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 þ
Filed by a Party other than the Registrant o

Check the appropriate box:

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
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1) Title of each class of securities to which transaction applies:

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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):

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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.

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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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Security Ownership of Directors and Executive Officers

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 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

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.

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 45th and 60th 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 45th and 60th 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 75th 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

Underlying our Executive Compensation Philosophy is the desire to provide mechanisms that facilitate and encourage long-term ownership of Stryker stock. Our stock ownership guidelines require senior management to accumulate and retain significant stock ownership positions over time and reinforce this Philosophy. For more information, see Executive and Non-Employee Director Stock Ownership Guidelines on page 23.

The target market positioning referenced in the Philosophy identifies general market compensation levels to which we target compensation in typical situations. In this respect, the Philosophy is a guideline against which the Compensation Committee evaluates individual NEO compensation decisions; however, the Compensation Committee also takes into account other factors, such as performance, tenure and experience. As a result, there may be variances from the target positioning.

The Role of Benchmarking in our Executive Compensation Decisions

We regularly review, revise and amend our compensation policies, practices and programs to determine if they are both appropriate and responsive to our business needs. We do not establish compensation levels by focusing exclusively on market comparison data and historically have not found it necessary to conduct extensive external market benchmarking of our executive compensation levels or practices. We conducted a market benchmarking study that is described below prior to establishing the NEOs 2008 compensation. The Compensation Committee applies judgment and discretion when evaluating either the use (or exclusion) of market comparison data as it does when determining any compensation amount or outcome.

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To the extent that benchmarking to a comparison market is a factor in our compensation decisions, we must necessarily make assumptions that we believe are reasonable and prudent. When examining compensation practices and making market benchmarking comparisons, it is a common practice to make informed estimates and apply judgment while using imperfect, but what is believed to be the best available, data on compensation practices and pay levels. The comparison market for benchmarking NEO compensation focuses on companies from which we might seek to hire executives or to whom we may lose executives. We believe such companies are generally, but may not exclusively be, those that offer competing products to ours in the medical technology industry. Because there are many factors that inherently limit the overall precision of most market benchmarking processes, we choose to review and apply judgment to our compensation comparison market on a case-by-case and year-by-year basis. An example of such a judgment might be establishing reasonable ranges when making comparisons of a compensation element to the benchmark data or drawing any conclusions about the specific competitiveness of that element. Accordingly, our Philosophy indicates target positioning to market as a range of competitiveness (i.e., near market median between the 45^{th} and 60^{th} percentile) in order to accommodate factors such as those mentioned above.

Any market comparison analysis we conduct is a point of reference that is considered in conjunction with other analytical and reference factors when evaluating and determining executive compensation. The performance of the businesses each NEO is responsible for are the most significant factors in determining NEO compensation adjustments. Other factors considered when determining compensation include changes in an individual s compensation elements over recent years, performance against Bonus Plan goals, overall performance and stock ownership levels as compared to our ownership guidelines.

In late 2007, management undertook a market compensation benchmarking study covering each of our NEOs to improve our understanding of the compensation practices of other medical technology companies, as well as our overall positioning of compensation in that market generally. The results of the benchmarking study were one of the factors considered when making our 2008 compensation decisions for our NEOs.

The comparison group companies used for the NEOs other than Mr. MacMillan, our President and Chief Executive Officer, were:

Abbott Laboratories	Boston Scientific Corporation	Johnson & Johnson
Alcon, Inc.	C.R. Bard, Inc.	Medtronic, Inc.
Baxter International Inc.	Covidien Ltd.	Smith & Nephew plc
Becton, Dickinson and Company	Genzyme Corporation	St. Jude Medical, Inc.
Biomet, Inc.	Hill-Rom Holdings, Inc. (formerly Hillenbrand Industries)	Thermo Fisher Scientific Inc.
		Zimmer Holdings, Inc.

We determined the comparison group by considering publicly traded companies that generally met the following criteria:

- Product competitors or related companies in the medical technology industry;
- Significant global operations; and

Comparable size e.g., similar sales, market capitalization or growth rates in revenue and earnings.

Management other than our NEOs developed the comparison group and the Compensation Committee approved the group. The data provided to the Compensation Committee showed compensation levels consisting of the primary elements of total compensation salary, bonus and long-term incentive values.

For purposes of benchmarking Mr. MacMillan s compensation, a subgroup of the comparison companies listed above was used because the potential impact that reference to significantly larger or smaller organizations might have on market comparisons was believed to be greater for this position. The differences in the subgroup included exclusion of the two largest comparison companies (Johnson & Johnson and Abbott Laboratories), as these companies are materially larger than Stryker and exclusion of the four companies materially smaller than Stryker (Biomet, C.R. Bard, Genzyme and Hill-Rom). The result of these exclusions placed the comparison group median sales size of the CEO comparison group at a level nearly identical to Stryker s size.

