

ORTHOFIX INTERNATIONAL N V  
Form DEF 14A  
April 30, 2012  
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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

ORTHOFIX INTERNATIONAL N.V.  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:
-

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**Orthofix International N.V.**

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

AND

PROXY STATEMENT

*Meeting Date:*

June 21, 2012

at 11:00 a.m. (local time)

*Meeting Place:*

Orthofix International N.V.

7 Abraham de Veerstraat

Curaçao

Dear Shareholders:

We will hold the 2012 Annual General Meeting of Shareholders (the Annual General Meeting ) on June 21, 2012, at 11:00 a.m. (local time) at Orthofix s offices, located at 7 Abraham de Veerstraat, Curaçao.

This booklet includes the notice of Annual General Meeting and the proxy statement. The proxy statement describes the business that we will conduct at the meeting.

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Your vote is important. Please refer to the proxy card or other voting instructions included with these proxy materials for information on how to vote by proxy or in person.

Sincerely,

James F. Gero  
*Chairman of the Board*

April 30, 2012

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**NOTICE AND PROXY STATEMENT**

**for Shareholders of**

**ORTHOFIX INTERNATIONAL N.V.**

**7 Abraham de Veerstraat**

**Curaçao**

**for**

**2012 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**to be held on June 21, 2012**

This notice and the accompanying proxy statement are being furnished to the shareholders of Orthofix International N.V., a Curaçao company ( Orthofix or the Company ), in connection with the upcoming 2012 Annual General Meeting of Shareholders (the Annual General Meeting ) and the related solicitation of proxies by the Board of Directors of Orthofix (the Board of Directors or Board ) from holders of outstanding shares of common stock, par value \$0.10 per share, of Orthofix for use at the Annual General Meeting and at any adjournment thereof. In this notice and the accompanying proxy statement, all references to we, our and us refer to the Company, except as otherwise provided.

**Time, Date and Place of Annual General Meeting**

Notice is hereby given that the Annual General Meeting will be held on June 21, 2012 at 11:00 a.m., local time, at Orthofix s offices, located at 7 Abraham de Veerstraat, Curaçao.

**Purpose of the Annual General Meeting**

1. *Election of Board of Directors.* Shareholders will be asked to consider, and, if thought fit, approve a resolution to elect the following persons to the Board of Directors: James F. Gero, Dr. Guy J. Jordan, Michael R. Mainelli, Davey S. Scoon, Robert S. Vaters, Dr. Walter P. von Wartburg and Kenneth R. Weisshaar. The Board of Directors recommends that shareholders vote **FOR** each of the foregoing nominees for director.

2. *Approval of Orthofix International N.V. 2012 Long-Term Incentive Plan.* Shareholders will be asked to consider, and, if thought fit, approve the Orthofix International N.V. 2012 Long-Term Incentive Plan. The Board of Directors recommends that shareholders vote **FOR** the proposal to approve the Orthofix International N.V. 2012 Long-Term Incentive Plan.

3. *Approval of Financial Statements for the Year Ended December 31, 2011.* Shareholders will be asked to consider, and, if thought fit, approve the balance sheet and income statement at and for the year ended December 31, 2011. The Board of Directors recommends that shareholders vote **FOR** the proposal to approve the balance sheet and income statement at and for the year ended December 31, 2011.

4. *Ratification of the Selection of Ernst & Young LLP.* Shareholders will be asked to consider, and, if thought fit, approve a resolution to ratify the selection of Ernst & Young LLP as the independent registered public accounting firm for Orthofix and its subsidiaries for the fiscal year ending December 31, 2012. The Board of Directors recommends that shareholders vote **FOR** the proposal to ratify the selection of Ernst & Young LLP as the independent registered public accounting firm.

5. *Advisory and Non-Binding Resolution on Executive Compensation.* Shareholders will be asked to consider, and, if thought fit, approve an advisory and non-binding resolution on executive compensation. The Board of Directors recommends that shareholders vote **FOR** the proposal to approve the advisory and non-binding resolution on executive compensation.

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6. *Miscellaneous.* Shareholders will be asked to transact such other business as may come before the Annual General Meeting or any adjournment thereof.

Please read a detailed description of proposals 1 through 5 stated above beginning on page 43 of the proxy statement.

**Shareholders Entitled to Vote**

All record holders of shares of Orthofix common stock at the close of business on April 25, 2012 have been sent this notice and will be entitled to vote at the Annual General Meeting. Each record holder on such date is entitled to cast one vote per share of common stock.

**Documents Available for Inspection**

A copy of the financial statements for the year ended December 31, 2011 have been filed at the offices of Orthofix at 7 Abraham de Veerstraat, Curaçao and are available for inspection by shareholders until the conclusion of the Annual General Meeting.

By Order of the Board of Directors

Jeffrey M. Schumm  
*Senior Vice President, General Counsel and Corporate Secretary*

April 30, 2012

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**PROXY STATEMENT FOR THE ORTHOFIX INTERNATIONAL N.V.**

**2012 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

**THIS PROXY STATEMENT AND THE ENCLOSED PROXY ARE BEING MAILED TO SHAREHOLDERS ON OR ABOUT MAY 4, 2012.**

**ABOUT VOTING**

**Who can vote?**

All record holders of shares of Orthofix common stock at the close of business on April 25, 2012 (the Record Date ) have been sent this notice and will be entitled to vote at the Annual General Meeting. Each record holder on such date is entitled to cast one vote per share of common stock. As of the Record Date, there were 18,729,790 shares of Orthofix common stock outstanding.

