - 74.9%	0%
75% - 99.9%	50% - 100%
100% - 133%	100% - 200%

This funding model was designed to provide stockholders with a three-to-one payout ratio compared to management. That is, for every four dollars earned above the target, one dollar is paid in additional incentive compensation to fund the STIC Program, up to the maximum threshold, and three dollars are retained in the business and benefit stockholders.

For fiscal years 2006 to 2008, the STIC Program funding performance measure was adjusted earnings per share ("Adjusted EPS"). We selected Adjusted EPS because of its direct correlation with the interests of our stockholders. In establishing this measure, the Compensation Committee considered the respective year's budget, three-year compound annual growth rate and how that growth rate compared to our competitive market. Achievement at the 100% target level was deemed to be a "realistic" goal and any amount greater than the target was believed to be a "stretch" goal. As a result of stronger than expected financial performance from 2006 to 2008, the STIC Program was funded as follows:

	2006	2007	2008
Adjusted EPS Target	$ 1.05	$ 1.30	$ 1.46
Adjusted EPS Actual	$ 1.38	$ 1.47	$ 1.49
STIC Funding %	190%	140%	106%

Adjusted EPS and our EPS under generally accepted accounting principles differ primarily as a result of the exclusion of non-recurring acquisition related charges (mainly in-process research and development and inventory step-up amortization) and costs incurred related to our consolidation initiatives, all of which were not included in the original STIC target measures. All of these adjustments were reviewed and approved by the Compensation Committee.

Individual STIC %. Individual cash incentives are calculated by multiplying the funding percentage by the individual's target payout. The individual target payout was determined by the Compensation Committee in order to provide targeted total cash compensation (base salary + cash incentive) at the median of our competitive market and between the 65th and 75th percentile of our competitive market for above competitive market median performance.

The target payout as a percentage of base salary for our Named Executive Officers is as follows:

	2006	2007(1)	2008	2009
· President & CEO	80%	80%	80%	80%
· CFO	70%	65%	70%(2)	70%
· Other Named Executive Officers	65%	65%(2)	65%	65%

(1) In 2007, the Compensation Committee reduced the annual cash incentive target payout percentages for certain senior level managers and increased the level of equity based compensation. This was done to better align the mix between cash and equity based compensation for our senior managers with our competitive market.

(2) Includes a promotional increase.

Example Computation of 2008 STIC for Thomas J. Hook:

TAA = (Base Salary ($475,000) x Individual STIC % (80%)) x STIC Funding % (106%) = $402,800
STIC Award = (TAA ($402,800) x Performance % (100%) = $402,800(1)

(1) The difference between the actual STIC payment ($431,278) and the computed payment above ($402,800) of $28,000 relates to the allocation given to all STIC eligible employees in order to payout 100% of the STIC funding pool. This allocation amounted to $14,000 for the CFO and $12,000 for the other Named Executive Officers in 2008.

The STIC Program for our Named Executive Officers was included in our 2007 proxy statement and approved by our stockholders in order to meet the requirements for an income tax deduction under IRC §162(m). Under IRC §162(m), a limitation is placed on the tax deductibility of compensation to certain executives of a publicly-held corporation that exceeds $1,000,000 in any taxable year, unless the compensation meets certain requirements. Currently our STIC Program is designed to meet these requirements. Historically, our deductions for executive compensation were not limited by IRC §162(m), except in isolated circumstances.

Long-Term Equity Awards

Overview. In addition to cash incentives, we also compensate senior level managers, including our Named Executive Officers, with long-term equity awards. These awards are designed to align management's performance with the interests of our stockholders. Additionally, they are used as a recruiting and retention tool for key managers. Historically, we granted equity awards under various existing equity compensation plans, including the following: (1) the 1997 Stock Option Plan; (2) the 1998 Stock Option Plan; (3) the 1999 Non-Employee Director Stock Option Plan; (4) the 2002 Restricted Stock Plan; and (5) the 2005 Stock Incentive Plan. The 1997 Stock Option Plan, the 1998 Stock Option Plan, the 1999 Non-Employee Director Stock Option Plan, and the 2002 Restricted Stock Plan have all been frozen to new stock award issuances.

As there are only a nominal amount of shares available for grant under the 2005 Stock Incentive Plan, a proposal has been submitted to stockholders in this proxy statement to approve the 2009 Stock Incentive Plan which allows for the grant of 1,350,000 shares of stock based awards. The 2009 Plan was designed by the Compensation Committee, with the assistance of management and Ernst & Young. In determining the amount of shares under this plan and the applicable sub-limits for restricted stock and restricted stock units, we considered the historical burn-rate of the Company's equity compensation plans, the potential dilution and shareholder value transfer as a result of this plan and current outstanding awards and the one year and three year total shareholder return of the Company. These metrics were compared to our industry and peer group and are often used by institutional investors when analyzing our plans.

