MEDTRONIC INC
Form DEF 14A
July 17, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant 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

Medtronic, Inc.

(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.

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

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

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

710 Medtronic Parkway
Minneapolis, Minnesota 55432
Telephone: 763-514-4000

July 17, 2009

Dear Shareholder:

Please join us for our Annual Meeting of Shareholders on Thursday, August 27, 2009, at 10:30 a.m. (Central Daylight Time) at Medtronic s World Headquarters, 710 Medtronic Parkway, Minneapolis (Fridley), Minnesota.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the business to be conducted at the meeting. We also will report on matters of current interest to our shareholders.

We invite you to join us beginning at 9:30 a.m. to view Medtronic s interactive product displays. Product specialists will be available to answer your questions before and after the Annual Meeting.

Your vote is important. Whether you own a few shares or many, it is important that your shares are represented. If you cannot attend the Annual Meeting in person, you may vote your shares by internet or by telephone, or, if this proxy statement was mailed to you, by completing and signing the accompanying proxy card and promptly returning it in the envelope provided.

We look forward to seeing you at the Annual Meeting.

Sincerely,

William A. Hawkins
Chairman and Chief Executive Officer

Alleviating Pain, Restoring Health, Extending Life

Table of Contents

MEDTRONIC, INC.
NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS

TIME	10:30 a.m. (Central Daylight Time) on Thursday, August 27, 2009.
PLACE	Medtronic World Headquarters 710 Medtronic Parkway Minneapolis (Fridley), Minnesota 55432
ITEMS OF BUSINESS	1. To elect eight directors for a one year term. 2. To ratify the appointment of PricewaterhouseCoopers LLP as Medtronic s independent registered public accounting firm. 3. To approve an amendment to the Medtronic, Inc. 2005 Employees Stock Purchase Plan to increase the number of shares authorized for issuance thereunder from 10,000,000 to 25,000,000. 4. To approve an amendment to the Medtronic, Inc. 2008 Stock Award and Incentive Plan to increase the number of shares authorized for issuance thereunder from 50,000,000 to 100,000,000. 5. To consider such other business as may properly come before the Annual Meeting and any adjournment thereof.
RECORD DATE	You may vote at the Annual Meeting if you were a shareholder of record at the close of business on June 29, 2009.
VOTING BY PROXY	It is important that your shares be represented and voted at the Annual Meeting. Please vote in one of these three ways: 1. VOTE BY INTERNET, by going to the web address *http://www.proxyvote.com* and following the instructions for Internet voting shown on the enclosed proxy card or internet notice you received, 2. VOTE BY TELEPHONE, by dialing 1-800-690-6903 and following the instructions for telephone voting shown on the accompanying proxy card, or 3. VOTE BY PROXY CARD, if you received a paper copy of the proxy statement, by completing, signing, dating and mailing the accompanying proxy card in the envelope provided. If you vote by Internet or telephone, please do not mail your proxy card.
ANNUAL REPORT	Medtronic s 2009 Annual Report accompanies this Notice of Annual Meeting of Shareholders and Proxy Statement.

By Order of the Board of Directors,

Keyna P. Skeffington
Interim Corporate Secretary

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on August 27, 2009. The Proxy Statement and 2009 Annual Report to Shareholders are available at http://www.medtronic.com/annualmeeting.

TABLE OF CONTENTS

Table of Contents

710 Medtronic Parkway
Minneapolis, Minnesota 55432
Telephone: 763-514-4000

PROXY STATEMENT
Annual Meeting of Shareholders
August 27, 2009

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Medtronic, Inc. (Medtronic) of proxies to be voted at Medtronic s Annual Meeting of Shareholders to be held on August 27, 2009, and at any adjournment of the meeting. The proxy materials were either made available to you over the Internet or mailed to you beginning on or about July 17, 2009.

GENERAL INFORMATION ABOUT THE MEETING AND VOTING

What am I voting on?

There are four proposals scheduled to be voted on at the meeting:

Election of eight directors, each for a one year term;

Ratification of the appointment of PricewaterhouseCoopers LLP as Medtronic s independent registered public accounting firm for fiscal year 2010;

Approval of an amendment to the Medtronic, Inc. 2005 Employees Stock Purchase Plan to increase the number of shares authorized for issuance thereunder from 10,000,000 to 25,000,000; and

Approval of an amendment to the Medtronic, Inc. 2008 Stock Award and Incentive Plan to increase the number of shares authorized for issuance thereunder from 50,000,000 to 100,000,000.

How can I receive proxy materials?

Under rules recently adopted by the U.S. Securities and Exchange Commission (SEC), we are furnishing proxy materials to our shareholders primarily via the Internet, instead of mailing printed copies of proxy materials to each shareholder. On or about July 17, 2009, we began mailing to our shareholders (other than those who previously requested electronic or paper delivery) a Notice of Internet Availability of Proxy Materials (the Notice) containing instructions on how to access this proxy statement and our annual report for the fiscal year ended April 24, 2009 online. If you received the Notice by mail, you will not automatically receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the proxy materials. The Notice also instructs you on how you may submit your proxy via the Internet. You can still, however, receive a copy of our proxy materials by following the instructions contained in the Notice about how you may request to receive your materials electronically or in printed form on a one-time or ongoing basis.

Requests for printed copies of the proxy materials can be made by internet at www.proxyvote.com, by telephone at 1-800-579-1639 or by email at sendmaterial@proxyvote.com by sending a blank email with your control number in the subject line.

Table of Contents

Who is entitled to vote?

Shareholders as of the close of business on June 29, 2009 (the Record Date), may vote at the Annual Meeting. You have one vote for each share of common stock you held on the Record Date, including shares:

- Held directly in your name as shareholder of record (also referred to as registered shareholder);
- Held for you in an account with a broker, bank or other nominee (shares held in street name). Street name holders generally cannot vote their shares directly and must instead instruct the brokerage firm, bank or nominee how to vote their shares; and
- Credited to your account in the Medtronic, Inc. Savings and Investment Plan.

What constitutes a quorum?

A majority of the outstanding shares entitled to vote, present or represented by proxy, constitutes a quorum for the Annual Meeting. Abstentions are counted as present and entitled to vote for purposes of determining a quorum. Shares represented by broker non-votes (see below) are also counted as present and entitled to vote for purposes of determining a quorum. On the Record Date, 1,109,783,647 shares of Medtronic common stock were outstanding and entitled to vote.

How many votes are required to approve each proposal?

The following explains how many votes are required to approve each proposal, provided that a majority of our shares entitled to vote is present at the Annual Meeting (in person or by proxy). The eight candidates for election who receive a plurality vote of the shares present and entitled to vote in the affirmative will be elected. Proposal 2 requires the affirmative vote of a majority of the shares present and entitled to vote. Proposals 3 and 4 require the affirmative vote of a majority of the votes cast on the particular proposal, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

How are votes counted?