**Quorum, vote required**

The presence, in person or by proxy, of the holders of fifty percent (50%) of the shares of Orthofix common stock outstanding on the Record Date is required to constitute a quorum at the Annual General Meeting. An absolute majority of the votes cast will be required in order to approve the proposals before the Annual General Meeting, except that the directors shall be elected by a plurality of the votes cast. Abstentions and broker non-votes are counted as shares that are present and entitled to vote on the proposals for purposes of determining the presence of a quorum, but abstentions and broker non-votes will not have any effect on the outcome of voting on the proposals. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

**Proxies**

This proxy statement is being furnished to holders of shares of Orthofix common stock in connection with the solicitation of proxies by and on behalf of the Board of Directors for use at the Annual General Meeting.

All shares of Orthofix common stock that are represented at the Annual General Meeting by properly executed proxies received prior to or at the Annual General Meeting and which are not validly revoked, will be voted at the Annual General Meeting in accordance with the instructions indicated on such proxies. If no instructions are indicated on a properly executed proxy, such proxy will be voted in favor of each of the proposals. The Board of Directors does not know of any other matters that are to be presented for consideration at the Annual General Meeting.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (1) filing with Orthofix, at or before the taking of the vote at the Annual General Meeting, a written notice of revocation bearing a later date than the proxy, or (2) duly executing a subsequent proxy relating to the same shares of Orthofix common stock and delivering it to Orthofix before the Annual General Meeting. Attending the Annual General Meeting will not in and of itself constitute the revocation of a proxy. Any written notice of revocation or subsequent proxy should be sent so as to be delivered to: Orthofix International N.V., 7 Abraham de Veerstraat, Curaçao, at or before the taking of the vote at the Annual General Meeting.

**Voting is confidential**

We maintain a policy of keeping all proxies and ballots confidential.

**The costs of soliciting these proxies and who will pay them**

We will pay all the costs of soliciting these proxies. Although we are mailing these proxy materials, our directors and employees may also solicit proxies by telephone, fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you. Georgeson Inc. is assisting us with the solicitation of proxies for a fee of \$9,000 plus out-of-pocket expenses.

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**Obtaining an Annual Report on Form 10-K**

We have filed our Annual Report on Form 10-K for the year ended December 31, 2011 with the U.S. Securities and Exchange Commission (the SEC ). Our Form 10-K is included in our Annual Report that we are sending you with this proxy statement. Our Form 10-K is also available on our website at [www.orthofix.com](http://www.orthofix.com). If you would like to receive a separate copy of our Form 10-K, we will send you one without charge. Please write to:

Orthofix International N.V.

3451 Plano Parkway  
Lewisville, TX 75056

Attention: Mr. Mark Quick,  
Director of Investor Relations and Business Development

You may also contact Mr. Quick at (214) 937-2924 or at [MarkQuick@orthofix.com](mailto:MarkQuick@orthofix.com).

**The voting results**

We will publish the voting results from the Annual General Meeting in a Current Report on Form 8-K, which we will file with the SEC after the conclusion of the meeting. You will also be able to find the Form 8-K on our website at [www.orthofix.com](http://www.orthofix.com).

**Whom to call if you have any questions**

If you have any questions about the Annual General Meeting, voting or your ownership of Orthofix common stock, please contact Mr. Quick at (214) 937-2924 or at [MarkQuick@orthofix.com](mailto:MarkQuick@orthofix.com). For directions to the meeting please consult the Company's website at [www.orthofix.com/investors/annuals.asp](http://www.orthofix.com/investors/annuals.asp).

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on June 21, 2012.

- The 2012 Proxy Statement and the 2011 Annual Report to Shareholders are available at [www.orthofix.com/investors/annuals.asp](http://www.orthofix.com/investors/annuals.asp).



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The following table shows each person, or group of affiliated persons, who beneficially owned, directly or indirectly, at least 5% of Orthofix common stock as of the Record Date. Our information is based on reports filed with the SEC by each of the firms or individuals listed in the table below. You may obtain these reports from the SEC.

The Percent of Class figures for the common stock are based on shares of our common stock outstanding as of the Record Date. Except as otherwise indicated, each shareholder has sole voting and dispositive power with respect to the shares indicated.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
Capital Research Global Investors 333 South Hope Street Los Angeles, CA 90071	2,211,700(1)	11.8%
FMR LLC 82 Devonshire Street Boston, MA 02109	1,726,304(2)	9.2%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	949,527(3)	5.1%

(1) Information obtained from Schedule 13G/A filed with the SEC by Capital Research Global Investors (collectively Capital Research ) on February 9, 2012. The Schedule 13G/A discloses that Capital Research has sole voting power and sole dispositive power over all of these shares.

(2) Information obtained from Schedule 13G/A filed with the SEC by FMR LLC ( FMR ) on April 10, 2012. The Schedule 13G/A discloses that, of these shares, FMR has sole power to vote or direct the vote of 492,956 shares and sole power to dispose or to direct the disposition of all of these shares.

(3) Information obtained from a Schedule 13G filed with the SEC by The Vanguard Group, Inc. ( Vanguard ) on February 8, 2012. The Schedule 13G discloses that Vanguard has sole power to vote or direct the vote of 23,099 shares, sole power to dispose of or to direct the disposition of 926,428 shares, and shared power to dispose or to direct the disposition of 23,099 shares.



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The following table sets forth the beneficial ownership of our common stock, including stock options currently exercisable and exercisable within 60 days of the Record Date, by each director, each nominee for director, each executive officer listed in the Summary Compensation Table and all directors and executive officers as a group. The percent of class figure is based on shares of our common stock outstanding as of the Record Date. All directors and executive officers as a group beneficially owned shares of Orthofix common stock as of such date. Unless otherwise indicated, the beneficial owners exercise sole voting and/or investment power over their shares.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Alan W. Milinazzo	373,052(1)	2.0%
Robert S. Vaters	257,701(2)	1.4%
James F. Gero	199,294(3)	1.1%
Luigi Ferrari	75,068(4)	*
Brian McCollum	51,144(5)	*
Vincente Trelles	50,000(6)	*
Dr. Walter P. von Wartburg	46,000(7)	*
Kenneth R. Weisshaar	42,031(8)	*
Dr. Guy J. Jordan	41,256(9)	*
Michael R. Mainelli	13,919(10)	*
Davey S. Scoon		*
Bryan McMillan		*
All directors and executive officers as a group (15 persons)	1,454,269	7.3%

\* Represents less than one percent.