The award of equity based compensation is both discretionary and formula-based as described in the Long-Term Incentive Award Program ("LTIP Program") and Supplemental Annual Long-Term Incentive Award Program ("SALT Program") sections. The objective of the LTIP and SALT Programs is to provide total direct compensation (total cash compensation + equity based compensation) at the median of our competitive market and up to the 75th percentile of our competitive market for performance above the competitive market median.

In addition to LTIP and SALT Program awards, all managers and above are eligible for equity awards at the time of hire, upon promotion and for special recognition or significant changes in responsibility. Equity awards issued for recognition or newly hired or newly promoted employees are typically granted at the next scheduled Board meeting following the event date.

Our equity-based compensation plans and awards are designed and administered by the Compensation Committee in collaboration with management and subject to the approval of our Board. Historically, we have granted employees equity-based compensation in the form of non-qualified and incentive stock options and restricted stock. The LTIP and SALT Program awards are generally issued before April of every year once performance targets for the current and future years are determined. The Board typically meets five times per year based upon a schedule determined several months in advance. Accordingly, the proximity of any awards to earnings announcements or the release of material non-public information would be coincidental. All stock options are issued with strike prices that are equal to the value of our closing stock price on the grant date.

Except as described in the “Employment Agreement” and “Executive Retirement Guidelines” sections, all unvested stock-based awards expire upon death, disability, termination by employee and termination by the Company, other than for cause. Upon termination for cause, all outstanding stock-based awards expire immediately. Upon death, disability, termination by employee and termination by the Company, other than for cause, all vested stock-based awards expire at various times, up to one year, based upon the termination reason and the equity plan they were awarded from. In the event of a change in control, all unvested time-based equity awards immediately vest. See further discussion regarding change of control in the “Change in Control Agreements” section.

We believe that compensation from our stock options granted under the 2005 Stock Incentive Plan are deductible and not limited by IRC §162(m). Our deductions for restricted stock grants may be limited in the future under IRC §162(m) primarily due to the timing of restricted stock vesting. The Compensation Committee considers the potential non-deductibility of stock incentive awards under IRC §162(m) when setting award levels. The Compensation Committee believes that our equity programs are properly designed for the retention of and incentivizing senior management, which is in the best interest of shareholders even if IRC §162(m) limits are periodically exceeded and the tax deductions are forfeited.

Time-Based

LTIP Program. The objective of the LTIP Program is to provide a fixed level of equity-based compensation at the median of our competitive market and adjusted for individual performance.

The 2008 LTIP Program awards were determined based upon the following formula:

Total Available Award (TAA) = (Base Salary x Individual LTIP %)
Actual Award Payout (AAP) = TAA x Individual Performance %

Non-Qualified Stock Option Grant = (AAP x ½) ÷ Black-Scholes Value (1)
Restricted Stock Grant = (AAP x ½) ÷ Closing Stock Price on Grant Date

(1) We utilize the Black-Scholes option pricing model to estimate the fair value of stock options granted for financial statement reporting purposes as allowed under generally accepted accounting principles. See Note 10 of the Notes to the Consolidated Financial Statements contained in Item 8 of our Form 10K for fiscal year 2008 for further explanation of the assumptions and methodology for determining the fair value of stock options granted.

Individual LTIP %. The target grant of LTIP Program equity awards as a percentage of base salary for our Named Executive Officers is as follows. The target number of shares is calculated using the Black Scholes value of our stock on the date of grant:

	2006	2007(1)	2008	2009
· President & CEO	125%	150%(2)	150%	150%
· CFO	60%	70%	80%(2)	80%
· Other Named Executive Officers	50%	70%(2)	70%	70%

(1) In 2007, the Compensation Committee reduced the annual cash incentive target payout percentages for certain senior level managers and increased the level of equity based compensation. This was done to better align the mix between cash and equity based compensation for our senior managers with our competitive market.

(2) Includes a promotional increase.

The actual amount of awards granted may differ from the target percentage as a result of the consideration by the Compensation Committee of individual business unit and functional goals (Individual Performance %). The individual performance percentage that may be taken into account by the Compensation Committee is the same individual performance percentage used to calculate annual cash incentive awards under the STIC Program.

The 2006 and 2007 LTIP Program awards were granted in the form of non-qualified stock options (one-half payout target) and restricted stock (one-half payout target) with the restricted stock being converted on a 2.5 to 1 ratio. This ratio was used as restricted stock was valued at approximately 2.5x the Black Scholes value of our stock options and was intended to reflect the difference in value between restricted stock and stock options. In order to simplify the

LTIP formula, in 2008 the 2.5 restricted stock ratio was removed from the formula. The actual Greatbatch stock closing price on the date of grant was used to compute the restricted stock portion of the grant. The mix between stock options and restricted stock was determined by the Compensation Committee in collaboration with management in order to balance share ownership and potential future dilution to stockholders.