You may either vote FOR or WITHHOLD authority to vote for each nominee for the Board of Directors. You may vote FOR, AGAINST or ABSTAIN on the other proposals. If you abstain from voting on any of the other proposals, i has the same effect as a vote against the proposal. If you grant a proxy by telephone or internet without voting instructions or sign and submit your proxy card without voting instructions, your shares will be voted FOR each director nominee and the other proposals.

What is a broker non-vote?

If you hold your shares in street name and do not provide voting instructions to your broker, your shares will not be voted on any proposal on which your broker does not have discretionary authority to vote (a broker non-vote). Shares held by brokers who do not have discretionary authority to vote on a particular matter and who have not received voting instructions from their customers are counted as present for the purpose of determining whether there is a quorum at the Annual Meeting, but are not counted as votes For or Against for the purpose of determining whether shareholders have approved that matter. Under the rules of the New York Stock Exchange, brokers, banks, and other nominees do not have discretionary authority to vote with respect to the proposals to approve the share increases in the Medtronic, Inc. 2005 Employees Stock Purchase Plan and the Medtronic, Inc. 2008 Stock Award and Incentive Plan.

2

How does the Board recommend that I vote?

Medtronic s Board recommends that you vote your shares:

FOR each of the nominees to the Board for a one year term;

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as Medtronic s independent registered public accounting firm for fiscal year 2010;

FOR the approval of an amendment to the Medtronic, Inc. 2005 Employees Stock Purchase Plan to increase the number of shares authorized for issuance thereunder from 10,000,000 to 25,000,000; and

FOR the approval of an amendment to the Medtronic, Inc. 2008 Stock Award and Incentive Plan to increase the number of shares authorized for issuance thereunder from 50,000,000 to 100,000,000.

How do I vote my shares without attending the meeting?

If you are a shareholder of record or hold shares through a Medtronic stock plan, you may vote by granting a proxy. For shares held in street name, you may vote by submitting voting instructions to your broker or nominee. In all circumstances, you may vote:

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 no later than 11:59 p.m., Eastern Daylight Time, on August 26, 2009 (or, for shares held through the Medtronic, Inc. Savings and Investment Plan and the Medtronic Puerto Rico Employees Savings and Investment Plan, no later than 11:59 p.m., Eastern Daylight Time, on August 24, 2009). If you vote by internet or telephone, you need not return your proxy card.

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

How do I vote my shares in person at the meeting?

If you are a shareholder of record and prefer to vote your shares at the meeting, bring the enclosed proxy card (if you received a paper copy of the proxy statement) or proof of identification. You may vote shares held in street name only if you obtain a signed proxy from the record holder (broker or other nominee) giving you the right to vote the shares.

Even if you plan to attend the meeting, we encourage you to vote in advance by internet, telephone or mail so that your vote will be counted even if you are unable to attend the meeting.

What does it mean if I receive more than one proxy card?

It generally means you hold shares registered in more than one account. If you received a paper copy of the proxy statement and you vote by mail, sign and return each proxy card or, if you vote by internet or telephone, vote once for each proxy card you receive. If you received more than one internet notice, vote once for each internet notice that you receive.

May I change my vote?

Yes. Whether you have voted by mail, internet or telephone, you may change your vote and revoke your proxy by:

Sending a written statement to that effect to the Corporate Secretary of Medtronic;

Voting by internet or telephone at a later time;

Submitting a properly signed proxy card with a later date; or

Voting in person at the Annual Meeting and by filing a written notice of termination of the prior appointment of a proxy with Medtronic or by filing a new written appointment of a proxy with Medtronic.

Can I receive future proxy materials electronically?

Yes. If you are a shareholder of record or hold shares through a Medtronic stock plan and you have received a paper copy of the proxy materials, you may elect to receive future proxy statements and annual reports online as described in the next paragraph. If you elect this feature, you will receive an email message notifying you when the materials are available, along with a web address for viewing the materials. If you received this proxy statement electronically, you do not need to do anything to continue receiving proxy materials electronically in the future.

Whether you hold shares registered directly in your name, through a Medtronic stock plan, or through a broker or bank, you can enroll for future delivery of proxy statements and annual reports by following these easy steps:

Go to our website at **www.medtronic.com**;

Click on **Investors**;

In the **Shareholder Services** section, click on **Electronic Delivery of Proxy Materials**; and

Follow the prompts to submit your electronic consent.

Generally, brokers and banks offering this choice require that shareholders vote through the internet in order to enroll. Street name shareholders whose broker or bank is not included in this website are encouraged to contact their broker or bank and ask about the availability of electronic delivery. As with all internet usage, the user must pay all access fees and telephone charges. You may view this year s proxy materials at **www.medtronic.com/annualmeeting**.

What are the costs and benefits of electronic delivery of Annual Meeting materials?

There is no cost to you for electronic delivery. You may incur the usual expenses associated with internet access as charged by your internet service provider. Electronic delivery ensures quicker delivery, allows you to print the materials at your computer and makes it convenient to vote your shares online. Electronic delivery also conserves natural resources and saves Medtronic significant printing, postage and processing costs.

Table of Contents

PROPOSAL 1 ELECTION OF DIRECTORS

Directors and Nominees

Directors whose term of office is expiring shall be elected annually for terms of one year. Richard H. Anderson, Victor J. Dzau, M.D., William A. Hawkins, Shirley Ann Jackson, Ph.D., Denise M. O Leary, Robert C. Pozen, Jean-Pierre Rosso and Jack W. Schuler are directors who have been nominated for re-election to the Board to serve until the 2010 Annual Meeting and until their successors are elected and qualified. All of the nominees are currently directors, and all of the nominees were previously elected to the Board of Directors by shareholders.

All of the nominees have consented to being named as a nominee in this proxy statement and have indicated a willingness to serve if elected. However, if any nominee becomes unable to serve before the election, the shares represented by proxies may be voted for a substitute designated by the Board, unless a contrary instruction is indicated on the proxy.

A plurality of votes cast is required for the election of directors. However, under the Medtronic Principles of Corporate Governance, any nominee for director in an uncontested election (i.e., an election where the only nominees are those recommended by the Board of Directors) who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withheld Vote) will, within five business days of the certification of the shareholder vote by the inspector of elections, tender a written offer to resign from the Board of Directors. The Corporate Governance Committee will promptly consider the resignation offer and recommend to the Board of Directors whether to accept it. The Corporate Governance Committee will consider all factors its members deem relevant in considering whether to recommend acceptance or rejection of the resignation offer, including, without limitation:

- the perceived reasons why shareholders withheld votes for election from the director;
- the length of service and qualifications of the director;
- the director s contributions to Medtronic;
- Medtronic s compliance with securities exchange listing standards;
- possible contractual ramifications in the event the director in question is a management director;
- the purpose and provisions of the Medtronic Principles of Corporate Governance; and
- the best interests of Medtronic and its shareholders.