2008 Compensation Decisions

When making decisions regarding Mr. MacMillan s 2008 compensation, the Compensation Committee considered reasonableness and competitiveness based on the market benchmarking compensation information. Upon review of the benchmarking study, the Committee observed that elements of Mr. MacMillan s compensation package were below the median market levels of his comparison group. Accordingly, Mr. MacMillan s 2008 salary was increased from $950,000 to $1,200,000, and his target bonus opportunity was increased to $1,200,000. These increases were recommended by the Compensation Committee and approved by the independent directors. When making the decision in February 2008 to increase his salary and target bonus opportunity, the Compensation Committee and independent directors considered the level of Company performance in 2007, the review of compensation levels of chief executive officer positions among the subgroup of the medical technology comparison group, Mr. MacMillan s historical base salary increases and his time and proficiency in the job. The following key 2007 performance outcomes, among others, were considered in making these adjustments:

Outstanding financial and operational performance in 2007, both on an absolute basis and in comparison to our principal competitors seven of eight key product groups achieved double-digit sales growth, Company-wide constant currency sales grew 14% and adjusted earnings grew 20%;

Resolution of a Department of Justice investigation of our Orthopaedics business; and

Successful divestiture of Physiotherapy Associates during 2007.

No change was made in Mr. MacMillan s long-term incentive compensation. He was not granted stock options in 2008 due to the special 1,000,000 share option grant made to him in 2006 that was intended to be in lieu of other stock-based awards that might otherwise be made to him until February 2011.

The Compensation Committee reviewed and approved salary and bonus changes for the other NEOs after receiving recommendations from the President and Chief Executive Officer. The 2007 market benchmarking study showed the Chief Financial Officer position was below the median market levels of the comparison group. Comparison group competitiveness for the Group President positions was observed to be generally competitive; however, the comparisons results were less informative because business sizes varied among the comparison group.

Increases for each of the other NEOs 2008 compensation reflected subjective evaluations and decisions based on the scope of his responsibilities, the size and level of performance in 2007 of the businesses for which he was responsible and his time and proficiency in the job.

Mr. Bergy s compensation was adjusted to reflect the Board of Directors desire that the Chief Financial Officer position have cash compensation less oriented toward variable cash pay in order to change the at risk focus of the Chief Financial Officer s position and provide less of an incentive for short-term results. In 2007, Mr. Bergy s salary of $400,000 and bonus of $340,000 represented a target bonus opportunity of 85% of salary. For 2008, Mr. Bergy s cash compensation was established as $450,000 in salary and $320,000 in target bonus opportunity, reducing the target bonus as a percentage of salary to 71%.

Mr. Hartman s compensation for most of 2008, when he served as President of our Instruments Division, consisted of a salary of $336,000 and a target bonus opportunity of $165,000 and were based on his performance in that role in 2007, when the Instruments Division experienced significant growth and profitability. On December 1, 2008, Mr. Hartman was promoted to Vice President, Finance, at which time he received an adjustment of salary to $410,000, retroactive to September 1, 2008, and his target bonus opportunity was increased to $250,000 to reflect his larger role and greater responsibilities, as well as his long-term performance.

Mr. Johnson s salary was maintained in 2008 at $545,000 and his target bonus opportunity was increased to $535,000, a 4.9% increase, based on the performance of the MedSurg businesses for which he was responsible, particularly the growth in the global sales of our Instruments and Endoscopy products in what was traditionally a U.S.-centric market.

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Mr. Kemler s salary was maintained at $460,000 for 2008. His target bonus opportunity was increased to $383,000, a 3.5% increase, which was in line with our internal merit increase practices for executives and employees. His total cash adjustment of 1.6% reflected the 2007 performance of the businesses for which he was responsible.

Mr. Fox-Smith was promoted to the position of President, International, effective January 1, 2008. Mr. Fox-Smith s salary and target bonus opportunity of $400,000 and $250,000, respectively, reflected his assumption of greater responsibilities within his expanded role, as well as his long-term performance in our International Group.

2008 Compensation Elements

Each of the compensation elements and its purpose is described below.