- (1) Reflects 43,052 shares owned directly and 330,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (2) Reflects 24,367 shares owned directly and 233,334 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (3) Reflects 131,294 shares owned directly and 68,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (4) Reflects 9,079 shares owned directly and 65,989 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (5) Reflects 10,010 shares owned directly and 41,134 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (6) Reflects 50,000 shares owned directly.
- (7) Reflects 46,000 shares owned directly.
- (8) Reflects 2,031 shares owned directly and 40,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (9) Reflects 1,256 shares owned directly and 40,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.
- (10) Reflects 1,919 shares owned directly and 12,000 shares issuable pursuant to stock options that are currently exercisable or exercisable within 60 days of the Record Date.



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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and holders of more than 10% of our common stock (collectively, the Reporting Persons ) to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Such persons are required by regulations of the SEC to furnish us with copies of all such filings. Based on our review of these reports from the Reporting Persons, we believe that during the fiscal year ended December 31, 2011 all Section 16(a) filing requirements applicable to the Reporting Persons were complied with.

**INFORMATION ABOUT DIRECTORS**

**The Board of Directors and Committees of the Board**

The Board of Directors currently has eight members, though one of our current directors, Alan W. Milinazzo, is retiring from the Board effective at the Annual General Meeting, and the Board has resolved to set the size of the Board at seven members effective at the Annual General Meeting. The directors are elected at each Annual General Meeting by a plurality of the votes cast, in person or by proxy by the shareholders. Directors are elected for one-year terms. Because we are required by Curaçao law to hold the Annual General Meeting in Curaçao, we do not have a policy regarding director attendance at the Annual General Meeting. No directors were present at our 2011 Annual General Meeting of Shareholders. Our Articles of Association currently provide that the Board shall consist of not less than six and no more than fifteen directors, the exact number to be determined by resolution of the Board.

Our Board usually meets at least four times per year in person at regularly scheduled two-day meetings, but will meet more often in person if necessary. In addition, the Board typically holds several additional meetings each year by telephone conference as events require. The Board met nine times during 2011, four of which meetings were two-day in-person meetings and five of which were telephonic meetings. The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Each Director serving during 2011 attended more than 75% of the aggregate of all meetings held during the year by the Board of Directors and the Committees on which he or she served.

Of the seven directors standing for election at the Annual General Meeting, the Board has determined that Messrs. Gero, Mainelli, Scoon and Weisshaar, and Drs. Jordan and von Wartburg are independent under the current listing standards of the Nasdaq Global Select Market. A list of our director nominees and background information for each of them is presented in the section Proposal 1: Election of Directors, beginning on page 43.

**Board Leadership Structure**

Mr. Gero, who is an independent director, serves as the Chairman of the Board. Mr. Vaters, who is also a director, serves as the Company's President and Chief Executive Officer. The Board believes that the separation of these two critical roles best serves our Company at this time because it allows our President and Chief Executive Officer to focus on providing leadership over our day-to-day operations while our

independent Chairman focuses on leadership of the Board.

*The Audit Committee*

Our Audit Committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The committee oversees the Company's financial reporting process on behalf of the Board. The committee is responsible for the selection, compensation, and oversight of the Company's independent registered public accounting firm. The committee reviews matters relating to the Company's internal controls, as well as other matters warranting committee attention. In addition, the committee assists the Board in overseeing the Company's Corporate Compliance and Ethics Program. The committee also meets privately, outside the presence of Orthofix management, with our independent registered public accounting firm. The Audit Committee's Report for 2011 is printed below at page 57.

The Board has adopted a written charter for the Audit Committee, a copy of which is available for review on our website at [www.orthofix.com](http://www.orthofix.com).

The Audit Committee met nine times during 2011 (four of which meetings were in-person meetings and five

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of which were telephonic meetings).

Messrs. Mainelli, Scoon and Weisshaar currently serve as members of the Audit Committee, with Mr. Scoon serving as the Chairman. Under the current rules of the Nasdaq Global Select Market and pursuant to Rule 10A-3 of Schedule 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act), all of the current members of the committee, as well as all other members who served during 2011, are independent. Our Board of Directors has determined that Messrs. Scoon and Weisshaar are audit committee financial experts as that term is defined in Item 407(d) of Regulation S-K.

*The Compensation Committee*

The Compensation Committee is responsible for establishing compensation policies and determining, approving and overseeing the total compensation packages for our executive officers and other key employees, including all elements of compensation. The committee administers our Amended and Restated 2004 Long-Term Incentive Plan, as amended (the 2004 LTIP), the primary equity incentive plan under which we have previously made equity-related awards, and our 2012 Long-Term Incentive Plan (the 2012 LTIP), which will become our primary equity incentive plan for future issuances if approved by shareholders at the Annual General Meeting. In addition, the committee administers our Amended and Restated Stock Purchase Plan (the SPP), an equity plan under which most of our employees and directors are eligible to purchase common stock of the Company. The committee also administers prior plans that continue to have outstanding awards, but under which we no longer grant awards. See Compensation Discussion and Analysis Elements of Executive Compensation Long-Term Equity-Based Incentives for information on these plans.