If a director s resignation is accepted, the Corporate Governance Committee will recommend to the Board of Directors whether to fill the vacancy on the Board created by the resignation or reduce the size of the Board. Any director who tenders his or her offer to resign pursuant to this policy shall not participate in the Corporate Governance Committee or Board deliberations regarding whether to accept the offer of resignation. The Board will act on the Corporate Governance Committee s recommendation within 90 days following the certification of the shareholder vote, which may include, without limitation:

- acceptance of the offer of resignation;

adoption of measures intended to address the perceived issues underlying the Majority Withheld Vote; or

rejection of the resignation offer.

Thereafter, the Board of Directors will disclose its decision to accept the resignation offer or the reasons for rejecting the offer, if applicable, on a Current Report on Form 8-K to be filed with the SEC within four business days of the date of the Board s final determination.

Table of Contents

NOMINEES FOR DIRECTORS FOR ONE-YEAR TERMS ENDING IN 2010:

RICHARD H. ANDERSON Director since 2002
Chief Executive Officer
Delta Air Lines, Inc. age 54

Mr. Anderson has been Chief Executive Officer of Delta Air Lines, Inc. since September 2007. He was Executive Vice President of UnitedHealth Group Incorporated and President, Commercial Services Group, of UnitedHealth Group Incorporated from December 2006 to September 2007, Executive Vice President of UnitedHealth Group from November 2004 until December 2006 and Chief Executive Officer of its Ingenix subsidiary from December 2004 until December 2006. Mr. Anderson was Chief Executive Officer of Northwest Airlines Corporation from February 2001 to November 2004. Mr. Anderson serves on the board of directors of Cargill, Inc. and Delta Air Lines, Inc. Northwest Airlines Corporation filed for bankruptcy in September 2005, which is within two years of Mr. Anderson serving as an executive officer of Northwest Airlines Corporation.

VICTOR J. DZAU, M.D Director since 2008
Chancellor of Health Affairs
Duke University age 63

Dr. Dzau has served as Chancellor for Health Affairs at Duke University and President and Chief Executive Officer of the Duke University Health System since July 2004. From July 1996 until September 2004, he was the Hersey Professor of Theory and Practice of Medicine at the Harvard Medical School and Chair of the Department of Medicine, Physician in Chief and Director of Research at Brigham and Women s Hospital. He is the previous Chairman of the National Institutes of Health (NIH) Cardiovascular Disease Advisory Committee and served on the Advisory Committee to the Director of the NIH. Dr. Dzau is a member of the Institute of Medicine. He currently serves as a director of Alnylam Pharmaceuticals, Inc., Duke University Health System, PepsiCo, Inc. and Genzyme Corporation.

WILLIAM A. HAWKINS Director since 2007
Chairman and Chief Executive Officer
Medtronic, Inc. age 55

Mr. Hawkins has been a director of Medtronic since March 2007 and Chairman and Chief Executive Officer since August 2008. He served as President and Chief Executive Officer of Medtronic since August 2007, and prior to that as the President and Chief Operating Officer of Medtronic from May 2004 to August 2007. He served as Senior Vice President and President, Medtronic Vascular, from January 2002 to May 2004. He served as President and Chief Executive Officer of Novoste Corporation from 1998 to 2002. Mr. Hawkins serves on the board of visitors for the Duke University School of Engineering and the board of directors for the Guthrie Theater and the University of Minnesota Foundation.

6

Table of Contents

SHIRLEY ANN JACKSON, Ph.D. Director since 2002
President
Rensselaer Polytechnic Institute age 62

Dr. Jackson has been President of Rensselaer Polytechnic Institute since July 1999. She was Chair of the U.S. Nuclear Regulatory Commission from July 1995 to July 1999; and Professor of Physics at Rutgers University and consultant to AT&T Bell Laboratories from 1991 to 1995. She is a member of the National Academy of Engineering and the American Philosophical Society and a Fellow of the American Academy of Arts and Sciences, the American Association for the Advancement of Science, and the American Physical Society. She is a trustee of the Brookings Institution, a Life Trustee of M.I.T. and a member of the Council on Foreign Relations. She is also a director of NYSE Euronext, Federal Express Corporation, Marathon Oil Corporation, Public Service Enterprise Group and International Business Machines Corporation.

DENISE M. O LEARY Director since 2000
Private Venture Capital Investor age 52

Ms. O Leary has been a private venture capital investor in a variety of early stage companies since 1996. Ms. O Leary is also a director of US Airways Group, Inc. and Calpine Corporation. She is a director of Lucile Packard Children s Hospital and Stanford Hospitals and Clinics, where she was chair of the board from 2000 through 2005. She was a member of the Stanford University Board of Trustees from 1996 through 2006, where she chaired the Committee of the Medical Center for that period.

ROBERT C. POZEN Director since 2004
Chairman
MFS Investment Management age 62

Mr. Pozen has been Chairman of MFS Investment Management and a director of MFS Mutual Funds since February 2004 and previously was Secretary of Economic Affairs for the Commonwealth of Massachusetts in 2003. Mr. Pozen was also John Olin Visiting Professor, Harvard Law School, from 2002 to 2003; Vice Chairman of Fidelity Investments from June 2000 to December 2001 and President of Fidelity Management & Research from April 1997 to December 2001. From August 2007 to August 2008, he was also the chairman of the SEC Advisory Committee on Improvements to Financial Reporting and since January 2008 is a senior lecturer at Harvard Business School.

JEAN-PIERRE ROSSO Director since 1998
Chairman
World Economic Forum USA age 69

Mr. Rosso has been Chairman of World Economic Forum USA since April 2006. Mr. Rosso served as Chairman of CNH Global N.V. from November 1999 until his retirement in May 2004; was Chief Executive Officer of CNH Global N.V. from November 1999 to November 2000; and was Chief Executive Officer of Case Corporation from April 1994 to November 1999 and Chairman from March 1996 to November 1996. He is also a director of Bombardier Inc. and Eurazeo.

7

Table of Contents

JACK W. SCHULER Director since 1990
Co-Founder
Crabtree Partners age 68

Mr. Schuler has been a director of Stericycle, Inc. since March 1990; President and Chief Operating Officer of Abbott Laboratories from January 1987 to August 1989; and a director of that company from April 1985 to August 1989. Mr. Schuler is a director of Quidel Corporation and a co-founder of Crabtree Partners.

THE BOARD RECOMMENDS A VOTE FOR THE DIRECTOR NOMINEES.

CLASS III DIRECTORS: CONTINUING IN OFFICE UNTIL 2010

DAVID L. CALHOUN Director since 2007
Chairman and Chief Executive Officer age 52
The Nielsen Company

Mr. Calhoun was appointed Chairman of the Executive Board and Chief Executive Officer of The Nielsen Company on August 23, 2006. Prior to joining The Nielson Company, Mr. Calhoun served as Vice Chairman of General Electric Company and President & Chief Executive Officer, GE Infrastructure. Before that, Mr. Calhoun served as President and Chief Executive Officer of GE Aircraft Engines; President and Chief Executive Officer of Employers Reinsurance Corporation; President and Chief Executive Officer of GE Lighting; President and Chief Executive Officer of GE Transportation Systems; and Chief Executive Officer of GE Transportation. Mr. Calhoun is also a director of The Boeing Company.