Example Computation of 2008 LTIP for Thomas J. Hook:

TAA = (Base Salary ($475,000) x Individual LTIP % (150%)) = $712,500
AAP = (TAA ($712,500) x Individual Performance % (100%)) = $712,500
Non-Qualified Stock Option Grant = (AAP ($712,500) x ½) ÷ Black-Scholes Value ($8.38) = 42,511(1)
Restricted Stock Grant = (AAP ($712,500) x ½) ÷ Closing Stock Price on Grant Date ($20.14) = 17,689(2)

(1) The difference between the actual LTIP stock option award (43,417) and the computed award above (42,511) of 906 options relates to the allocation given to all LTIP eligible employees in order to payout 100% of the LTIP funding pool. This allocation amounted to less than 300 stock options for the CFO and Other Named Executive Officers in 2008.

(2) The difference between the actual LTIP stock award (18,065) and the computed award above (17,689) of 376 shares relates to the allocation given to all LTIP eligible employees in order to payout 100% of the LTIP funding pool. This allocation amounted to less than 110 shares for the CFO and Other Named Executive Officers in 2008.

For 2009, the Compensation Committee began granting restricted stock units to all employees under the LTIP program in place of restricted stock, due to the tax consequences upon the grant of restricted stock awards to employees in certain foreign jurisdictions. In order to achieve uniformity with respect to the timing of taxation for LTIP awards, the Committee chose restricted stock units since they are not taxable in most jurisdictions until the vest date which is similar to how restricted stock is taxed for U.S. employees.

LTIP Program stock option awards vest over four years, 25% at the end of each year, including the year of grant. The LTIP Program restricted stock or restricted stock unit awards vest 50% at the end of the second year, including the year of grant and 25% at the end of the third and fourth years.

Performance-Based

SALT Program. The objective of the SALT Program is to provide a supplemental award that targets total direct compensation up to the 75th percentile of our competitive market if 75th percentile performance goals, set at the beginning of the period, are met. This is consistent with our philosophy of providing above competitive market median compensation for above competitive market median performance. The use of SALT Program awards puts a larger percentage of our Named Executive Officers pay in equity and “at risk,” which we believe is appropriate and consistent with our compensation philosophy. SALT Program awards are determined based upon the following formula and are granted in the form of non-qualified stock options:

Non-Qualified Stock Option Grant = (Base Salary x Individual SALT %) ÷ Black Scholes Value

Individual SALT %. The SALT Program equity awards expressed as a percentage of base salary for our Named Executive Officers is as follows:

	2006	2007(1)	2008(2)	2009
· President & CEO	100%	125%(3)	175%	175%
· CFO	40%	50%	85%(3)	85%
· Other Named Executive Officers	40%	50%(3)	70%	70%

(1) In 2007, the Compensation Committee reduced the annual cash incentive target payout percentages for certain senior level managers and increased the level of equity based compensation. This was done to better align the mix between cash and equity based compensation for our senior managers with our competitive market.
(2) Includes an increase in order to bring total direct compensation up to the 75th percentile of the competitive market.
(3) Includes a promotional increase.

Example Computation of 2008 SALT for Thomas J. Hook:

Non-Qualified Stock Option Grant = (Base Salary ($475,000) x Individual SALT % (175%)) ÷
Black Scholes Value ($8.80) = 94,460

The target number of shares is calculated using the Black Scholes value of our stock on the grant date. SALT Program awards are granted in the form of non-qualified stock options and are performance based. For the 2006 and 2007 SALT Programs, stock options vest either at 100% or 0% depending on whether or not the Company achieves certain three-year performance measures. In 2008, the SALT Program was modified to provide for pro rata vesting relative to the achievement of the three performance metrics utilized in the SALT program. This change was made as we found that none of our peer group was in the top 25th percentile for all three metrics and only a few were in the top 25th percentile for two of the three metrics. Thus, we believe that requiring upper quartile performance for all three metrics would not achieve our objective of awarding 75th percentile total compensation for 75th percentile performance. Starting with the 2008 SALT grant, each metric will be tracked independently and achievement of one or more will allow for at least pro rata vesting of the award depending on how many of the metrics are achieved and the lowest percentage achievement of the metric which was not achieved. For example, if two of the performance goals are met and the third metric was only 90% of the target, then 2/3 of the award multiplied by 90% will vest. Similarly, if only one of the performance goals is met and the lowest percentage achieved of the other two metrics was 80% of the target, then 1/3 of the award multiplied by 80% will vest.

