

STRYKER CORP
Form DEF 14A
March 20, 2009

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

SCHEDULE 14A

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

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

Check the appropriate box:

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

STRYKER CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
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**2825 Airview Boulevard
Kalamazoo, MI 49002**

NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS OF STRYKER CORPORATION

Date: April 29, 2009

Time: 2:00 p.m., Eastern Time

Place: Radisson Plaza Hotel & Suites at The Kalamazoo Center, Kalamazoo, Michigan

Items of Business:

Elect eight directors;

Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2009; and

Transact any other business that may properly come before the meeting and any adjournment or postponement.

We invite all shareholders to attend the meeting. At the meeting, you will hear a report on our business and have a chance to meet our directors and executive officers. Our 2008 Annual Report is enclosed.

Only shareholders of record on March 2, 2009, may vote at the meeting.

Your vote is important. Please vote your shares promptly. To vote your shares, you may use the internet or call the toll-free telephone number as described on your proxy card or complete, sign, date and return your proxy card.

Thomas R. Winkel
Vice President and Secretary

March 20, 2009

**Important Notice Regarding Availability of
Proxy Materials for the Shareholders Meeting
on April 29, 2009**

The proxy statement, our 2008 Annual Report and a link to the means to vote by internet are available at www.proxymaterials.stryker.com.

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**2825 Airview Boulevard
Kalamazoo, MI 49002**

**PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
April 29, 2009**

GENERAL INFORMATION

We are providing these proxy materials in connection with the solicitation by the Board of Directors of proxies to be used at the annual meeting of shareholders of Stryker to be held on April 29, 2009 and at any adjournment of the meeting. The solicitation will begin on or about March 20, 2009.

What am I voting on?

You will be voting on two proposals at our annual meeting:

Election of eight directors; and

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2009.

What are the recommendations of the Board of Directors?

All shares represented by a properly executed proxy will be voted unless the proxy is revoked and, if a choice is specified, your shares will be voted in accordance with the specification. If no choice is specified, the proxy holders will vote your shares according to the recommendations of the Board of Directors, which are included in the discussion of each matter later in this Proxy Statement. In summary, the Board of Directors recommends that you vote:

FOR the election of the nominees for directors; and

FOR ratification of the appointment of Ernst & Young LLP.

In addition, the proxy holders may vote in their discretion with respect to any other matter that properly comes before the meeting.

Who is entitled to vote?

At the close of business on March 2, 2009, the record date for the meeting, 396,680,002 shares of our Common Stock were outstanding. For each proposal to be voted on, each shareholder is entitled to one vote for each share of Stryker Common Stock owned at that time.

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How do I vote?

If you are a shareholder of record, you may vote by proxy in any of the following ways:

By Internet or Telephone If you have internet or telephone access, you may submit your proxy by following the voting instructions on the proxy card. If you vote by internet or telephone, you should not return your proxy card.

By Mail You may vote by mail by completing, dating and signing your proxy card and mailing it in the envelope provided. You must sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as officer of a corporation, guardian, executor, trustee or custodian), you must indicate your name and title or capacity.

If you vote via the internet or by telephone, your vote must be received by 11:59 p.m., Eastern Time, on April 28, 2009.

You may also vote in person at the annual meeting or may be represented by another person at the meeting by executing a proxy designating that person.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. The street name holder will provide you with instructions that you must follow in order to have your shares voted.

If you hold your shares in street name and you wish to vote in person at the meeting, you must obtain a proxy issued in your name from the street name holder.

May I change my mind after submitting a proxy?

If you are a shareholder of record, you may revoke your proxy before it is exercised by:

Written notice to the Vice President and Secretary of the Company;

Timely delivery of a valid, later-dated proxy or later-dated vote by internet or telephone; or

Voting by ballot at the annual meeting.

If you are a beneficial owner of shares held in street name, you may submit new voting instructions by contacting your brokerage firm, bank or other holder of record.

What are broker non-votes?

A broker non-vote occurs when the broker, bank or other holder of record that holds your shares in street name is not entitled to vote on a matter without instruction from you and you do not give any instruction. Unless instructed otherwise by you, brokers, banks and other street name holders will have discretionary authority to vote on the election of directors and ratification of the appointment of Ernst & Young LLP.

What is the required vote?