JAMES T. LENEHAN Director since 2007
Financial Consultant and Retired Vice Chairman and age 60
President of Johnson & Johnson

Mr. Lenehan served as President of Johnson & Johnson from 2002 until June 2004 and retired after 28 years of service; Vice Chairman of Johnson & Johnson from August 2000 until June 2004; Worldwide Chairman of Johnson & Johnson s Medical Devices and Diagnostics Group from 1999 until he became Vice Chairman of the Board; and was previously Worldwide Chairman, Consumer Pharmaceuticals & Professional Group. Mr. Lenehan has been a financial consultant since October 2004. Mr. Lenehan is a director of Blacklight Power, Inc., Talecris Biotherapeutics Inc. and Aton Pharma Inc.

KENDALL J. POWELL Director since 2007
Chairman and Chief Executive Officer age 55
General Mills

Mr. Powell has been Chairman of General Mills, Inc. since May 2008 and Chief Executive Officer of General Mills, Inc. since September 2007. Prior to that he was President and Chief Operating Officer and he has been a director of General Mills, Inc.

since June 2006; Executive Vice President and Chief Operating Officer, U.S. Retail from May 2005 to June 2006; Executive Vice President of General Mills, Inc. from August 2004 to May 2005. From September 1999 to August 2004, Mr. Powell was Chief Executive Officer of Cereal Partners Worldwide, a joint venture of General Mills, Inc. and the Nestle Corporation. Mr. Powell joined General Mills in 1979. Mr. Powell also serves on the boards of Cereal Partners Worldwide, the Twin Cities United Way, the Minnesota Historical Society and the Minnesota Early Learning Foundation.

Table of Contents

Director Independence

Under the New York Stock Exchange Corporate Governance Standards, to be considered independent, a director must be determined to have no material relationship with Medtronic other than as a director. The Board of Directors has determined that the following directors, comprising all of our non-management directors, are independent under the New York Stock Exchange Corporate Governance Standards: Messrs. Anderson, Calhoun, Lenehan, Powell, Pozen, Rosso and Schuler, Drs. Dzau and Jackson and Ms. O Leary. In making this determination, the Board considered its Director Independence Standards, which correspond to the New York Stock Exchange standards on independence. These standards identify types of relationships that are categorically immaterial and do not, by themselves, preclude the directors from being independent. The types of relationships and the directors who had such relationships include:

- having an immediate family member who is, or has recently been, employed by Medtronic other than as an executive officer (Mr. Schuler);
- being a current employee of an entity that has made payments to, or received payments from, Medtronic for property or services (Messrs. Anderson and Schuler and Drs. Dzau and Jackson); and
- being an employee of a non-profit organization to which Medtronic or The Medtronic Foundation has made contributions (Dr. Dzau).

All of the relationships of the types listed above were entered into, and payments were made or received, by Medtronic in the ordinary course of business and on competitive terms. Aggregate payments to, transactions with or discretionary charitable contributions to each of the relevant organizations did not exceed the greater of $200,000 or 2% of that organization s consolidated gross revenues for that organization s last three fiscal years.

In addition, the Board considered relationships consistent with its Director Independence Standards in which the director had a further removed relationship with the relevant third party. This included the director being a director (rather than an employee or executive officer) of a Medtronic vendor or purchaser of Medtronic s products in which aggregate payments to, transactions with or discretionary charitable contributions to the relevant third party did not exceed the greater of $200,000 or 2% of that organization s consolidated gross revenues for that organization s last three fiscal years. This also included a director s spouse who was not an employee of The Medtronic Foundation, but was a consultant in which payments to the spouse did not exceed $120,000. The Board of Directors determined that none of the relationships were material. All of the relationships were entered into, and payments were made or received, by Medtronic in the ordinary course of business and on competitive terms.

Dr. Dzau is Chancellor of Health Affairs at Duke University. Medtronic is party to an agreement with Duke University to collaboratively research, develop and commercialize therapies to treat Hepatitis C, which was entered into before Dr. Dzau became a director of Medtronic. Dr. Dzau is a director of Alnylam Pharmaceuticals, Inc. (Alnylam). Medtronic is party to an agreement with Alnylam to collaboratively research opportunities in the area of neurodegenerative disorders. The parties have a research program targeting Huntington s disease, and may expand their collaboration in the future with other research programs for diseases such as Alzheimer s and Parkinson s. In addition, Dr. Dzau is a director of Genzyme Corporation (Genzyme). Medtronic and Genzyme each own 50% of a limited liability company, which was formed before Dr. Dzau became a director of Medtronic, for the research, development and commercialization of therapies involving the local delivery of myoblast biologics in order to produce a myogenic and angiogenic result in the human heart. Currently, the company is still in the research and development phase of any potential therapies. The Board determined that these relationships were not material. Medtronic s business relationships with Duke University, Alnylam and Genzyme are maintained on an arm s length basis. Neither Dr. Dzau nor the institutions with which he is affiliated are given special treatment in these relationships, Dr. Dzau does not participate in negotiations or approvals regarding the relationships, and Medtronic makes no payments to Dr. Dzau other than in connection with his service as a

Table of Contents

director. In addition, pursuant to the New York Stock Exchange Corporate Governance Standards for evaluating director independence, the Board determined that none of the amounts paid in connection with the relationships are at a level that would compromise Dr. Dzau s independence.

Mr. Pozen is Chairman of MFS Investment Management, which manages money for MFS mutual funds and other accounts, any of which may from time to time buy or sell Medtronic stock. The Board determined that this relationship is not material. Mr. Pozen has no involvement with these transactions and there is an informational barrier between him and the rest of MFS with regard to Medtronic stock.

Related Transactions and Other Matters

In January 2007, the Board of Directors of Medtronic adopted written related party transaction policies and procedures. The policies require that all interested transactions (as defined below) between Medtronic and a related party (as defined below) are subject to approval or ratification by the Corporate Governance Committee. In determining whether to approve or ratify such transactions, the Corporate Governance Committee will take into account, among other factors it deems appropriate, whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person s interest in the transaction. In addition, the Corporate Governance Committee has reviewed a list of interested transactions and deemed them to be pre-approved or ratified. Also, the Board of Directors has delegated to the chair of the Corporate Governance Committee the authority to pre-approve or ratify any interested transaction in which the aggregate amount is expected to be less than $1 million. Finally, the policies provide that no director shall participate in any discussion or approval of an interested transaction for which he or she is a related party, except that the director shall provide all material information concerning the interested transaction to the Corporate Governance Committee.

Under the policies, an interested transaction is defined as any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or any guarantee of indebtedness) in which:

- the aggregate amount involved will or may be expected to exceed $100,000 in any fiscal year;
- Medtronic is a participant; and
- any related party has or will have a direct or indirect interest (other than solely as a result of being a director or a less than ten percent beneficial owner of another entity).

A related party is defined as any:

- person who is or was (since the beginning of the last fiscal year for which Medtronic has filed a Form 10-K and proxy statement, even if they do not presently serve in that role) an executive officer, director or nominee for election as a director;
- greater than five percent beneficial owner of Medtronic s common stock; or
- immediate family member of any of the foregoing.