The 2008 SALT Program awards performance measures were as follows:

- 2008 – 2010 cumulative revenue;
- 2008 – 2010 cumulative adjusted operating income; and
- 2008 – 2010 cumulative adjusted cash flow provided by operations.

The Compensation Committee sets the performance goals for SALT awards based upon the long-range financial plan of the Company. Our long range plan takes into consideration the performance of our largest customers supplemented by performance information for our peer group as well as relevant market indices. We believe the performance of our largest customers should be considered since they account for a large percentage of our sales. Additionally, we believe broader market indices are appropriate for consideration in establishing future performance metrics given that the peer group companies above do not have businesses that are exactly comparable to ours. These performance targets were set with the intent that they would represent stretch goals and would result in superior upper quartile performance relative to our customers and peers. Achievement of these targets is believed to be a challenging goal for our Company. Additionally, even after the targets are achieved they continue to incentivize management since the award is in the form of stock options. The only way an employee receives value from a stock option is if the Company’s stock price, which is heavily dependent on the performance of the Company, remains above the options’ exercise price. Thus, stock options align the goals of management with those of the Company’s shareholders.

These performance measures are subject to adjustment based upon acquisitions, as well as unusual or extraordinary items that were not contemplated when the performance measures were set. The Compensation Committee approves all adjustments. The adjustments for acquisitions are based upon the projections for the respective acquisition at the time the transaction was approved by the Board. We believe these adjustments provide incentive for senior level managers to ensure acquisitions are successful. The original 2006 and 2007 SALT Program metrics were adjusted for the acquisitions we completed in 2007 and 2008.

2008 was the final performance year for the 2006 SALT award. During the three year period from 2006 to 2008, we earned cumulative revenues of $1.14 billion, cumulative adjusted operating income of $146 million and cumulative adjusted cash flow provided by operations of $173 million. This compares to the 2006 grant metrics of $1.13 billion, $139 million and $161 million, respectively. Thus, in 2009 our Board approved the achievement of these metrics. The awards will fully vest on December 31, 2009 if continued employment is maintained up until that time. The difference between the cumulative amounts for operating income and cash flow from operations for the SALT metrics compared to the actual amounts under GAAP is the exclusion of non-recurring acquisition related charges (mainly in-process research and development and inventory step-up amortization) and costs incurred related to our consolidation initiatives, all of which were not included in the original SALT target. All of these adjustments were reviewed and approved by the Compensation Committee.

2007 was the final performance year for the 2005 SALT award. During the three year period from 2005 to 2007, we earned cumulative revenues of $804 million and cumulative Adjusted EPS of $3.83. This compares to the 2005 grant metrics of $770 million and $3.51, respectively. Thus, in 2008 our Board approved the achievement of these metrics. These awards fully vested on December 31, 2008. The difference between the cumulative revenue for the three year period from 2005 to 2007 and our revenues under GAAP of $831 million is the exclusion of revenue for acquired companies which were not included in the original SALT target. The main difference between the Adjusted EPS and our EPS under GAAP is the exclusion of non-recurring acquisition related charges (mainly in-process research and development and inventory step-up amortization), costs incurred related to our consolidation initiatives, and the gain on the extinguishment of our debt, all of which were not included in the original SALT target. All of these adjustments were reviewed and approved by the Compensation Committee.

The form of the SALT Program awards is reviewed annually by the Compensation Committee. During 2008, the Compensation Committee researched the need to incorporate either relative or absolute total shareholder return (“TSR”) as a SALT Program metric. Based upon its analysis, including analysis of our competitive market and peer group practices and in consultation with Ernst & Young, the Compensation Committee determined that a change to TSR was not appropriate at this time. This was based upon the fact that TSR is highly sensitive to investor expectations and not necessarily performance of the Company, TSR is often times out of management’s direct control and the accounting for stock awards with market conditions such as TSR is more complex and costly. Additionally, TSR has not yet become a widely accepted compensation practice among publicly traded companies, including our peer group. Based upon the 2007 NASPP Domestic Stock Plan Design and Administration Survey, only 51 of the 349 companies (15%) evaluated utilize TSR as a performance metric. Management and the Compensation Committee remain committed to its pay for performance principals, evidence of which is shown by the high percentage of Named Executive Officer Compensation that is tied to the performance of the Company of approximately 50%.