In the election of directors, the eight nominees receiving the highest number of votes will be elected. Ratification of the appointment of Ernst & Young LLP requires the affirmative vote of a majority of the votes cast on the proposal at the meeting. Votes that are withheld with respect to the election of directors and abstentions on the ratification of the appointment of Ernst & Young LLP are not counted as votes cast.

Will the annual meeting be webcast?

You may access our annual meeting via webcast or telephone. Information about the webcast, which will include both the audio and the video presentation slides from the meeting, is available in the Calendar of Events area of the Investor section of our web site at www.investorevents.stryker.com. The telephone number to listen to the meeting is 800.510.0146 (United States) or 617.614.3449 (International) and the passcode is 92724626. An archived copy of the webcast will continue to be available on our web site until June 30, 2009.

Table of Contents***How do I obtain directions to the annual meeting?***

Directions are available at www.proxymaterials.stryker.com.

Can I access these proxy materials on the internet?

This proxy statement, our 2008 Annual Report and a link to the means to vote by internet are available at www.proxymaterials.stryker.com.

STOCK OWNERSHIP***Principal Shareholders***

The following table sets forth certain information as of December 31, 2008 with respect to beneficial ownership of Common Stock by the only persons known by us to be the beneficial owners of more than 5% of our Common Stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned (#)	Percentage of Class (%)
Greenleaf Trust 211 South Rose Street Kalamazoo, Michigan 49007	46,410,719(1)	11.5
Ronda E. Stryker c/o Greenleaf Trust 211 South Rose Street Kalamazoo, Michigan 49007	36,795,310(2)	9.1
Jon L. Stryker c/o Greenleaf Trust 211 South Rose Street Kalamazoo, Michigan 49007	27,164,853(3)	6.7
Capital World Investors 333 South Hope Street Los Angeles, California 90071	26,575,260(4)	6.6
Pat Stryker c/o Bohemian Companies 103 W. Mountain Avenue Ft. Collins, Colorado 80524	24,730,722(5)	6.1
The Huntington National Bank 41 South High Street Columbus, Ohio 43215	23,801,616(6)	5.9
John W. Brown c/o Stryker Corporation 2825 Airview Boulevard Kalamazoo, Michigan 49002	20,186,559(7)	5.1

- (1) This information is based solely on information contained in a filing with the United States Securities and Exchange Commission (SEC) on January 8, 2009. Greenleaf Trust holds these securities in a fiduciary capacity on behalf of various trusts and investment management customers, some of whom have the right to receive or the power to direct the receipt of dividends from or the proceeds from the sale of such shares of Common Stock. Greenleaf Trust has sole voting power with respect to 2,723,373 of such shares, shared voting power with respect to 43,687,346 of such shares, sole investment power with respect to 2,656,810 of such shares and shared investment power with respect to 43,753,909 of such shares. See notes (2) and (3) below regarding the shared voting power and investment power with respect to 21,207,398 and 22,223,309 of such shares of Common Stock held by subtrusts for the benefit of Ronda E. Stryker and Jon L. Stryker, respectively, under the

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terms of the L. Lee Stryker Trust established on September 10, 1974 for the benefit of members of the Stryker Family (the Stryker Family Trust).