During fiscal year 2009, Tino Schuler, a son of director Jack W. Schuler, was employed by Medtronic as one of a number of marketing directors focused on Medtronic s core ear, nose and throat product lines reporting to a Vice President, Marketing of our Surgical Technologies operating segment. Mr. Tino Schuler worked for Xomed beginning in August 1993, and Xomed, the predecessor to our core ear, nose and throat business, was acquired by Medtronic in 1999. In fiscal year 2009, Medtronic s core ear, nose and throat product lines represented approximately 2.4% of Medtronic world-wide revenue. Mr. Tino Schuler was paid an aggregate salary and bonus of $222,495 and the standard benefits provided to other non-executive Medtronic employees for his services during fiscal year 2009. Mr. Tino Schuler is not an executive officer of, and does not have a key strategic role within, Medtronic.

Table of Contents

During fiscal year 2009, Christopher Blankemeyer, a son of executive officer Robert H. Blankemeyer, was employed by Medtronic as a senior sales representative for our CRDM business unit. Mr. Christopher Blankemeyer was paid an aggregate salary of $42,933 and a bonus of $189,773 and the standard benefits provided to other non-executive Medtronic employees for his services during fiscal year 2009. Mr. Christopher Blankemeyer is not an executive officer of, and does not have a key strategic role within, Medtronic.

Medtronic had one outstanding loan to an executive officer, Catherine Szyman, who is neither a named executive officer nor a member of the Board of Directors. The loan was extended for relocation purposes in 2001 prior to the enactment of, and was permissible under, the Sarbanes-Oxley Act of 2002. The principal amount of the loan was $250,000 (which amount was outstanding prior to repayment in full), had a 10 year term, and accrued interest equal to 35.22% of appreciation in the underlying house or the maximum allowable interest under usury law, whichever was less. The loan was paid in full in August 2008 upon Ms. Szyman s relocation to Minnesota.

Physio-Control, Inc., a subsidiary of Medtronic, and other defendants, including Mr. Hawkins as President and Chief Executive Officer of Medtronic, entered into a consent decree with the U.S. Food and Drug Administration regarding Physio-Control s quality system improvements for its external defibrillator products. The decree addresses issues raised by the FDA during inspections of Physio-Control s quality system processes and outlines the actions Physio-Control must take in order to resume unrestricted distribution of its external defibrillators.

GOVERNANCE OF MEDTRONIC

Our Corporate Governance Principles

The Board of Directors first adopted Principles of Corporate Governance (the Governance Principles) in fiscal 1996 and revises these Governance Principals from time to time. The Governance Principles describe Medtronic s corporate governance practices and policies, and provide a framework for the governance of Medtronic. Among other things, the Governance Principles include the provisions below.

A majority of the members of the Board must be independent directors and no more than three directors may be Medtronic employees. Currently one director, Medtronic s Chairman and Chief Executive Officer, is not independent.

Medtronic maintains Audit, Compensation, Corporate Governance and Quality and Technology Committees, which consist entirely of independent directors.

The Corporate Governance Committee consists of all the independent directors on the Board and oversees an annual evaluation of the Board. The Nominating Subcommittee of the Corporate Governance Committee evaluates the performance of each director whose term is expiring based on criteria set forth in the Governance Principles.

Our Governance Principles, the charters of our Audit, Compensation, Corporate Governance and Quality and Technology Committees and our codes of conduct are published on our website at **www.medtronic.com/corporate-governance/index.htm.** These materials are available in print to any shareholder upon request. From time to time the Board reviews and updates these documents as it deems necessary and appropriate.

Lead Director; Executive Sessions

The Chair of our Corporate Governance Committee, Mr. Kendall J. Powell, is our designated Lead Director and presides as the chair at meetings of the independent directors. Six regular meetings of our Board are held each year and at each Board meeting our independent directors meet in executive session with no company management present.

Committees of the Board and Meetings

Our four standing Board committees Audit, Compensation, Corporate Governance and Quality and Technology consist solely of independent directors, as defined in the New York Stock Exchange Corporate Governance Standards. Each director attended 75% or more of the total meetings of the Board and Board committees on which the director served in fiscal year 2009. The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act). The following table summarizes the current membership of the Board and each of its standing committees and the number of times each standing committee met during fiscal year 2009.

	Board	**Audit**	**Compensation**	**Corporate Governance**	**Quality and Technology**
Mr. Anderson	X		Chair	X*	
Mr. Calhoun	X	X		X	X
Dr. Dzau	X		X	X	X
Mr. Hawkins	Chair				
Dr. Jackson	X	X		X	Chair
Mr. Lenehan	X		X	X	X
Ms. O Leary	X	Chair		X*	
Mr. Powell	X		X	Chair*	
Mr. Pozen	X	X		X	X
Mr. Rosso	X	X		X*	
Mr. Schuler	X		X	X*	
Number of fiscal year 2009 meetings	8	13	5	4	5

* Denotes member of Nominating Subcommittee, which met 4 times in fiscal year 2009.

Effective August 27, 2009, Dr. Dzau will move from the Compensation Committee and serve on the Nominating Subcommittee, Mr. Lenehan will move from the Compensation Committee to the Audit Committee, Ms. O Leary will move from the Nominating Subcommittee to the Quality and Technology Committee, and Mr. Rosso will move from the Audit Committee to the Compensation Committee.

The principal functions of our four standing committees the Audit Committee, the Compensation Committee, the Corporate Governance Committee, and the Quality and Technology Committee are described below.

Audit Committee

Oversees the integrity of Medtronic s financial reporting

Oversees the independence, qualifications and performance of Medtronic s independent registered public accounting firm and the performance of Medtronic s internal auditors

Oversees Medtronic s compliance with legal and regulatory requirements

Reviews annual audited financial statements with management and Medtronic s independent registered public accounting firm and recommends to the Board whether the financial statements should be included in our Annual Report on Form 10-K

Reviews and discusses with management and Medtronic s independent registered public accounting firm quarterly financial statements and discusses with management Medtronic s earnings press releases

Reviews major changes to Medtronic s accounting and auditing principles and practices

Table of Contents

- Hires the firm to be appointed as Medtronic s independent registered public accounting firm that reports directly to the Audit Committee
- Pre-approves all audit and permitted non-audit services to be provided by the independent registered public accounting firm
- Reviews the scope of the annual audit and internal audit programs and the results of the annual audit examination
- Reviews, at least annually, a report by the independent registered public accounting firm describing its internal quality-control procedures and any issues raised by the most recent internal quality-control review
- Meets periodically with management to review Medtronic s major financial and business risk exposures and steps taken to monitor and control these exposures
- Considers, at least annually, the independence of the independent registered public accounting firm
- Reviews the adequacy and effectiveness of Medtronic s internal controls over financial reporting and disclosure controls and procedures
- Establishes procedures concerning the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters
- Meets privately in separate executive sessions periodically with management, internal audit and the independent registered public accounting firm

Audit Committee Independence and Financial Experts

In accordance with New York Stock Exchange requirements and SEC Rule 10A-3, all members of the Audit Committee meet the additional independence standards applicable to its members. In addition, all of our current Audit Committee members are audit committee financial experts, as that term is defined in SEC rules.