Other Equity Based Compensation. In addition to the LTIP and SALT Programs, senior level managers may receive additional equity based compensation at the date of hire, upon promotion, for special recognition or upon a significant change in responsibility. These awards are used as a recruiting and retention tool. Historically, these grants were made in the form of incentive stock options or restricted stock and were typically granted as a percentage of the respective employee’s base salary. The amount of incentive stock options granted that become exercisable in any one year by an individual employee is subject to the $100,000 limit imposed by IRC §422(d). In 2007, these awards were made in the form of non-qualified stock options and restricted stock. Also during 2007, the Company’s executive officers, except for the President and CEO who received a similar type grant upon his promotion in 2006, received a one-time restricted stock grant equal to 100% of their base salary. This grant will serve as an additional retention tool for the executive officers as they vest over four years (50% at the end of the second year and 25% at the end of the third and fourth years).

Share Ownership Guidelines. In order to better align the interests of our executives with the interests of our stockholders and to promote our commitment to sound corporate governance, the Compensation Committee designed and the Board approved stock ownership guidelines for senior level managers and non-employee directors. These guidelines require non-employee directors to own at least $90,000 in shares of the Company.

The ownership requirement for our current Named Executive Officers is calculated as a multiple of base salary as follows:

	Multiple of Base Salary
President & CEO	5.0x
CFO	3.0x
Other Named Executive Officers	3.0x

The directors and executives are required to be in compliance with these guidelines within 5 years of becoming subject to the policy and “meaningful” progress must be made and is monitored throughout that time period.

The ownership guidelines also contain a holding period requirement for equity based awards. Non-employee directors are expected to hold all equity based awards, net of applicable taxes, until their tenure as a Board member has ended. Senior level managers are required to hold exercised stock options and vested restricted stock/units, net of applicable taxes, for one year following the exercise or vesting. For purposes of these guidelines, a 50% tax rate is assumed.

Retirement and Change in Control Agreements

Overview. We believe that it is in the best interest of our Company and stockholders to have the unbiased dedication of our executives, without the distraction of personal uncertainties such as retirement or a change in control. We have designed our senior level managers’ retirement and other post-employment benefit programs to reduce such distraction. We believe that our programs allow for a smooth transition in the event of retirement or a change in control without providing “windfall” benefits to senior level managers. We also believe that these benefits are competitive with those of other comparable companies.

The components of our retirement and post-employment benefits program are as follows:

- Executive Retirement Guidelines
- 401(k) Plan
- Change in Control Agreements

We do not offer our employees defined benefit pension, post-retirement or deferred compensation benefits. This decision was made as we believe that such plans are both undervalued by employees and more expensive to administer in comparison to the programs that we do offer. When designing our retirement and other post-employment benefit programs we consider IRC §409A and continue to evaluate our programs in light of the guidance issued under that rule.

We currently do not have a formal severance plan for our employees. In the past, we have provided post-employment severance benefits to our employees who are terminated in connection with a reduction-in-force or corporate reorganization. Generally these benefit amounts are based upon length of service and position level with the Company. Severance payments are at the discretion of management.

Executive Retirement Guidelines. Higher-level senior managers who are at least 59½ with a combination of age and length of service equal to at least 69½ are eligible to receive certain benefits under our Executive Retirement Guidelines. These guidelines have been approved by our Board and allow for the following:

a. accelerated vesting of all outstanding time-based stock incentive awards;
b. discretionary vesting of all outstanding performance-based stock incentive awards; and
c. a discretionary extension of the time eligible to exercise outstanding stock options.

In exchange for these benefits, the executives are required to sign a two-year non-compete agreement. In order to be considered for these benefits, executives must submit a voluntary retirement request form at least one year prior to their anticipated retirement date and facilitate the transition of their responsibilities to their successor. All requests for retirement and benefits under our Executive Retirement Guidelines by Named Executive Officers are reviewed and approved by our Board.

401(k) Plan. Nearly all of our employees are eligible to participate in our defined contribution 401(k) plan. This plan provides for the deferral of employee compensation up to the maximum IRC limit and a discretionary Company match. From 2006 to 2008, this match was $0.35 per dollar of participant deferral, up to 6% of the base salary for each participant.

In addition to the discretionary contributions described above, employees are eligible to receive an additional discretionary contribution of up to 5% of their base salary to the 401(k) plan. This discretionary contribution is made in the form of Common Stock and is subject to certain Internal Revenue Service limits.

Each year we perform standard year-end coverage, nondiscrimination and compliance testing on our 401(k) plan to ensure compliance with applicable Internal Revenue Service rules and regulations. In the event the plan does not meet the nondiscrimination requirements, a prorated portion of the contributions made by "highly compensated" employees will be returned to the respective employee in order to ensure compliance.

Participants immediately vest in their own contributions and earnings, and in the matching and stock contributions made by the Company.