- (2) This information is based solely on information contained in a filing with the SEC on January 8, 2009. The shares of Common Stock shown as beneficially owned by Ms. Stryker include 90,860 shares that may be acquired by her upon exercise of stock options. Ms. Stryker has sole voting and investment power with respect to 15,199,542 of the shares of Common Stock shown as beneficially owned by her and shared voting and investment power with respect to the remaining 21,595,768 shares. As a result of certain rights that she has under the terms of the Stryker Family Trust, Ms. Stryker may be deemed to share voting power and investment power with respect to 21,207,398 of such shares with Greenleaf Trust, the trustee of a subtrust for her benefit under the Stryker Family Trust. See note (1) above.
- (3) This information is based solely on information contained in a filing with the SEC on January 8, 2009. Mr. Stryker has sole voting and investment power with respect to 4,638,369 of the shares of Common Stock shown as beneficially owned by him and shared voting and investment power with respect to the remaining 22,526,484 shares. As a result of certain rights that he has under the terms of the Stryker Family Trust, he may be deemed to share voting power and investment power with respect to 22,223,309 of such shares with Greenleaf Trust, the trustee of a subtrust for his benefit under the Stryker Family Trust. See note (1) above.
- (4) This information is based solely on information as of December 31, 2008 contained in a filing with the SEC on February 12, 2009. Capital World Investors, a division of Capital Research and Management Company, an investment advisor to various investment companies registered under Section 8 of the Investment Company Act of 1940, has sole power to make decisions with respect to the disposition of all of such shares and sole voting power with respect to 6,601,260 of them but has no economic interest in any of them. One or more of its clients has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, all such shares. Capital World Investors disclaims beneficial ownership of all such shares.
- (5) This information is based solely on information contained in a filing with the SEC on January 8, 2009. Ms. Stryker has sole voting and investment power with respect to 2,646,077 of the shares of Common Stock shown as beneficially owned by her and shared voting and investment power with respect to the remaining 22,084,645 shares. As a result of certain rights that she has under the terms of the Stryker Family Trust, Ms. Stryker may be deemed to share voting power and investment power with respect to 22,084,645 of such shares with The Huntington National Bank, the trustee of a subtrust for her benefit under the Stryker Family Trust. See note (6) below.
- (6) This information is based solely on information contained in a filing with the SEC on January 9, 2009. The Huntington National Bank has sole voting power with respect to 91,568 of such shares, shared voting power with respect to 23,710,048 of such shares, sole investment power with respect to 76,792 of such shares and shared investment power with respect to 23,724,824 of such shares. See note (5) above regarding the shared voting power and investment power with respect to 22,084,645 of such shares of Common Stock held by the subtrust for the benefit of Pat Stryker under the Stryker Family Trust.
- (7) This information is based solely on information contained in a filing with the SEC on February 13, 2009. The shares of Common Stock shown as beneficially owned by Mr. Brown include 150,460 shares that may be acquired by him upon exercise of stock options. Mr. Brown has sole voting power with respect to 19,918,972 of the shares of Common Stock shown as beneficially owned by him, shared voting power with respect to 267,587 shares, sole investment power with respect to 19,926,559 shares and shared investment power with respect to 260,000 shares.

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The following table sets forth certain information about the ownership of Stryker Common Stock as of January 31, 2009, by our current directors, all of whom are standing for reelection, Mr. Lance, who is a new director nominee, the executive officers identified as our Named Executive Officers (NEOs) in the Compensation Discussion and Analysis on page 9 and all our executive officers and directors (including Mr. Lance) as a group.

Name	Number of Shares Owned (#)(1)	Right to Acquire (#)(2)	Total (#)(3)	Percentage of Outstanding Shares (%)
Dean H. Bergy	100,814	278,560	379,374	*
John W. Brown	20,028,512	164,460	20,192,972	5.09
Howard E. Cox, Jr.	584,732	92,460	677,192	*
Donald M. Engelman, Ph.D.	59,733	72,460	132,193	*
Andrew G. Fox-Smith	24,549	197,400	221,949	*
Louise L. Francesconi	5,000	7,960	12,960	*
Curt R. Hartman	11,454	223,200	234,654	*
Stephen Si Johnson	503,231	691,030	1,194,261	*
James E. Kemler	81,195	447,000	528,195	*
Howard L. Lance	0	0	0	*
Stephen P. MacMillan	117,202	685,000	802,202	*
William U. Parfet	318,600	9,860	328,460	*
Ronda E. Stryker	36,704,450	92,460	36,796,910	9.28
Executive officers and directors as a group (18 persons)	58,652,388	3,698,150	62,350,538	15.58

* Less than 1%.

- (1) Excludes shares that may be acquired through stock option exercises.
- (2) Includes shares that may be acquired within 60 days after January 31, 2009 upon exercise of options pursuant to Rule 13d-3 of the Securities Exchange Act of 1934.
- (3) Except for the shared beneficial ownership of shares of Common Stock by Ms. Stryker and Mr. Brown and 113,336 shares held by Mr. Johnson's wife as trustee, such persons hold sole voting and disposition power with respect to the shares shown in this column. This total does not include 1,471,319 shares of Common Stock owned by our 401(k) Savings and Retirement Plans that are voted as directed by management, except in the case of certain non-routine matters that do not include either of the proposals to be voted on at this year's annual meeting. The number of shares held by our 401(k) Savings and Retirement Plans does not exceed 10,000 in the case of any executive officer.