The Compensation Committee met eight times during 2011 (four of which were in-person meetings and four of which were telephonic meetings).

The Board has adopted a written charter for the Compensation Committee, a copy of which is available for review on our website at [www.orthofix.com](http://www.orthofix.com).

Drs. Jordan and von Wartburg and Mr. Mainelli currently serve as members of the Compensation Committee, with Dr. Jordan serving as Chairman. All current members of the committee, and all others persons who served on the committee during 2011, (i) are non-employee, non-affiliated, outside directors who have been determined by the Board to be independent under the current rules of the Nasdaq Global Select Market and the SEC and (ii) satisfy the qualification standards of Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (the Internal Revenue Code), and Section 16 of the Exchange Act.

No interlocking relationship, as defined in the Exchange Act, currently exists, nor existed during 2011, between our Board or Compensation Committee and the board of directors or compensation committee of any other entity.

*The Nominating and Governance Committee*

The Nominating and Governance Committee assists the Board in identifying qualified individuals to become Board members, recommends to the Board nominees for election at each annual general meeting of shareholders, develops and recommends to the Board the Company's corporate governance principles and guidelines, and evaluates potential candidates for executive positions as appropriate. In connection with this role, the committee periodically reviews the composition of the Board in light of the characteristics of independence, skills, experience and availability of service, with an emphasis on the particular areas of skill and experience needed by the Board at any given time. The committee also periodically reviews with the Chairman of the Board and the President and Chief Executive Officer succession planning, and makes recommendations to the Board in connection with succession planning.

The Nominating and Governance Committee met five times in 2011 (four of which were in-person meetings and one of which was a telephonic meeting).

The Board has adopted a written charter for the Nominating and Governance Committee, a copy of which is available for review on our website at [www.orthofix.com](http://www.orthofix.com).

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Messrs. Scoon and Weisshaar and Drs. Jordan and von Wartburg currently serve as members of the Nominating and Governance Committee, with Mr. Weisshaar serving as Chairman. All current members of the committee, and all others persons who served on the committee during 2011, have been determined by the Board to be independent under the current rules of the Nasdaq Global Select Market and the SEC.

## **Code of Conduct and Ethics**

All Orthofix employees, directors and executive officers are required to comply with the Code of Conduct and Ethics that we have adopted. The goals of our Code of Conduct and Ethics, as well as our corporate compliance program (which we have branded the *Integrity Advantage* Program), are to deter wrongdoing and to promote (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, (ii) the full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us, (iii) compliance with applicable governmental laws, rules and regulations, (iv) the prompt internal reporting of violations of the Code of Conduct and Ethics, and (v) accountability for adherence to the Code of Conduct and Ethics. Our Code of Conduct and Ethics applies to all areas of professional conduct, including customer relationships, conflicts of interest, financial reporting, use of company assets, insider trading, intellectual property, confidential information and workplace conduct. Under the Code of Conduct and Ethics, employees, directors and executive officers are responsible for promptly reporting potential violations of any law, regulation or the Code of Conduct and Ethics to appropriate personnel or a hotline we have established.

Our Code of Conduct and Ethics is available for review on our website at [www.orthofix.com](http://www.orthofix.com) under the Corporate Governance caption in the Investors section.

## **Board's Role in Risk Oversight**

One of the important roles of our Board of Directors is to oversee various risks that we may face from time to time. While the full Board has primary responsibility for risk oversight, it utilizes its committees, as appropriate, to monitor and address the risks that may be within the scope of a particular committee's expertise or charter. For example, the Audit Committee oversees our financial statements and compliance with certain legal and regulatory requirements. The Board believes that the composition of its committees, and the distribution of the particular expertise of each committee's members, makes this an appropriate structure to more effectively monitor these risks.

An important feature of the Board's risk oversight function is to receive updates from its committees and management, as appropriate. In that regard, the Board regularly receives updates from the President and Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer and General Counsel, including in connection with material litigation and legal compliance matters. The Board also receives updates at quarterly in-person Board meetings on committee activities from each committee chairman. In addition, the president or other senior executive of each Company division or business unit periodically reviews and assesses the most significant risks associated with his or her division or unit. These assessments are then aggregated by our management team and presented to our Board of Directors. The Board regularly discusses with management these risk assessments and includes risk management and risk mitigation as part of its on-going strategic planning process.

## **Shareholder Communication with the Board of Directors**

To facilitate the ability of shareholders to communicate with the Board of Directors, we have established an electronic mailing address and a physical mailing address to which communications may be sent: [boardofdirectors@orthofix.com](mailto:boardofdirectors@orthofix.com), or The Board of Directors, c/o Mr. James F. Gero, Chairman of the Board of Directors, Orthofix International N.V., 3451 Plano Parkway, Lewisville, TX 75056.

Mr. Gero reviews all correspondence addressed to the Board of Directors and presents to the Board a summary of all such correspondence and forwards to the Board or individual directors, as the case may be, copies of all correspondence that, in the opinion of Mr. Gero, deals with the functions of the Board or committees thereof or that he otherwise determines requires their attention. Examples of communications that would be logged, but not automatically forwarded, include solicitations for products and services or items of a personal nature not relevant to us or our shareholders. Directors may at any time review the log of all correspondence received by Orthofix that is addressed to members of the Board and request copies of any such correspondence.

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**Nomination of Directors**

As provided in its charter, the Nominating and Governance Committee identifies and recommends to the Board nominees for election or re-election to the Board and will consider nominations submitted by shareholders. The Nominating and Governance Committee Charter is available for review on our website at [www.orthofix.com](http://www.orthofix.com).