Change in Control Agreements. We have entered into change in control agreements with our Named Executive Officers. These agreements provide for continued employment with the same base salary, annual cash incentive and benefits for two years following a change of control. If the employee is terminated after the change of control, other than for death, disability or cause, or the executive terminates the agreement for good reason, then the executive will be entitled to certain benefits. The most significant components of those benefits are as follows:

a. two times annual salary;
b. two times average bonus for the three year period prior to the date of termination;
c. two times the Company's 5% discretionary contributions to the Company's 401(k) Plan;
d. $25,000 for outplacement services;
e. continued coverage under the Company's medical and other benefit plans (i.e. education assistance, financial planning, physicals) for a period of two years; and
f. all time-based unvested equity awards immediately vest.

Based upon the hypothetical termination date of January 2, 2009, the change in control termination benefits for our Named Executive Officers would be as follows:

	Salary & Bonus	Acceleration of Stock-Based Awards(1)	Continuance of Benefits(2)	401(k) Plan	Outplacement Services	Tax Gross-Up(3)(4)(5)	Modified Cut-Back(5)	Total
Thomas J. Hook	$ 2,128,947	$ 2,573,287	$ 68,993	$ 23,000	$ 25,000	$ 1,038,807	$ -	$ 5,858,034
Thomas J. Mazza	1,075,126	457,964	128,182	23,000	25,000	-	(49,002)	1,660,270
Mauricio Arellano	985,381	407,677	32,848	23,000	25,000	-	(11,009)	1,462,897
	981,447	392,438	165,987	23,000	25,000	-	-	1,587,872

Susan M. Bratton								
Susan H. Campbell	995,647	405,311	28,045	23,000	25,000	-	-	1,477,003

(1) Based upon our closing stock price of $26.72 per share as of January 2, 2009.
(2) Includes the continuation of all benefits described in the Other Personal Benefits section below.
(3) Computed based upon the assumption that equity awards are paid out in cash and does not consider the value that could be assigned to the non-compete agreement signed by Thomas J. Hook.
(4) It is assumed that the hypothetical transaction would result in a cash-out of the outstanding equity awards. In the event an actual transaction would occur in which equity awards were converted into equity awards of the buyer, then the value of the equity acceleration for tax purposes could be higher.
(5) Our change in control agreements provide that an executive is not entitled to a gross-up if the present value of payments does not exceed 110% of the safe harbor threshold. Instead, the payments due to these executives would be reduced to the maximum that could be paid so that the value of the payment would not exceed the safe harbor threshold. To the extent the change in control parachute payment exceeds 110% of the safe harbor threshold, then the participant would be entitled to an excise tax gross-up payment, which is included in the amounts shown above.

In exchange for the above, the terminated executive is required to sign a 36-month confidentiality agreement. In designing these agreements, we considered IRC §280G. IRC §280G denies a tax deduction for any and all excess parachute payments for corporations undergoing a change in control. In addition, the individual recipient of such payment must pay an extra 20% excise tax on the amount of the payment. IRC §280G provides a safe harbor from this excise tax if the present value of any parachute payments under a change in control does not exceed certain thresholds as defined in the IRC.

Other Personal Benefits

In addition to the elements of compensation discussed above, we also provide senior level managers with various other benefits as follows:

- Education Assistance
- Life Insurance
- Long-Term Disability
- Executive Financial Planning
- Executive Physical

We provide these benefits in order to remain competitive with the market and believe that these benefits help us to attract and retain qualified executives. These benefits also reduce the amount of time and attention that senior level managers must spend on personal matters and allow them to dedicate more time to our Company. We believe that these benefits are in-line with the market, are reasonable in nature, are not excessive and are in the best interest of our Company and its stockholders.

Education Assistance. All employees and their dependents are eligible to participate in our Education Assistance Program. This program is provided to support our innovation and commitment to improving our abilities. We believe that education will support the development of our employees for new positions and enhance their contributions to the achievement of our strategic goals. This program was pioneered by our founder, Wilson Greatbatch, who believed as we do that “education is always worth more than it costs in time, money and effort.”

Under our Education Assistance Program we reimburse tuition, textbooks and laboratory fees for all of our employees and their dependents. All fulltime employees are eligible for 100% reimbursement upon the successful completion of job related courses or degree program. The dependent children benefit vests on a straight-line basis over ten years. For employees hired after January 1, 2003, the maximum amount of dependent children reimbursable tuition is the cost of tuition at the recognized local state university. For employees hired prior to January 1, 2003 and for all of the Named Executive Officers, there is no maximum limit for dependent children reimbursement. Minimum academic achievement is required in order to receive reimbursement under all Education Assistance Programs. In 2008, Thomas J. Mazza and Susan M. Bratton were the only Named Executive Officers who received benefits under this program.