**INFORMATION ABOUT THE BOARD OF DIRECTORS
AND CORPORATE GOVERNANCE MATTERS**

We manage our business under the direction of our Board of Directors. The Board conducts its business through meetings of the Board and its committees. The Board has adopted Corporate Governance Guidelines that are available in the Corporate Governance area of the Investor section of our web site at www.stryker.com/investors/governanceguidelines. We will mail a copy to any shareholder upon request to the Vice President and Secretary at 2825 Airview Boulevard, Kalamazoo, Michigan 49002. During 2008, the Board held six meetings, including one special meeting. There were also a total of 18 committee meetings during 2008. Each director attended more than 75% of the total meetings of the Board and the committees on which he or she served in 2008. We expect our directors to attend the annual meeting of shareholders unless they have a schedule conflict or other valid reason. All the Board members attended the 2008 annual meeting.

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Independent Directors

Under the listing standards of the New York Stock Exchange (NYSE), a director is not independent unless the Board determines that he or she has no material relationship with Stryker, either directly or through any organization with which he or she is affiliated that has a relationship with Stryker. Based on a review of the responses of the directors and the new nominee to questions about employment history, affiliation and family and other relationships and on discussions with the directors, the Board has determined that John W. Brown, Howard E. Cox, Jr., Louise L. Francesconi, William U. Parfet and Ronda E. Stryker are independent under the NYSE listing standards, and that Howard L. Lance will be independent under such standards. As a member of management, Stephen P. MacMillan, President and Chief Executive Officer, is not independent under the NYSE listing standards. As a result of fees paid to Donald M. Engelman, Ph.D. as a consultant to the Company, he is not independent under the NYSE listing standards.

Board Committees

Our Board has three principal committees. The current membership, number of meetings held during 2008 and the function performed by each of these committees are described below. These committees act under written charters approved by the Board. These charters are available in the Corporate Governance area of the Investor section of our web site at www.stryker.com/investors/charters, and we will mail them to any shareholder upon request to the Vice President and Secretary at 2825 Airview Boulevard, Kalamazoo, Michigan 49002. The applicable committee and the Board review and reassess the charters annually.

None of the members of any of the committees is or ever has been an employee of the Company. The Board determined at its meeting in April 2008 that the members of each committee meet the independence standards for that committee within the meaning of the NYSE listing standards and applicable SEC regulations.

Audit Committee Mr. Parfet (Chair), Mr. Cox and Ms. Francesconi currently are members of the Audit Committee. The Audit Committee met ten times during 2008. The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. It meets with management and the Company's independent registered public accounting firm throughout the year and reports the results of its activities to the Board of Directors. Further information regarding the role of the Audit Committee is contained in its charter that is available in the Corporate Governance area of the Investor section of our web site at www.stryker.com/investors/charters. For further information, see Audit Committee Report on page 40. The Board has determined that Mr. Parfet is an audit committee financial expert for purposes of applicable SEC rules.

Compensation Committee Mr. Cox (Chair), Mr. Parfet and Ms. Stryker currently are members of the Compensation Committee, which met four times during 2008. The purpose of the Compensation Committee is to assist the Board in discharging its overall responsibilities relating to executive and stock-based compensation. The Committee reviews and approves corporate goals and objectives relevant to the compensation of the President and Chief Executive Officer and other executive officers prior to the beginning of each year, evaluates their performance for the current year in light of those goals and establishes compensation levels for the upcoming year, including salary and bonus targets. The Committee also administers and grants awards under the Company's stock option and other equity-based compensation plans. Except in the case of the President and Chief Executive Officer, management provides recommendations to the Committee concerning salary, bonus potential and equity-based awards for our executive officers. The President and Chief Executive Officer's compensation is subject to final approval by the independent directors. For further information, see the Compensation Committee's charter that is available in the Corporate Governance area of the Investor section of our web site at www.stryker.com/investors/charters. For further information, see Compensation Discussion and Analysis beginning on page 9.

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Our Compensation Committee has the authority to retain and terminate a compensation consulting firm in order to assist the Committee in the evaluation of executive or non-employee director compensation. For 2008, the Committee retained the Hay Group, Inc. to assist the Committee by:

Providing information and education on executive compensation trends and developments and the implications for Stryker;

Reviewing and giving its opinion of management's recommendations for executive compensation and equity plan design and practices; and

Participating in Compensation Committee meetings when requested by the Committee Chair.