Base Salary: Base salary is provided to our NEOs to compensate them for the basic value of their job, their time and proficiency in the position and the value of their job relative to other positions in the Company. We review each NEO s salary and performance annually and make decisions about adjustments and amounts. Factors that are considered in determining the executive s salary include comparisons among positions internally, performance, job experience or unique role responsibilities. Base salary increases for 2008 were reviewed with the Compensation Committee in November 2007 and then approved by the Compensation Committee, and the independent directors of the Board in the case of the President and Chief Executive Officer in February 2008. The effective dates of changes in NEO base salary vary due to differences in merit pay adjustment cycles among our businesses. Base salary rate increases from 2007 to 2008 are shown in the following table. The actual salary earned for those years is shown in the Salary column of the Summary Compensation Table on page 28.

Name	2008 Salary Rate ($)	2007 Salary Rate ($)	Percentage Increase (%)
Stephen P. MacMillan	1,200,000	950,000	26.3
Dean H. Bergy	450,000	400,000	12.5
Curt R. Hartman(1)	336,000	320,000	5.0
Stephen Si Johnson	545,000	545,000	0.0
James E. Kemler	460,000	460,000	0.0
Andrew G. Fox-Smith	400,000	360,000	11.1

(1) 2008 salary rate was increased December 1, 2008 (retroactive to September 1, 2008, the effective date of compensation review cycle at our Instruments Division) to $410,000.

Annual Bonus: The individually structured short-term Bonus Plans are intended to motivate and reward our NEOs for achieving and exceeding specific annual performance goals. For Mr. MacMillan and Mr. Bergy, the primary focus of the 2008 goals was total Stryker performance. In the case of the other NEOs, the main focus was on performance of the businesses for which they were responsible, with specified qualitative measures being additional factors. The following table provides the target bonus, maximum potential bonus including the overachievement award opportunity discussed below, actual bonus payment and actual payment as a percentage of target for each NEO in 2008:

Name	Target Bonus ($)	Maximum Bonus Opportunity ($)	Actual Bonus Payment ($)	Payment as Percentage of Target (%)
Stephen P. MacMillan	1,200,000	1,440,000	617,280	51
Dean H. Bergy	320,000	384,000	149,344	47
Curt R. Hartman	165,000	198,000	131,984	80
Stephen Si Johnson	535,000	642,000	369,471	69
James E. Kemler	383,000	459,600	215,438	56
Andrew G. Fox-Smith	250,000	300,000	125,500	50

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The actual bonus payments earned by the NEOs were less than the target levels. Each of the Bonus Plans included an opportunity to earn an overachievement award of an additional 20% of target bonus if the Company s constant currency sales grew from the prior year by 15%, to $6.9 billion, and if the NEOs met the other overachievement factors. For Mr. MacMillan and Mr. Bergy, the overachievement factor required not only that the Company achieve the sales growth but also budgeted earnings per share and cash from operations goals. The overachievement factor for other NEOs required the same Company performance and that the business for which the individual was responsible achieve 95% of its operating income goal. The Company achieved 10.5% constant currency sales growth, which was lower than the target constant currency sales growth rate of 12.1%. No overachievement bonuses were earned in 2008.

The Compensation Committee determined Mr. MacMillan s Bonus Plan target and goals and the independent directors approved them in February 2008. Mr. MacMillan s actual payment was approved in February 2009 based on his accomplishments as measured under his individual Bonus Plan. The Compensation Committee reviewed and approved the bonus targets and actual payments for the other NEOs after receiving recommendations from the President and Chief Executive Officer at its meetings in February 2008 and 2009. The actual payments were based on the performance of the business areas for which each NEO was responsible as measured against the targets in his Bonus Plan.

For 2008, each NEO s Bonus Plan, in addition to a target, required a threshold level of performance for each measure that had to be achieved before any bonus could begin to be earned for that measure. Bonus Plan payments could have been 0% or up to 20% above the target value, depending on performance results for the year. The individual NEO Bonus Plans are summarized later in this section under 2008 Bonus Plans. In addition, under the Executive Bonus Plan, the Compensation Committee had the ability to authorize a higher bonus amount for an NEO than the amounts earned under his Bonus Plans but did not do so in any case in 2008.

Why We Chose Particular Performance Metrics and Goals

We generally established our goals with a focus on growth over actual prior year outcomes and our budget. Stryker uses sales, earnings, cash from operations and quality and compliance goals as the primary measures in the Bonus Plans for the following reasons:

- These are the key measures that are aligned with the objectives of our strategic plan;
- These metrics focus our NEOs on growth and profitability, which are key to our long-term success;
- Company-level sales and earnings per share goals align with both our annual budget and the guidance we commit to shareholders for the year;
- Quality and compliance are key accountabilities and requirements for a medical technology company;
- The overachievement factor is based on overall Company sales because of our desire to focus our NEOs on driving the Company to the higher sales levels that are critical to Stryker s long-term profitability. The overachievement bonus goal is a common element of each NEO s Bonus Plan in order to foster teamwork toward achieving this important Company-wide goal; and
- We believe these are the primary measures our investors monitor in evaluating our performance and making investment decisions regarding Stryker stock.