Life Insurance. Beginning in 2008, our executive officers receive term life insurance paid by the Company equal to $5 million for the President & CEO (consistent with prior years) and $1 million for other executive officers. Additionally, the Company reimburses the executive officers for any additional tax burden resulting from this benefit. We believe this benefit is consistent with and will allow us to remain competitive with the market and believe that these benefits help us to attract and retain qualified executives.

Long-Term Disability. Beginning in 2008, our executive officers receive long-term disability insurance paid by the Company equal to 60% of salary plus STIC at the 100% level, with no cap. Additionally, the Company reimburses the executive officers for any additional tax burden resulting from this benefit. We believe this benefit is consistent with and will allow us to remain competitive with the market and believe that these benefits help us to attract and retain qualified executives.

Executive Financial Planning. Senior level managers are eligible for reimbursement of financial planning services. Reimbursement is approved for dollar amounts up to $5,000 in the first year of the program and up to $2,500 in all other years ($3,000 for the President & CEO). Qualified expenses include income tax preparation, estate planning and investment planning, among others.

Executive Physical. We provide senior level managers with annual physicals. We cover 100% of the cost of this program. This program was developed to promote the physical well being and health of our senior level managers. We believe this program is in the best long-term interest of our stockholders.

Other Benefits. Senior level managers also participate in other benefit plans that we fully or partially subsidize. Their participation is on the same terms as other employees of the Company. Some of the more significant of these benefits include medical, dental and vision insurance, as well as relocation reimbursement and vacation.

Employment Agreements

The Company has entered into an employment agreement with Thomas J. Hook. No other Named Executive Officer has an employment agreement.

We entered into an employment agreement with Mr. Hook in order to secure his services upon his appointment as President & Chief Executive Officer. That agreement provides certain benefits in addition to the other benefits discussed elsewhere in this section as follows:

a. Term extends through December 31, 2009 with automatic 1 year renewals after that;
b. Grant of 25,000 shares of non-qualified options and 50,000 shares of restricted stock that vest 25% on December 31, 2008, 25% on December 31, 2009 and 50% on December 31, 2010;
c. Company financed term life insurance policy of at least $5 million in face value;
d. In the event of death or disability – i) salary and fringe benefit continuation through the term of the contract or one year whichever is longer; and ii) immediate vesting of all non-vested equity based awards, except SALT awards;
e. In the event of termination without cause or with good reason – i) one year salary and STIC incentive payment; and ii) immediate vesting of all non-vested equity based awards, except SALT awards. Right to exercise vested options upon termination is extended to twelve months; and
f. Non-compete agreement during the term of the contract and 24 months from the date of last payment under the contract.

The following table presents the benefits that would be received by Mr. Hook in the event of a hypothetical termination as of January 2, 2009 as follows:

	Salary & Bonus	Acceleration of Stock-Based Awards(1)	Continuance of Benefits	401(k) Plan	Tax & Financial Planning	Total
Permanent Disability	$ 475,000	$ 2,573,287	$ 31,497	$ 11,500	$ 3,000	$ 3,094,284
Death	475,000	2,573,287	9,752	-	-	3,058,039
Termination Without Cause	855,000	2,573,287	-	-	-	3,428,287
Termination With Good Reason	855,000	2,573,287	-	-	-	3,428,287
Termination for Cause	-	-	-	-	-	-
Termination Without Good Reason	-	-	-	-	-	-
Retirement	-	2,573,287	-	-	-	2,573,287

(1) Based upon our closing stock price of $26.72 per share as of January 2, 2009.

Compensation and Organization Committee Report

The Compensation and Organization Committee has reviewed and discussed the Compensation Discussion and Analysis appearing in this document with management and based upon this review and discussion recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

Respectively submitted,

Pamela G. Bailey
Michael Dinkins
Peter H. Soderberg
William B. Summers, Jr. (Chair)

Members of the Compensation and Organization Committee

Compensation Tables

Summary Compensation Table

The following table summarizes the total compensation paid or earned by each of the Named Executive Officers for fiscal year 2008, 2007 and 2006. We have entered into an employment agreement with Thomas J. Hook – see the "Employment Agreements" section of the Compensation Discussion and Analysis for further discussion. The Named Executive Officers were not entitled to receive payments which would be characterized as "Bonus" payments for fiscal year 2008, 2007 or 2006. Total cash compensation, which includes salary and non-equity incentive plan compensation, is based on individual performance as well as on the overall performance of the Company as more fully described in the "Base Salary" and "Annual Cash Incentives" sections of the Compensation Discussion and Analysis. Generally, the emphasis that is placed on stock-based compensation increases as the level of responsibility of the individual employee increases.