Audit Committee Pre-Approval Policies

Rules adopted by the SEC in order to implement requirements of the Sarbanes-Oxley Act of 2002 require public company audit committees to pre-approve audit and non-audit services provided by a company s independent registered public accounting firm. Our Audit Committee has adopted detailed pre-approval policies and procedures pursuant to which audit, audit-related, tax and other permissible non-audit services, are pre-approved by category of service. The fees are budgeted, and actual fees versus the budget are monitored throughout the year. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval. In those instances, we obtain the pre-approval of the Audit Committee before engaging the independent registered public accounting firm. The policies require the Audit Committee to be informed of each service, and the policies do not include any delegation of the Audit Committee s responsibilities to management. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated will report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Compensation Committee

Reviews compensation philosophy and major compensation programs

Annually reviews executive compensation programs, annually reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, based on its own evaluation of performance in light of those goals and objectives as well as input from the Corporate Governance Committee, establishes and approves compensation of the Chief Executive Officer and annually approves the total compensation of all other executive officers

Administers and makes recommendations to the Board with respect to incentive compensation plans and equity-based compensation plans and approves stock option and other stock incentive awards for senior executive officers

Reviews new compensation arrangements and reviews and recommends to the Board employment agreements and severance arrangements for senior executive officers

Reviews and discusses with management the Compensation Discussion and Analysis required by the rules of the SEC and recommends to the Board the inclusion of the Compensation Discussion and Analysis in the Company s annual proxy statement

Establishes compensation for directors and recommends changes to the full Board

You should refer to the Compensation Discussion and Analysis on page 21 for additional discussion of the Compensation Committee s processes and procedures relating to compensation.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2009, the members of our Compensation Committee were Richard H. Anderson (Chair), Victor J. Dzau, M.D., Kendall J. Powell, James T. Lenehan and Jack W. Schuler. None of the members of the Compensation Committee during fiscal year 2009 was ever an officer or employee of Medtronic, and no executive officer of Medtronic during fiscal year 2009 served on the compensation committee or board of any company that employed any member of Medtronic s Compensation Committee or Board. As required by SEC regulation, Medtronic s relationship with Jack W. Schuler s son, Tino Schuler, is disclosed under Related Transactions and Other Matters.

Corporate Governance Committee

Recommends to the Board corporate governance guidelines

Leads the Board in its annual review of the Board s performance

Adopts, monitors and recommends to the Board changes to the Governance Principles

Recommends to the Board the selection and replacement, if necessary, of the Chief Executive Officer, oversees the evaluation of senior management and periodically provides input to the Compensation Committee regarding the performance of the Chief Executive Officer in light of goals and objectives set by the Compensation Committee

Reviews and determines the philosophy underlying directors compensation and remains apprised of the Compensation Committee s actions in approving executive compensation and the underlying philosophy for it

Maintains a Nominating Subcommittee which recommends to the full Corporate Governance Committee criteria for selecting new directors, nominees for Board membership and the positions of Chairman, Chief Executive Officer and Chair of the Corporate Governance Committee and whether a director should be nominated to stand for re-election

The Corporate Governance Committee considers candidates for Board membership, including those suggested by shareholders, applying the same criteria to all candidates. Any shareholder who wishes to recommend a prospective nominee for the Board for consideration by the Corporate Governance Committee shall notify the Corporate Secretary in writing at Medtronic s offices at 710 Medtronic Parkway, Minneapolis, MN 55432. Any such recommendations should provide whatever supporting material the shareholder considers appropriate, but should at a minimum include such background and biographical material as will enable the Corporate Governance Committee to make an initial determination as to whether the nominee satisfies the criteria for directors set out in the Governance Principles.

If the Corporate Governance Committee identifies a need to replace a current member of the Board, to fill a vacancy in the Board or to expand the size of the Board, the Nominating Subcommittee considers candidates from a variety of sources. The process followed to identify and evaluate candidates includes meetings to evaluate biographical information and background material relating to candidates and interviews of selected candidates by members of the Board. Recommendations of candidates for inclusion in the Board slate of director nominees are based upon the criteria set forth in Exhibit 4 to the Governance Principles. These criteria include business experience and skills, independence, distinction in their activities, judgment, integrity, the ability to commit sufficient time and attention to Board activities and the absence of potential conflicts with Medtronic s interests. The Corporate Governance Committee also considers any other relevant factors that it may from time to time deem appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee and other expertise and the evaluation of all prospective nominees.

After completing interviews and the evaluation process, the Corporate Governance Committee makes a recommendation to the full Board as to persons who should be nominated by the Board. The Board determines the nominees after considering the recommendations and report of the Corporate Governance Committee and making such other evaluations as it deems appropriate.

Alternatively, shareholders intending to appear at the Annual Meeting to nominate a candidate for election by the shareholders at the meeting (in cases where the Board does not intend to nominate the candidate or where the Corporate Governance Committee was not requested to consider his or her candidacy) must comply with the procedures in Medtronic s restated articles of incorporation, which are described under Other Information Shareholder Proposals and Director Nominations on page 69 of this proxy statement.

Quality and Technology Committee

Provides assistance to the Board in its oversight of product quality and safety, scientific and technical direction and human and animal studies

Oversees risk management in the area of product quality and safety, including review of Medtronic s overall quality strategy and processes in place to monitor and control product quality and safety; periodic review of results of product quality and quality system assessments by Medtronic and external regulators (including FDA and various notified bodies); and review of important product quality issues and field actions

Oversees the scientific and technical direction of Medtronic, including monitoring of overall effectiveness of research and development and periodic review of Medtronic s intellectual property portfolio

Oversees risk management in the area of human and animal studies, including the periodic review of policies and procedures related to the conduct of human and animal studies

Special Committee

In November 2005, the Board convened a Special Committee, comprised of Jack W. Schuler (Chair), Robert C. Pozen and Jean-Pierre Rosso, to oversee Medtronic s response to a subpoena received from the Office of the United States Attorney for the District of Massachusetts relating to alleged fraud and abuse and alleged violation of federal Anti-Kickback statutes. For more information about this matter, please see page 36 of Item 3 in Medtronic s Annual Report on Form 10-K for fiscal year 2009.

Annual Meeting of the Shareholders

It is has been the longstanding practice of Medtronic for all directors to attend the Annual Meeting of Shareholders. All directors attended the last Annual Meeting.