Historical Analysis of NEO Achievement of Bonus Plan Goals

The following information is useful to an understanding of the difficulty associated with achievement of the goals established for our NEOs (other than Mr. Hartman, who is excluded from this discussion because of his change in position) in the 2008 Bonus Plans:

A comparison of Stryker s sales and earnings growth rates since 2003 to those of the other medical technology companies included in our compensation comparison group as identified on page 12 showed that Stryker outperformed the majority of those companies in each of the past five years. In light of this performance, the fact that we have not significantly overachieved our goals, as shown below, tells us that historically the sales and earnings goals we established were not low.

On average, over the past five years, Mr. MacMillan and Mr. Bergy achieved the goals and bonus payments under their Bonus Plans as follows:

Corporate Level Goals	Average Goal Achievement (%)	Range of Goal Achievement (%)	Average Bonus Payment vs. Target (%)	Range of Bonus Payment vs. Target (%)
Sales	101	99 to 104	43	0 to 80
Earnings	101	98 to 107	80	0 to 100
Cash from operations	110	102 to 114	95	75 to 100
Qualitative Mr. MacMillan past five years	71	50 to 88	71	50 to 88
Qualitative Mr. Bergy past four years	50	20 to 80	50	20 to 80

On average, for our Group level businesses, the NEOs achieved the goals and bonus payments under their bonus plans as indicated below. We aggregated average calculations across the Bonus Plans of Mr. Johnson, Mr. Kemler and Mr. Fox-Smith for their periods as NEOs five years for Mr. Johnson and Mr. Kemler and four years for the Group President, International position that Mr. Fox-Smith assumed in 2008:

Group Level Goals	Average Goal Achievement (%)	Range of Goal Achievement (%)	Average Bonus Payment vs. Target (%)	Range of Bonus Payment vs. Target (%)
Sales	99	96 to 105	77	42 to 100
Operating income	99	88 to 118	75	0 to 100
Cash from operations	116	92 to 160	95	47 to 100
Qualitative	71	50 to 92	71	50 to 92

The qualitative goals reflected in these tables are subjectively evaluated. Bonus payment vs. target indicates bonus payments earned as a percentage of payment opportunity. The 2008 quality and compliance goals are not included because these goals were first used in the 2008 Bonus Plans. Earnings per share achievement history is identical to that of earnings from the Corporate Level Goals table above.

We believe the bonus plan goals, both Company-wide and for our business Groups, are difficult to achieve. We have consistently outperformed our competitors on key growth measures. During each of the past eight years, we delivered double-digit sales growth on a Company-wide basis, which is something few other Fortune 500 companies have accomplished. As discussed under Overview on page 9, in a year when we achieved constant currency sales growth of 10.5% and adjusted net earnings per share growth of 18%, actual bonus payments were significantly reduced for our NEOs as shown by the percentage of target bonus actually paid, which ranged from 47% to 56% for four of our NEOs and were 69% and 80% for the other two.

2008 Bonus Plans

The 2008 annual bonus objectives, weightings and goals for each NEO, other than the overachievement factor discussed on page 15, are shown in the tables on pages 17 to 20. The following information is relevant to an understanding of those tables:

Threshold is the performance required before any bonus begins accruing. Results at or below the threshold level result in a zero bonus payment for that performance measure. For example, for Mr. MacMillan and Mr. Bergy, the threshold of earnings per share in 2008 of $2.85 per share an 18.8% increase over 2007 was not met, so no bonus was earned on that measure. Results for all quantitative measures are prorated between threshold and target, as well as between target and maximum goal in the case of overachievement. Meeting the target goal equals 100% of bonus opportunity for the particular measure.

The tables express the goals for quantitative performance measures as a percentage change from 2007 actual results in order to show the degree of improvement required, relative to the prior year, to achieve Bonus Plan payment levels.

For performance measures that are qualitative in nature, the determination of performance requires subjective evaluations rather than quantifiable calculations of achievement to goal. These subjective performance evaluations are made by our President and Chief Executive Officer in the case of the other NEOs and by the Compensation Committee in the case of the President and Chief Executive Officer, after consideration is given to how the individual or business area has performed in this regard. We consider the threshold payment for qualitative measures to be zero percent.