The Nominating and Governance Committee seeks to create a Board of Directors that is strong in its collective diversity of skills and experience with respect to finance, research and development, commercialization, sales, distribution, leadership, technologies and industry knowledge. The Nominating and Governance Committee reviews with the Board, on an annual basis, the current composition of the Board in light of the characteristics of independence, skills, experience and availability of service to Orthofix of its members and of anticipated needs. If necessary, we will retain a third party to assist us in identifying or evaluating any potential nominees for director. When the Nominating and Governance Committee reviews a potential new candidate, it looks specifically at the candidate's qualifications in light of the needs of the Board at that time given the then current mix of director attributes.

As provided for in our Corporate Governance Guidelines, in nominating director candidates, the Nominating and Governance Committee strives to nominate directors who exhibit high standards of ethics, integrity, commitment and accountability. In addition, our Corporate Governance Guidelines state that all nominations should attempt to ensure that the Board shall encompass a range of talent, skills and expertise sufficient to provide sound guidance with respect to our operations and activities. Other than as set forth in the Corporate Governance Guidelines with respect to the Board's objective in seeking directors with a range of talent, skills and expertise, the Board and the Nominating and Governance Committee do not have a formal policy with respect to the diversity of directors.

Under our Corporate Governance Guidelines, directors must inform the Chairman of the Board and the Chairman of the Nominating and Governance Committee in advance of accepting an invitation to serve on another company's board of directors. In addition, no director may sit on the board of directors of, or beneficially own a significant financial interest in, any business that is a material competitor of Orthofix. The Nominating and Governance Committee reviews any applicable facts and circumstances relating to any such potential conflict of interest and determines in its reasonable discretion whether a conflict exists.

To recommend a nominee, a shareholder shall send notice to the Board c/o Kenneth R. Weisshaar, Chairman of the Nominating and Governance Committee, Orthofix International N.V., 3451 Plano Parkway, Lewisville, TX 75056. This notice should include the candidate's brief biographical description, a statement of the qualifications of the candidate, taking into account the qualification requirements set forth above and the candidate's signed consent to be named in the proxy statement and to serve as a director if elected. The notice must be given not later than 180 days before the first anniversary of the last Annual General Meeting of Shareholders. Once we receive the recommendation, the Nominating and Governance Committee will determine whether to contact the candidate to request that he or she provide us with additional information about the candidate's independence, qualifications and other information that would assist the Nominating and Governance Committee in evaluating the candidate, as well as certain information that must be disclosed about the candidate in our proxy statement, if nominated. Candidates must respond to our inquiries within the time frame provided in order to be considered for nomination by the Nominating and Governance Committee.

The Nominating and Governance Committee has not received any nominations for director from shareholders for the 2012 Annual General Meeting of Shareholders.





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**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Compensation Committee Interlocks and Insider Participation**

The Compensation Committee, comprised entirely of independent, non-management directors, is responsible for establishing and administering the Company's policies involving the compensation of its executive officers. No employee of the Company serves on the Compensation Committee. The Committee members have no interlocking relationships as defined by the SEC.

**Procedures for Approval of Related Person Transactions**

The Company's policies and procedures for the review, approval or ratification of related party transactions are set forth in our Code of Conduct and Ethics. Our policy is that the Audit Committee will review and approve all related party transactions that meet the minimum threshold for disclosure under the relevant SEC rules (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest). The Company did not have any related party transactions meeting this threshold during 2011.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Compensation Philosophy and Overview**

Our Compensation Committee, or the Committee, discharges the responsibilities of the Board relating to all compensation of the Company's executive officers, including equity-based compensation. The Committee guides itself in large part by our executive compensation philosophy. This philosophy reflects a pay-for-performance outlook in consideration of our growth (whether internal or as a result of acquisitions) and our objectives of attracting, retaining and motivating executive officers and other key employees while increasing shareholder value. We must attract talent for us to grow successfully. At the same time, we must retain and motivate talent in order to engage them to help us achieve our goals. Finally, we must consider all these elements in the context of our ultimate objective of enhancing the value of the Company for our shareholders.

Based on this philosophy, the Committee's goal is to fairly compensate executive officers with an emphasis on providing incentives that balance the promotion of both our short- and long-term objectives. As described in more detail below, achievement of short-term objectives is rewarded through base salary and cash incentive awards, while grants of stock options and restricted stock encourage executive officers to focus on our long-term goals. The Committee may choose to materially increase or decrease compensation based on performance and the achievement of the above objectives. These core components remain the basis for our executive compensation philosophy as we continue to grow.

In implementing this overall compensation philosophy for the Company's executive officers, the Committee is guided by the following principles:

- ***Pay for Performance*** - The Committee places considerable emphasis on variable elements of pay within the executive compensation program. These elements consist of the Company's annual incentive plan, which is intended to reward executive officers for achieving specific operating and financial objectives, as well as stock options, to the extent that options are available to grant. The Committee seeks to provide rewards through the annual incentive plan by measuring performance based on key pre-established measures reflecting positive financial performance by the Company and its business units and divisions. The Committee seeks to provide strong linkage between executives and shareholders with grants of stock options, as stock options only have realizable value to the extent that the market value of the Company's common stock increases.
- ***Competitive Target Pay Opportunities*** - The Committee believes that the Company must offer competitive target total compensation to recruit and retain key executive talent. As such, our executive compensation program has been structured to provide total direct compensation (base salary plus target cash opportunities plus long-term incentive grants) at or near the 50th percentile of competitive market practices of our industry peers. To ensure that our pay levels are calibrated to reward performance, our programs are designed to deliver actual amounts of pay that are consistent with the Company's performance.
- ***Encourage Executive and Outside Director Share Ownership*** - The Committee believes that a significant portion of each executive's and outside director's compensation should be tied to the Company's financial performance and share price. We seek to award stock options and restricted stock pursuant to our long-term incentive plan so that over a period of time, a significant portion of an executive officer's actual compensation is provided in the form of share-based compensation. We also facilitate the purchase of our common stock by executive officers

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pursuant to a stock purchase plan, and encourage ownership of our common stock by our President and Chief Executive Officer and outside directors pursuant to stock ownership guidelines we have adopted.