Name and Principal Position	Year	Salary(1)	Bonus	Stock Awards(2)	Option Awards(3)	Non-Equity Incentive Plan Comp.(4)	All Other Comp.(5)	Total
Thomas J. Hook	2008	$ 475,000	$	$ 489,163	$ 875,015	$ 431,278	$ 50,778	$ 2,321,234
President &	2007	448,231		439,586	639,882	527,421	41,511	2,096,631
Chief Executive Officer	2006	378,558		168,377	356,264	646,000	49,494	1,598,693
Thomas J. Mazza	2008	262,200		163,841	200,379	208,307	91,019	925,746
Senior Vice President &	2007	247,962		92,211	147,074	242,089	76,005	805,341
Chief Financial Officer	2006	215,654		20,041	112,028	292,600	40,077	680,400
Mauricio Arellano	2008	248,800		149,413	192,045	183,543	30,864	804,665
Senior Vice President,	2007	228,962		85,708	143,794	223,161	76,079	757,704
Cardiac & Neurology	2006	201,808		19,570	94,480	254,410	27,109	597,377
Susan M. Bratton	2008	241,700		147,630	171,419	178,305	92,694	831,748
Senior Vice President,	2007	228,962		86,377	120,340	223,161	72,132	730,972
Commercial	2006	205,769		22,105	90,602	254,410	70,693	643,579
Susan H. Campbell	2008	248,800		149,313	176,478	183,543	21,788	779,922
Senior Vice President,	2007	228,962		87,484	131,163	223,161	15,975	686,745
Orthopaedics	2006	205,769		21,373	98,526	254,410	14,766	594,844

(1) The amounts indicated represent the dollar value of base salary earned during fiscal year 2008, 2007 and 2006.

(2) The amounts indicated represent the aggregate dollar amount of compensation expense related to restricted stock and restricted stock unit awards granted that was recognized in our financial statements. The determination of this

expense is based on the methodology set forth in notes 1 and 10 to our financial statements included in our Annual Report on Form 10-K, which was filed with the SEC on March 3, 2009.

(3) The amounts indicated represent the aggregate dollar amount of compensation expense related to stock option awards granted that was recognized in our financial statements. The determination of this expense is based on the methodology set forth in notes 1 and 10 to our financial statements included in our Annual Report on Form 10-K, which was filed with the SEC on March 3, 2009.

(4) The amounts indicated represent cash awards earned in the indicated fiscal year and paid in the subsequent fiscal year under our STIC Program. See "Annual Cash Incentives" section of the Compensation Discussion and Analysis for a discussion of this program.

(5) The amounts indicated include cash and stock we contributed to the respective employees' 401(k) plan account, term life insurance premiums paid by the Company for the benefit of the Named Executive Officers, tax gross-ups related to term life insurance and long-term disability benefits, as well as other compensation. The dollar value of cash and stock contributed to the 401(k) plan, term life insurance premiums paid, tax gross-ups, perquisites for items in excess of $10,000 and all other is as follows:

	Year	401 (k) Contribution	Term Life Insurance Premiums	Tax Gross-Up	Perquisites	Other	Total
Thomas J. Hook	2008	$ 16,225	$ 13,250	$ 10,802	$	$ 10,501	$ 50,778
	2007	15,956	12,900		12,655		41,511
	2006	14,975	12,900	127	21,492		49,494
Thomas J. Mazza(1)	2008	16,225	5,780	3,922	49,980	15,112	91,019
	2007	15,975			52,817	7,213	76,005
	2006	15,512		106	22,273	2,186	40,077
Mauricio Arellano(2)	2008	14,483	1,740	2,800		11,841	30,864
	2007	15,975			47,635	12,469	76,079
	2006	14,405		231	12,473		27,109
Susan M. Bratton	2008	16,225	1,420	1,628	71,651	1,770	92,694
	2007	15,975			56,157		72,132
	2006	14,633		1,111	54,949		70,693
Susan H. Campbell	2008	16,225	980	1,880		2,703	21,788
	2007	15,975					15,975
	2006	14,610		156			14,766

(1) Other compensation for 2008 includes $13,210 related to the payment of excess vacation in accordance with Company policy.

(2) Other compensation for 2007 includes $12,469 related to the payment of excess vacation in accordance with Company policy.

Perquisites for the Named Executive Officers are included in “All Other Compensation” if the aggregate value is equal to or greater than $10,000. The perquisites included were comprised of the following. No perquisite exceeded the greater of $25,000 or 10% of the total perquisites provided to the respective executive, except as noted:

	Year	Car Allowance (1) ($)	Financial Planning ($)	Executive Physical ($)	Dependent Education Assistance (2) ($)	Relocation ($)	Service Awards/ Gifts ($)	Personal Travel ($)	Personal use of Company Provided Cell-Phone ($)
Thomas J. Hook	2008								
	2007	X	X				X	X	X
	2006	X							