15

Table of Contents

Director Compensation

The Director Compensation table reflects all compensation awarded to, earned by or paid to the Company s non-employee directors during fiscal year 2009. No additional compensation was provided to Mr. Hawkins for his service as a director on the Board.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Total
Mr. Anderson	$ 90,000	$ 80,023	$ 18,252	$ 188,275
Mr. Calhoun	85,000	80,023	18,252	183,275
Dr. Dzau(1)	80,000	80,023	47,425	207,448
Dr. Jackson	95,000	80,023	18,252	193,275
Mr. Lenehan	80,000	80,023	18,252	178,275
Ms. O Leary	95,000	80,023	18,252	193,275
Mr. Powell	87,000	80,023	18,252	185,275
Mr. Pozen	95,000	80,023	18,252	193,275
Mr. Rosso	98,000	80,023	18,252	196,275
Mr. Schuler	90,000	80,023	18,252	188,275

(1) Dr. Dzau s stock option award amount includes $29,173, which is the amount expensed in fiscal year 2009 that relates to the initial stock option granted to Dr. Dzau upon his election to the Board in February 2008.

In August 2008, the Board approved changes to Medtronic s non-employee director compensation program, which is described in greater detail below. The changes, effective August 20, 2008, include:

- changing the grant date of the deferred stock unit award from the last business day of the fiscal year to the first business day of the fiscal year;
- changing the payment timing of the Special Committee fees from quarterly to semi-annual payments at the end of October and the end of April;
- changing the grant date of an initial stock option grant from Board election date to the first business day of the fiscal quarter following board election date; and
- changing the grant date of an initial annual stock option grant from Board election date to the first business day of the fiscal quarter following board election date.

Fees Earned or Paid in Cash. The fees earned or paid in cash column represents the amount of annual retainer and annual cash stipend for Board and committee service (prorated for partial year s service). The annual cash retainer for fiscal year 2009 was $80,000. On April 16, 2009, the Board decreased the cash stipend portion of the Board s compensation by five percent for fiscal year 2010.

In addition, the Chairs of each of the Compensation, Quality and Technology, and Corporate Governance Committees received an annual cash stipend of $10,000. The Chair of the Audit Committee received a cash stipend of $15,000, and non-chair members received a cash stipend of $5,000. Finally, members of the Special Committee received a cash stipend of $10,000.

The annual cash retainer, annual cash stipend and special committee fees are paid in two installments in the middle and at the end of a fiscal year. The annual cash retainer and annual cash stipend are reduced by 25% if a non-employee director does not attend at least 75% of the total meetings of the Board and Board committees on which such director served during the relevant plan year. The table on page 12 of this proxy statement under the section entitled Committees of the Board and Meetings shows on which committees the individual directors serve.

Stock Awards. Directors are granted deferred stock units on the first business day of the fiscal year in an amount equal to the annual retainer in effect for the preceding fiscal year (on a pro-rata basis for participants who are directors for less than the entire preceding plan year and reduced by 25 percent for those directors who failed to attend at least 75 percent of the applicable meetings during such fiscal year) divided by the fair market value of a share of Medtronic common stock on the date of grant. Dividends paid on Medtronic common stock are credited to a director s stock unit account in the form of additional stock units. The balance in a director s stock unit account will be distributed to the director in the form of shares of Medtronic common stock upon resignation or retirement from the Board in a single distribution or, at the director s option, in five equal annual distributions. Due to the change in grant date from the last business day of the fiscal year to the first business day of the fiscal year, the grant for service provided in fiscal year 2009 was made in fiscal year 2010.

Option Awards. Directors are granted stock options on the first business day of the fiscal year in an amount equal to the annual retainer divided by the fair market value of a share of Medtronic common stock on the date of grant (which will also be the exercise price of the option). These options expire at the earlier of the tenth anniversary of the date of grant or five years after the holder ceases to be a Medtronic director. If there is an increase in the annual retainer after the annual option award is granted, each director will be automatically granted, as of the date such increase is approved, a supplemental annual option award equal to (1) the amount of such increase divided by (2) the fair market value of a share of Medtronic common stock on the date of grant. On the date he or she first becomes a director, each new non-employee director receives (1) a one-time initial stock option grant for a number of shares of Medtronic common stock equal to two times the amount of the annual retainer divided by the fair market value of a share of Medtronic common stock on the date of grant (which will also be the exercise price of such option); and (2) a pro-rated stock option grant for a number of shares of Medtronic common stock equal to his or her annual retainer (pro-rated based on the number of days remaining in the plan year) divided by the fair market value of a share of Medtronic common stock on the date of grant (which will also be the exercise price of the option). These grants are made on the first business day of the fiscal quarter following the date the director is elected to the Board. Amounts in the option awards column represent the share-based compensation expense recognized in fiscal year 2009 for financial statement reporting purposes in accordance with SFAS No. 123(R) (disregarding forfeiture assumptions) based on the assumptions noted in the following table. The following table provides the fair value of options granted to the directors for which expense was recognized in fiscal year 2009 and the related assumptions used in the Black-Scholes model:

	Stock Option Grant Date April 28, 2008	
Fair value of options granted	$	11.48
Assumptions used:		
Risk free rate(1)		3.45%
Expected volatility(2)		20.92%
Expected life(3)		5.90yrs
Dividend yield(4)		1.49%

(1) The risk-free rate is based on the grant date yield of a zero-coupon U.S. Treasury bond whose maturity period equals or approximates the option s expected term.

(2) The expected volatility is based on a blend of historical volatility and an implied volatility of the Company s common stock. Implied volatility is based on market traded options of the Company s common stock.

(3)

The Company analyzes historical employee stock option exercise and termination data to estimate the expected life assumption. The Company calculates the expected life assumption using the midpoint scenario, which combines historical exercise data with hypothetical exercise data, as the Company believes this data currently represents the best estimate of the expected life of the option.

(4) The dividend yield rate is calculated by dividing the Company s annual dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date.

Table of Contents

Non-employee directors received the following stock option grants during fiscal year 2009:

Name	Stock Options	Grant Date Fair Value
Mr. Anderson	1,590	$ 18,252
Mr. Calhoun	1,590	18,252
Dr. Dzau	1,590	18,252
Dr. Jackson	1,590	18,252
Mr. Lenehan	1,590	18,252
Ms. O Leary	1,590	18,252
Mr. Powell	1,590	18,252
Mr. Pozen	1,590	18,252
Mr. Rosso	1,590	18,252
Mr. Schuler	1,590	18,252

All non-employee director stock options described above vest and are exercisable in full on the date of grant, except that a director initially elected by the Board will not be entitled to exercise any stock option until the director has been elected to the Board by Medtronic s shareholders. Amounts in the grant date fair value column represent the share-based compensation expense recognized in fiscal year 2009 for financial statement reporting purposes in accordance with SFAS No. 123(R) (disregarding forfeiture assumptions).

Stock Holdings. Non-employee directors held the following restricted stock, stock options, and deferred stock units as of April 24, 2009:

Non-Employee Director	Restricted Stock	Stock Options	Deferred Stock Units
Mr. Anderson		23,076	7,421
Mr. Calhoun		5,577	1,334
Dr. Dzau		5,152	367
Dr. Jackson		19,397	8,122
Mr. Lenehan		5,987	2,118
Ms. O Leary		38,999	9,221
Mr. Powell		5,577	1,372
Mr. Pozen[(1)]			5,219
Mr. Rosso		48,232	10,437
Mr. Schuler	14,702	52,581	11,770

(1) 13,080 stock options were transferred to adult children.