The Compensation Committee considers Hay Group to be independent because it has inquired and found no existing conflicts of interest in the services or relationships of Hay Group with Stryker and Hay Group reports directly and solely to the Compensation Committee. Hay Group is not expressly prohibited from providing other services to the Company or management; however, no other services were performed by Hay Group for Stryker in 2008. We will notify the Compensation Committee of any other potential services, including related fees, that Hay Group might be asked to perform. The Compensation Committee has established a requirement that the Committee Chair pre-approve additional Hay Group services if the aggregate fees would exceed \$10,000 in any year.

Governance and Nominating Committee Ms. Francesconi (Chair), Mr. Parfet and Ms. Stryker currently serve on the Governance and Nominating Committee. The Governance and Nominating Committee, which met four times during 2008, makes recommendations to the Board regarding director nominations and committee assignments, oversees the evaluation of the Board and management and considers other matters relating to corporate governance. For further information, see the charter of the Governance and Nominating Committee that is available in the Corporate Governance area of the Investor section of our web site at www.stryker.com/investors/charters. When seeking to identify an individual to become a director to fill a new position or vacancy, the Committee will consult with incumbent directors, management and others, including a professional search firm. The Committee will consider, among other factors, the background and reputation of potential candidates in terms of character, personal and professional integrity, business and financial experience and acumen, how a person would complement the other directors in terms of expertise, diversity of opinion, experience and a person's availability to devote sufficient time to Board duties. Shareholders may recommend director candidates for consideration by the Governance and Nominating Committee by writing to the Vice President and Secretary at 2825 Airview Boulevard, Kalamazoo, Michigan 49002, giving the candidate's name, relationship, if any, to the shareholder making the recommendation, biographical data and qualifications. The submission should also include a statement from the candidate consenting to being considered and, if nominated and elected, to serving as a director.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee has served as one of our officers or employees at any time. None of our executive officers serves as a member of the compensation committee of any other company that has an executive officer serving as a member of our Board of Directors. None of our executive officers serves as a member of the board of directors of any other company that has an executive officer serving as a member of our Compensation Committee.

Lead Director/Executive Sessions of Non-Management Directors

Pursuant to the recommendation of the Governance and Nominating Committee, Mr. Parfet has been designated the lead independent director, with responsibility for coordinating the activities of the other independent directors. Mr. Parfet chairs the executive session held in conjunction with each meeting of the Board to provide an opportunity

for the non-management directors to discuss topics of concern without any member of management being present. At least once a year, an executive session of only the independent directors is held.

Contacting the Board of Directors

Shareholders and other interested persons may communicate directly with the Board on a confidential basis by mail to Stryker Board of Directors at 2825 Airview Boulevard, Kalamazoo, Michigan 49002. All such

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communications will be received directly by the Chair of the Governance and Nominating Committee and will not be screened or reviewed by any Stryker personnel.

Code of Conduct/Code of Ethics

We have adopted a Code of Conduct applicable generally to our employees, officers and directors in the performance of their duties and responsibilities and a Code of Ethics applicable to our President and Chief Executive Officer, Vice President, Finance, Vice President and Chief Financial Officer, Vice President and Chief Accounting Officer and Vice President and Controller. The Code of Conduct and Code of Ethics are posted in the Corporate Governance area of the Investor section of our web site at www.stryker.com/investors/codeofconduct and www.stryker.com/investors/codeofethics, and we will mail them to any shareholder upon request to the Vice President and Secretary at 2825 Airview Boulevard, Kalamazoo, Michigan 49002.

Certain Relationships and Related Party Transactions

Under our Related Party Transactions Policy, which is in writing and was adopted by the Board of Directors, the Audit Committee must approve or ratify transactions involving directors, executive officers or principal shareholders or members of their immediate families or entities controlled by any of them or in which they have a substantial ownership interest in which the amount involved exceeds \$120,000 and that are otherwise reportable under SEC disclosure rules. Such transactions include employment of immediate family members of any director or executive officer. Management advises the Audit Committee at its regularly scheduled meeting in February of each year and at subsequent meetings of any such transaction that is proposed to be entered into or continued and seeks approval. In the event any such transaction is proposed and a decision is required prior to the next regularly scheduled meeting of the Audit Committee, it may be presented to the Audit Committee Chair for approval, in which event the decision will be reported to the full Audit Committee at its next meeting.