- ***Provide Moderate Health and Welfare Benefits*** - The Committee considers these benefits to be important for each employee, and seeks to provide a moderate level of these benefits to executive officers, generally consistent with the level of health and welfare benefits provided to all Company employees.

### *Governance of Executive Compensation*

As described further below, executive compensation for our executive officers is reviewed and established annually by the Committee, which consists solely of independent directors. The Committee's compensation

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decisions are intended to reflect its ongoing commitment to strong compensation governance, which the Committee believes are reflected in the following elements of our executive compensation:

- **Stock Ownership Guidelines Align Our CEO and Outside Directors with Shareholders.** We have adopted stock ownership guidelines that apply to our President and Chief Executive Officer and outside directors.
- **No Promotion of Excessive Risk Taking.** We believe that our compensation programs do not encourage excessive risk taking. For example, we do not provide uncapped bonuses under our annual incentive program, and we have never made mega annual equity grants to any of our current management team members. We also utilize multiple performance metrics under our annual incentive plan.
- **No Repricing of Stock Options.** Equity awards, including stock options, are never issued with below-market exercise prices, and the repricing of stock options without stockholder approval is expressly prohibited under both our current and newly proposed long-term incentive plan. The Committee believes that the issuance of discount stock options and authorization of post-grant date repricings are each not performance-based pay practices, and therefore inconsistent with the Committee's commitment to pay for performance.
- **50th Percentile of Peer Total Compensation Target.** Our base salaries and target total compensation for named executive officers is targeted to be at approximately the 50th percentile of companies in a peer group approved by the Committee. This peer group is comprised of organizations within our industry and that are within range of our company size taking into consideration strong pay correlation elements such as revenues and market capitalization. These are also companies with which we may compete directly for executive talent.
- **Pay At Risk Based on Performance.** As our programs are designed using a pay for performance philosophy, actual pay realized (earned) by our executives is predominantly at risk through our performance-based annual incentive program and through our long-term incentive grants that consist of both stock options (which will only provide value to executives if our stock price appreciates) and restricted shares.

*Compensation Process*

The Committee is responsible for establishing and evaluating compensation policies and determining, approving and evaluating employee compensation, including the total compensation packages for our executive officers and other key employees and compensation under the Company's equity incentive plans and other Company compensation policies and programs. The Committee specifically considers and approves the compensation for the President and Chief Executive Officer and other executive officers. It is also responsible for making recommendations to the Board regarding the compensation of directors. The Committee relies on select senior executive officers to make recommendations on certain aspects of compensation as discussed below. The Committee acts under a written charter adopted by the Board. The Committee reviews its charter annually and recommends any changes to the Board. The Committee last amended its charter in November 2009. The charter is available on our website at [www.orthofix.com](http://www.orthofix.com). Drs. Jordan and von Wartburg and Mr. Mainelli currently serve as members of the Compensation Committee, with Dr. Jordan serving as Chairman. During 2011, each member of the Board who served on the Committee was an independent, non-employee, non-affiliated, outside director while he or she served on the Committee. The Committee has furnished its report below.

Throughout this proxy statement, the following persons are referred to collectively as our named executive officers : (i) Robert S. Vaters, our President and Chief Executive Officer (who served as our Executive Vice President and Chief Operating Officer from January 10, 2011 to August 1, 2011 and our Executive Vice President and Chief Financial Officer prior to January 10, 2011), (ii) Brian McCollum, our Senior Vice President of Finance and Chief Financial Officer, (iii) Vicente Trelles, our Executive Vice President of Worldwide Operations and Shared Services, (iv) Bryan McMillan, our President, Global Spine Business Unit, (v) Luigi Ferrari, our President, Global Orthopedics Business Unit, and (vi) Alan W. Milinazzo, our former President and Chief Executive Officer prior to August 1, 2011.

*Role of Executive Officers*

At the Committee's request, from time to time certain of our senior management present

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compensation-related initiatives to the Committee. For instance, while the Committee approves all elements of compensation for executive officers, the Committee requests on an annual basis that senior management aid the Committee in fulfilling its duties by facilitating the gathering of information relating to potential targets and goals under our annual incentive program as well as possible stock option or restricted stock grants, and possible cash retention bonuses. This information is prepared in accordance with the market-based compensation data developed by the Committee's outside compensation consultant, Towers Watson, and approved by the Committee. The Committee then reviews this information in connection with it setting the annual incentive targets and goals. The Chief Financial Officer is generally responsible for the compensation process within the Company, and provides input to the Committee in such capacity. The President and Chief Executive Officer also provides the Committee with additional input and perspective in connection with the Committee's salary determinations for named executive officers. The President and Chief Executive Officer and Chief Financial Officer frequently attend meetings of the Committee in these respective capacities. To the extent required or advisable, these executive officers are excluded from any Committee discussions or votes regarding their compensation.

*Compensation Consultant*

The Committee has the authority under its charter to retain, at the Company's expense, outside compensation consultants to assist in evaluating compensation. The Committee also has the authority to terminate those engagements. In accordance with this authority and to aid the Committee in fulfilling its duties, the Committee has engaged Towers Watson since 2004 as its outside compensation consultant.

In its role as compensation consultant, Towers Watson has worked with the Committee to develop our executive and director compensation philosophy, and Towers Watson periodically conducts reviews and updates of our executive officer and director compensation programs and long-term incentive practices at the request of the Committee.