The financial measures used to establish Bonus Plan goals and performance results were adjusted to exclude the effect of currency fluctuations, the restructuring charges recorded in 2008 as a result of the decisions to simplify the structure of the Company s Japanese distribution business and to substantially reduce development efforts associated with Sightline product technologies acquired in 2006 and the intangible asset impairment charge recorded in 2007 to write off patents associated with intervertebral body fusion cage products. These adjustments were made in order to measure operating results and Bonus Plan performance on a consistent and comparable basis year to year.

Cash from operations is an internal performance measure that, at the corporate level, adjusts net cash provided by operating activities as reported in our Consolidated Financial Statements for the effect of purchases and sales of property, plant and equipment and the excess income tax benefit from the exercise of stock options.

An overachievement factor was in place in 2008 permitting a maximum bonus award at 20% above target. No overachievement bonuses were paid for 2008 as previously discussed on page 15.

For 2008, Stryker sales was the only bonus plan measure that could have exceeded 100% of target payout opportunity. All other bonus plan measures are capped at 100% of target payment opportunity.

Mr. MacMillan President and Chief Executive Officer

Measure	Goal	2008 Threshold Goal as Percentage Change Over 2007 Actual	Potential Payment as Percentage of Target Bonus (%)	Goal	2008 Target Goal as Percentage Change Over 2007 Actual	Potential Payment as Percentage of Target Bonus (%)
Earnings per share	$2.85	18.8%	0	$2.88	20.0%	40
Cash from operations	$939.9 mil.	6.4%	0	$1.0 bil.	13.2%	15
Sales	$6.593 bil.	10.0%	0	$6.727 bil.	12.1%	15
Workforce diversity	(1)	(1)	0	(1)	(1)	10
Quality objective	(2)	(2)	0	(2)	(2)	20
			0 %			100 %

(1) Based on a qualitative assessment of progress toward improving diversity and inclusion throughout the Company s workforce.

(2) Qualitative assessments related to driving a Quality First culture throughout the Company and achieving compliance with applicable Food and Drug Administration (FDA) regulations.

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Mr. Bergy Vice President and Chief Financial Officer

Measure	Goal	2008 Threshold Goal as Percentage Change Over 2007 Actual	Potential Payment as Percentage of Target Bonus (%)	Goal	2008 Target Goal as Percentage Change Over 2007 Actual	Potential Payment as Percentage of Target Bonus (%)
Earnings per share	$2.85	18.8%	0	$2.88	20.0%	40
Cash from operations	$939.9 mil.	6.4%	0	$1.0 bil.	13.2%	15
Sales	$6.593 bil.	10.0%	0	$6.727 bil.	12.1%	15
Quality/Compliance goal	(1)	(1)	0	(1)	(1)	20
Finance teams	(2)	(2)	0	(2)	(2)	10
			0 %			100%

(1) Qualitative assessment of achieving compliance with Foreign Corrupt Practices Act (FCPA) and other fraud and abuse laws that prohibit improper payments to healthcare or government officials.

(2) Qualitative assessments related to enhancing the capabilities of the corporate finance function and building greater finance talent throughout the Company.

Mr. Hartman Vice President, Finance

Measure(1)	2008 Threshold Goal as Percentage Change Over 2007 Actual	Potential Payment as Percentage of Target Bonus (%)	2008 Target Goal as Percentage Change Over 2007 Actual	Potential Payment as Percentage of Target Bonus (%)
Operating income	0.0%	0	28.9%	35
Cash from operations	(5.9)%	0	10.6%	10
Sales	0.0%	0	17.7%	10
Quality/Compliance goal	(2)	0	(2)	25
Workforce diversity	(3)	0	(3)	10
Stryker earnings per share	18.8%	0	20.0%	10
		0%		100%

(1) Unless indicated as Stryker, which are Company-wide goals, goals are specific to the Instruments Division that Mr. Hartman was President of until December 1, 2008.

(2) Qualitative assessment of achieving compliance with FDA regulations as demonstrated by third-party compliance audits .

(3) Based on a qualitative assessment of progress toward improving diversity and inclusion throughout the Instruments Division workforce.

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Mr. Johnson Vice President; Group President, MedSurg

	2008 Threshold		2008 Target	
Measure(1)	**Goal as Percentage Change Over 2007 Actual**	**Potential Payment as Percentage of Target Bonus (%)**	**Goal as Percentage Change Over 2007 Actual**	**Potential Payment as Percentage of Target Bonus (%)**
Operating income	0.0%	0	31.4%	30
Cash from operations	0.0%	0	15.0%	10
Sales	0.0%	0	16.5%	