William U. Parfet, a director of the Company, is Chairman of the Board and Chief Executive Officer and the principal shareholder of MPI Research, Inc., a drug safety and pharmaceutical development company. During 2008, the Company contracted with MPI Research to conduct certain studies in connection with products under development. In addition, late in the year, MPI was awarded the contract for a one-year animal study at a cost of \$212,000 after bids were solicited from two other clinical research organizations and it was determined that the MPI Research quote offered the best overall value. MPI Research was paid a total of \$60,100 for these studies in 2008, and the balance is expected to become due in 2009. The Audit Committee, during its February 2009 Committee meeting in which Mr. Parfet, Chair of that Committee, excused himself during discussions of this matter, approved the arrangements with MPI Research for each of these studies and also has authorized the Company to enter into additional transactions with MPI Research up to a maximum aggregate annual value of \$1,000,000, which represents less than 2% of the annual revenue of MPI, provided such transactions are competitively bid and evaluated to assure that MPI Research is offering the best value to Stryker. Any such transaction that is entered into and has not been discussed with the Committee in advance must be reported to the Audit Committee at its next meeting.

Art Hartman, the Senior Director, Regulatory Affairs/Quality Assurance at our Medical Division, is the brother of Curt Hartman, our Vice President, Finance. Art Hartman has been employed by the Company in various capacities since 1994 and has held his current position since September 10, 2007. During 2008, Art Hartman's salary was \$198,000, his bonus was \$58,350, he was awarded a stock option to purchase 6,820 shares, and he received other benefits generally available to our U.S.-based employees. The Audit Committee approved Art Hartman's continued employment at its February 2009 meeting.

In January 2008, Amy MacMillan, an adjunct Assistant Professor and Instructor of Marketing at Western Michigan University and the wife of our President and Chief Executive Officer, became a director of a company that has

provided dining and catering services to certain Stryker locations since January 2006. The cost to Stryker for these services was \$469,380 in 2008, which represented less than 2% of the annual revenues of that company. The company provided services on terms that we believe were competitive with the amounts that Stryker would have paid to other companies for such services. Mrs. MacMillan has no ownership interest in that company and receives no compensation other than a nominal director's fee. While not required under our Related Party Transactions

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Policy or the SEC disclosure rules, Mr. MacMillan has disclosed Mrs. MacMillan's directorship to our Audit Committee, which approved continued dealings with that company on competitive terms at its February 2009 meeting.

COMPENSATION DISCUSSION AND ANALYSIS

This section includes information regarding, among other things, the overall objectives of our compensation program and each element of compensation that we provide. Please read this section in conjunction with the detailed tables and narrative descriptions of our NEO compensation under "Executive Compensation" beginning on page 28 of this Proxy Statement.

Named Executive Officers

The names and titles of our NEOs for 2008 are:

Name	Title
Stephen P. MacMillan	President and Chief Executive Officer
Dean H. Bergy	Vice President and Chief Financial Officer(1)
Curt R. Hartman	Vice President, Finance(1)
Stephen Si Johnson	Vice President; Group President, MedSurg(2)
James E. Kemler	Vice President; Group President, Biotech, Osteosynthesis and Development
Andrew G. Fox-Smith	Group President, International

(1) Mr. Hartman was promoted to Vice President, Finance, effective December 1, 2008. Mr. Bergy and Mr. Hartman currently serve as co-principal financial officers. Mr. Hartman will become Vice President and Chief Financial Officer effective April 1, 2009 when Mr. Bergy will become Advisor to the Chief Financial Officer.

(2) Effective January 1, 2009, Mr. Johnson became Advisor to the President and Chief Executive Officer.

Mr. Fox-Smith is employed in Hong Kong and paid in Hong Kong Dollars (HKD). U.S. Dollar (USD) amounts in this Proxy Statement with respect to Mr. Fox-Smith have been calculated using an exchange rate of one USD equaling 7.7867 HKD, the average of the 2008 monthly average exchange rates.

Overview

The primary elements of compensation for our NEOs in 2008 were salary, bonus and stock options. Our savings and retirement plans are typically defined contribution (e.g., 401(k)) plans that match a portion of employee contributions and have historically included an annual discretionary contribution of 7% of salary and bonus for all eligible U.S.-based employees. Perquisites and personal benefits are limited. Our severance plans are discretionary in most instances.