In 2010, the Committee engaged Towers Watson to conduct an in depth review of our peer group and recommend changes based on the Company's financial profile, business focus and complexity of business operations. In 2011, the Committee asked Towers Watson to review the peer group again as certain organizations were no longer available for comparison due to subsequent mergers and acquisitions. The 2011 peer group was realigned modestly to ensure that Orthofix continued to compare executive pay levels against companies of similar financial profile, business focus and operations complexity. Further discussion of the 2011 peer group is outlined below in the *Benchmarking* section of this discussion.

At the Committee's request, in 2010 and 2011, Towers Watson conducted an assessment of compensation levels for our top five executive positions as well as key business unit leadership positions. Towers Watson compared Orthofix executive pay levels versus the competitive market to determine whether they remain consistent with our compensation philosophy. In conducting these assessments, Towers Watson made comparisons to our then current peer group and considered the compensation levels and program design for executive officers of those peer group companies based upon publicly-available disclosure regarding the compensation arrangements at those companies. This information indicated that, on average, base salary compensation for our named executive officers was within range of the 50th percentile. Actual total cash levels (base salary plus annual incentive awards) paid in 2011 for 2010 Company performance were aligned with the 25th percentile. In addition, as Orthofix had very limited equity in the share pool to grant to executives, Towers Watson did not benchmark equity levels as recent grants were limited and, therefore, total direct compensation levels (which is the sum of actual total cash and equity compensation) were less than competitive at the 50th percentile.

During 2011, other analyses that were conducted by Towers Watson included:

- A competitive market analysis of outside director pay practices and levels such that the Committee could determine if our current outside director compensation program was aligned with the competitive market. Consistent with the findings of the executive compensation assessment, this analysis indicated that outside director cash compensation levels were aligned with the market median but equity grants, limited by share pool availability, were below the peer group 25th percentile.
  
- A review of the Company's equity share utilization and overhang in support of developing a new strategy for long-term incentive compensation.
  
- A review of management's proposed 2012 long-term incentive program to confirm that it is aligned with

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competitive market practice.

- A review and realignment of the Company's peer group (discussed in the *Benchmarking* section below).
- A governance review of the Company's executive compensation programs to assess whether they are aligned with governance best practices. This review recommended that outside director share guidelines be realigned with current market practices. Towers Watson worked with the Committee to develop updated guidelines, which were subsequently implemented in December 2011.
- Other ad hoc assessments, as requested by the Committee.

*The Role of Shareholder Say-on-Pay Votes.*

The Company provides its shareholders with the opportunity to cast an annual advisory vote on executive compensation (a say-on-pay proposal). At the Company's annual general meeting of shareholders held in August 2011, 98% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Committee believes this affirms shareholders' support of the Company's approach to executive compensation. The Committee evaluated the results of the 2011 say-on-pay proposal at its September 2011 meeting. The Committee also considered many other factors in evaluating the Company's executive compensation programs as discussed in this Compensation Discussion and Analysis, including the Committee's assessment of the interaction of our compensation programs with our corporate business objectives, evaluations of our programs by our compensation consultant, and review of data of a comparator group of peer companies, each of which is evaluated in the context of the Committee's fiduciary duty to act as the directors determine to be in shareholders' best interests. While each of these factors bore on the Compensation Committee's subsequent decisions regarding our named executive officers' compensation during 2011 and 2012, the Committee did not make any changes to our executive compensation program and policies as a result of the 2011 say-on-pay proposal voting results. The Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for its named executive officers.

*Recoupment Policy*

The Dodd-Frank Act requires companies to adopt a policy that will recapture excess incentive compensation that was paid to executive officers if based on erroneous financial statements (clawback). The Act mandates the SEC to issue rules implementing the clawback requirements. The Company intends to adopt a formal clawback policy when the SEC promulgates the final rules. The Company believes it is prudent and efficient to ensure that we adopt a policy in proper form that is fully compliant with the laws and rules, rather than implementing a policy that may require amendment when the final rules are promulgated.

**Benchmarking**



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Decisions related to executive compensation program design and pay levels are informed, in part, by the practices and pay levels of comparable peer organizations. During 2011, the Committee engaged Towers Watson to conduct an executive compensation analysis that provided summarized data on market competitive levels of total compensation. In conducting the 2011 benchmarking, Towers Watson utilized a selection of peer companies, which was reviewed and approved by the Committee in May 2011 to ensure that it represented organizations of the appropriate size and complexity based upon key financial factors such as annual gross revenues, shareholder return and market capitalization. This peer group contained the following seventeen medical technology and device manufacturers and distributors with which we may compete against for executive talent.

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- American Medical Systems Holdings Inc.\*
- Cooper Companies, Inc.
- Edwards Lifesciences Corporation
- Gen-Probe Inc.
- Haemonetics Corporation
- Integra LifeSciences Holding Corporation
- Intuitive Surgical Inc.
- Mediciis Pharmaceutical Corporation
- Mednax Inc.
- NuVasive, Inc.
- ResMed, Inc.
- Sirona Dental Systems Inc.
- STERIS Corporation
- Thoratec Corporation
- Volcano Corporation
- West Pharmaceutical Services, Inc.
- Wright Medical Group Inc.

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\* Denotes that the company has subsequently been acquired, but was considered as part of the Company's 2010 and 2011 benchmarking surveys.

**Elements of Executive Compensation**

*Overview*

Our compensation program for executive officers and other key employees consists of three primary elements:

- annual salary;
- performance-based incentives in the form of annual cash bonuses; and
- long-term equity-based incentives under our long-term incentive plan.