An important part of our Executive Compensation Philosophy is the alignment of the compensation of our NEOs with the interests of our shareholders. In 2008, the variable, performance-based compensation elements—bonus and stock option grants valued using the Black-Scholes method—for the NEOs represented 73% or more of the total of the primary compensation elements. Our NEO Bonus Plans are based on difficult performance goals that, if met, should be reflected in stock price increases over time. Stock options granted to the NEOs will have value only to the extent

that the stock price increases above the options' exercise prices. In this regard, the unrealized value of all stock option grants made in the last five years was zero as of December 31, 2008 because of the decline in our stock price late in 2008, which has significantly impacted our NEO compensation.

At Stryker, we consistently set high goals and have had a history of achieving our goals. The difficult challenges faced by our executives in meeting 2008 bonus objectives are illustrated by our 2008 performance and significantly reduced bonus payouts. In a difficult economic environment, our Company recorded constant currency sales growth of 10.5%, representing the eighth consecutive year that we achieved double-digit sales growth. Our adjusted net earnings per share growth in 2008 was 18%. The annual dividend paid in 2008 was increased by 50% to

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33 cents per share, and the 2009 payment was increased by 21% to 40 cents per share. Despite that performance, actual bonus payments as a percentage of target bonus ranged from 47% to 56% for four of our NEOs and were 69% and 80% for the other two NEOs.

Our Compensation Committee believes that our compensation practices for our NEOs continue to be appropriate in the context both of Stryker's performance and the interests of our shareholders.

Compensation Objectives

We compete for executive talent in a highly competitive, global industry. We believe that our executive compensation program is a key component of our ability to attract and retain talented, qualified executives and should be designed to provide a meaningful level of total compensation that is aligned with organizational and individual performance.

The principal objectives of our executive compensation policies and practices are to:

Attract, retain and motivate talented executives who drive our Company's success;

Structure compensation packages with a significant percentage of compensation earned as variable pay based on performance;

Align incentives with measurable corporate, business area and individual performance, both financial and non-financial;

Provide flexibility to adapt to changing business needs;

Align total compensation with shareholder value creation; and

Establish compensation program costs that are reasonable, affordable and appropriate.

Executive Compensation Philosophy

We have documented our Executive Compensation Philosophy to formalize the objectives of our compensation practices. The Philosophy specifies compensation elements, defines the purpose for each reward element and generally expresses the target positioning of compensation levels that we desire to achieve over time. We believe it is important to have a written philosophy to serve as an ongoing reference point for executive compensation decisions. However, since one of the objectives of our compensation programs is to provide flexibility to adapt to the changing business environment and individual considerations, we understand and expect that there will be variations from the Philosophy. We also recognize that changes to an individual NEO's compensation elements, for example to meet desired market positioning indicated in the Philosophy, may be phased in over multiple years. We have considered our NEO compensation in light of our Philosophy. The compensation decisions described in this Proxy Statement for 2008 were made in late 2007 and early 2008. See "2009 Compensation Decisions" beginning on page 26, for information concerning changes made in the 2009 compensation of our NEOs.

Our Executive Compensation Philosophy is summarized in the table below. Each compensation element, along with an explanation of how we make decisions about that element, is described in detail under "2008 Compensation Elements" commencing on page 14.

Table of Contents*Compensation Elements, Purpose and Target Positioning to Market*

Element	Purpose	Target Positioning to Market
Base Salary	Attract and retain qualified talent	Near market median (between 45 th and 60 th percentile)
Bonus Plan at Target	Motivate participants to achieve and exceed goals Provide a competitive target compensation opportunity Focus participants on key annual metrics	Near market median (between 45 th and 60 th percentile)
Long-term Incentives	Align participant interests with shareholders Balance short-term with long-term focus of decisions Attract talent by offering a meaningful reward opportunity Retain key personnel by locking in participants via vesting and forfeiture provisions Provide opportunity to build stock ownership	Market 75 th percentile but balance Company affordability
Savings and Retirement Plans	Assist participants with retirement funding 401(k) Plan provide above-market contributory retirement benefit opportunity Supplemental Plan provide contributions for participants impacted by tax law limits on the 401(k) Plan	Exceed general market practice
Health and Welfare Benefit Plans	Provide employees and families with appropriate levels of coverage and security that are affordable for Stryker	Above-market benefit value
Perquisites	Appropriate in light of position	Conservative to market