The Committee reviews annually what portion of an executive officer's compensation should be in the form of salary, potential annual performance-based cash bonuses and long-term equity-based incentive compensation. The Committee believes an appropriate mix of these elements, commensurate with our compensation philosophy, will assist the Committee in meeting its compensation objectives. See [Executive Compensation Philosophy](#) below for more information on the Committee's guidelines for each element of executive compensation. As part of its decision making process, the Committee reviews information setting forth all components of the compensation and benefits received by our

named executive officers. This information includes a specific review of dollar amounts for salary, bonus, perquisites and long-term equity-based incentive compensation.

In addition, during 2010 and 2011, the Committee considered, and ultimately implemented in February 2011, retention cash bonuses to certain executive officers due to special circumstances. In determining to grant these bonuses, the Committee took into account that the Committee had not made any stock option or restricted stock based awards to executive officers during 2010 due to limitations on share availability under the 2004 LTIP, and that the amount of stock option and restricted stock awards made in 2011 would be limited by share availability under the 2004 LTIP. In addition, the Committee considered the significant additional demands and management challenges that resulted, in the near term, from several government investigation and litigation matters facing the Company at that time. The Committee's intent in making these awards was to compensate executive officers for the Committee's expectation that aggregate equity-based awards in 2010 and 2011 would be below the Company's 50th percentile of peer target due to plan availability limitations.

With respect to incentive compensation, the (i) setting of performance goals for the attainment of cash bonuses and the determination of awards thereunder and (ii) determination of the number and type of annual equity-based compensation awards are typically done at different times during the year (though in recent years, the

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timing of equity-based compensation awards has sometimes been delayed due to limited share capacity available in the 2004 LTIP). The Committee believes that the separation of the timing of these grants and awards provides for increased incentives for the recipients. These incentives are based on financial objectives that are important to the Company, including income or cash flow attainment and sales attainment. Individual performance is also taken into account. The consideration of individual performance enables the Committee to differentiate among executive officers and emphasize the link between personal performance and compensation.

Certain executive officers are eligible to participate in the Orthofix Deferred Compensation Plan, whereby such eligible participants may elect to defer a portion of their earnings each year. Executive officers and directors are also eligible to participate in our SPP. We also provide our executive officers and directors with certain limited perquisites discussed below.

*Executive Compensation Philosophy*

The Committee has approved a pay-for-performance executive compensation philosophy. This philosophy takes into account the results of our periodic benchmarking, using both the peer group and survey sources, and assumes that the Company has met its performance goals. This compensation philosophy emphasizes pay at risk through awards made under the cash-based annual incentive plan as well as grants made under the long-term equity compensation program as outlined above.

Pay Element	Market Position	Rationale
Base Salary	50th Percentile	Competitive annual salary.
Total Cash Goal (1)	50th Percentile (2)	Target incentive opportunity aligned with market 50th percentile to be competitive. Opportunity for greater than competitive cash compensation only if individual and company performance exceeds target goals.
Long-Term Incentive Grants	The annual long-term equity incentive grant program is designed to align senior management with shareholders while being fair and competitive (3)	Long-term incentive grants are awarded weighing the following: market competitive expected value delivered annually, individual and company performance, share utilization/dilution, executive alignment with shareholder interests and retention of key employees.
Total Direct Compensation Goal (4)	50th Percentile	Align long-term incentive plus total cash with shareholder interests and reward individual and company long-term performance.

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- (1) Total cash compensation equals annual salary plus annual cash incentives.
- (2) Actual award levels will vary within a set range developed around a target based upon primarily company performance goals, but also individual performance goals.
- (3) As noted below, the equity grants may be higher or lower than the market 50th percentile based upon a variety of factors.
- (4) Total direct compensation equals total cash plus annualized expected value of long-term incentives.

Our target percentiles are guidelines. The annual salary, annual incentive awards and equity awards may be higher or lower than the 50th percentile for certain individuals based upon Company and individual performance, competitive market practice, shareholder alignment, availability of shares for equity grants and the need for executive retention. The Committee may depart from the target percentiles for other purposes based upon particular facts and circumstances that apply to an individual, entity or a division at the time, including adjustments due to market conditions, the promotion of employees and other factors.

The Committee generally engages a compensation consultant to provide peer group benchmarking survey information every few years. In years when benchmarking survey information is not procured, the Committee uses

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data provided to the Committee during the prior year, and makes cost-of-living or other adjustments as it deems appropriate. The Committee obtained benchmarking survey information from Towers Watson in September 2010, which was used in the Committee's determination of compensation levels for 2011.

In September 2011, the Committee obtained updated benchmarking survey information from Towers Watson. This information indicated that, on average, base salary compensation for our named executive officers was within range of the 50th percentile. However, actual total cash levels were at or below 25th percentile levels. Furthermore, equity levels and total direct compensation levels (which is the sum of cash and equity compensation) were not competitive as Orthofix had made limited recent grants of equity awards to the named executive officers as the Company had minimal shares left in the shareholder-approved equity pool. Based on this information, the Committee determined that the Company's current executive compensation levels were below the 50th percentile targeted amounts for peer companies. The Committee considered this information when setting 2012 annual salaries in December 2011 and March 2012, as well as in connection with the Committee's determination in February 2011 to institute retention cash bonuses due to special circumstances.

*Annual Salary*

The Committee makes annual determinations with respect to the salaries of executive officers. In making these decisions, the Committee considers each executive officer's performance, the market compensation levels for comparable positions within and outside our peer group, performance goals and objectives and other relevant information, including recommendations of the President and Chief Executive Officer.

The Committee approved 2012 salary increases for our named executive officers in December 2011 and, in the case of Mr. Vaters, in March 2012. These increases were designed to bring base salary amounts in line with the 50th percentile of our industry peer group based on the September 2011 benchmarking data obtained by the Committee from Towers Watson. The 2012 annual base salary amounts for our named executive officers are as follows:

Name	Title	2012 Annual Base Salary (1)
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