To more closely align their interests with those of shareholders, directors are encouraged, within five years of the date of their election to the Board, to own stock of Medtronic in an amount equal to five times the annual Board retainer fees. In addition, each director must retain, for a period of three years, 75% of the net after-tax profit shares realized from option exercises or share issuances resulting from grants made on or after April 26, 2003. For stock options, net after-tax profit shares are those shares remaining after payment of the option s exercise price and income taxes. For share issuances, net gain shares are those remaining after payment of income taxes. Shares retained may be sold after three years. In the case of retirement or termination, the shares may be sold after the shorter of the remaining retention period or one year following retirement or termination, as applicable.

Deferrals. Directors may defer all or a portion of their compensation through participation in the Medtronic Capital Accumulation Plan Deferral Program, a nonqualified deferred compensation plan designed to allow participants to make contributions of their compensation before taxes are withheld and to earn returns or incur losses on those contributions based upon allocations of their balances to one

Table of Contents

or more investment alternatives, which are also investment alternatives that Medtronic offers its employees through its 401(k) supplemental retirement plan.

Complaint Procedure; Communications with Directors

The Sarbanes-Oxley Act of 2002 requires companies to maintain procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. We currently have such procedures in place. Our 24-hour, toll-free confidential compliance line is available for the submission of concerns regarding accounting, internal controls or auditing matters. Our independent directors may also be contacted via e-mail at **independentdirectors@medtronic.com**. Our Lead Director may be contacted via e-mail at **leaddirector@medtronic.com**. Communications received from shareholders may be forwarded directly to Board members as part of the materials sent before the next regularly scheduled Board meeting, although the Board has authorized management, in its discretion, to forward communications on a more expedited basis if circumstances warrant or to exclude a communication if it is illegal, unduly hostile or threatening or otherwise inappropriate. Advertisements, solicitations for periodical or other subscriptions and other similar communications generally will not be forwarded to the directors.

Our Codes of Conduct

All Medtronic employees, including our Chief Executive Officer and other senior executives, are required to comply with our long-standing Code of Conduct to help ensure that our business is conducted in accordance with the highest standards of moral and ethical behavior. Our Code of Conduct covers all areas of professional conduct, including customer relationships, conflicts of interest, insider trading, intellectual property and confidential information, as well as requiring strict adherence to all laws and regulations applicable to our business. Employees are required to bring any violations and suspected violations of the Code of Conduct to the attention of Medtronic, through management or our legal counsel or by using Medtronic s confidential compliance line. Our Code of Ethics for Senior Financial Officers, which is a part of the Code of Conduct, includes certain specific policies applicable to our Chief Executive Officer, Chief Financial Officer, Treasurer and Controller and to other senior financial officers designated from time to time by our Chief Executive Officer. These policies relate to internal controls, the public disclosures of Medtronic, violations of the securities or other laws, rules or regulations and conflicts of interest. The members of the Board of Directors are subject to a Code of Business Conduct and Ethics relating to director responsibilities, conflicts of interest, strict adherence to applicable laws and regulations and promotion of ethical behavior.

Our codes of conduct are published on our website, at **www.medtronic.com** under the **Corporate Governance** caption, and are available in print to any shareholder who requests them. We intend to disclose future amendments to, or waivers for directors and executive officers of, our codes of conduct on our website promptly following the date of such amendment or waiver.

Table of Contents

SHARE OWNERSHIP INFORMATION

Significant Shareholders. As of June 29, 2009, no person is known by us to beneficially own more than 5% of our common stock.

Beneficial Ownership of Management. The following table shows information as of June 29, 2009 concerning beneficial ownership of Medtronic s common stock by Medtronic s directors, named executive officers identified in the Summary Compensation Table below, and all directors and executive officers as a group.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership[4]	Of Shares Beneficially Owned, Amount that May Be Acquired Within 60 Days
Richard H. Anderson[1]	38,344	35,839
Jean-Luc Butel	169,468	143,212
David L. Calhoun	22,603	12,253
H. James Dallas	99,116	37,520
Michael F. DeMane	43,898	
Victor J. Dzau, M.D.	10,861	10,861
Gary L. Ellis	334,715	279,893
William A. Hawkins	575,203	483,626
Shirley Ann Jackson, Ph.D.	33,061	32,861
James T. Lenehan	23,447	13,447
Stephen H. Mahle	973,252	736,737
Denise M. O Leary	53,562	53,562
Kendall J. Powell	12,291	12,291
Robert C. Pozen[2]	35,261	10,561
Jean-Pierre Rosso	71,331	64,011
Jack W. Schuler	555,212	69,693
Directors and executive officers as a group (26 persons)[3]	4,551,153	3,300,490

(1) Mr. Anderson disclaims beneficial ownership of 25 shares that are owned by his minor son.

(2) Includes 24,700 shares owned jointly with Mr. Pozen s spouse.

(3) As of June 29, 2009, no director or executive officer beneficially owns more than 1% of the shares outstanding. Medtronic s directors and executive officers as a group beneficially own approximately 0.4% of the shares outstanding.

(4) Amounts include the shares shown in the last column, which are not currently outstanding but are deemed beneficially owned because of the right to acquire shares pursuant to options exercisable within 60 days (on or before August 28, 2009) and the right to receive shares for deferred stock units within 60 days (on or before

August 28, 2009) of a director s resignation.

Section 16(a) Beneficial Ownership Reporting Compliance. Based upon a review of reports and written representations furnished to it, Medtronic believes that during fiscal year 2009 all filings with the SEC by its executive officers and directors complied with requirements for reporting ownership and changes in ownership of Medtronic s common stock pursuant to Section 16(a) of the Exchange Act, except as follows: Stephen La Neve, Senior Vice President and President, Spinal and Biologics, failed to include a restricted stock award grant on his initial statement of beneficial ownership of the securities on April 29, 2008 due to Medtronic s administrative oversight; and Jean-Luc Butel, Senior Vice President and President, International, failed to file timely a sale of shares from his IRA on December 20, 2004, due to an oversight by his advisors. The amended reports were filed promptly when the errors were discovered.

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

Overview

The CD&A describes all material elements of our compensation programs for our named executive officers during fiscal year 2009. Additional information can be found in the Summary Compensation Table and additional tables.

The Compensation Committee of the Board of Directors is the decision-making body on all compensation matters related to our named executive officers and the Compensation Committee establishes the compensation philosophy, program design and administration. For more information on the Compensation Committee, its members and its duties as identified in its charter, you should refer to the section entitled Committees of the Board and Meetings beginning on page 12 of this proxy statement.

Compensation Program Objectives and Philosophy

Our compensation program is designed to support and enhance the Medtronic Mission which has driven every aspect of our business since 1960 and lays the foundation for our unyielding standards for ethical and legal conduct and the utmost integrity in all of our activities. Our compensation program for named executive officers is aligned with these principles and is designed to:

- Attract and retain top talent;
- Emphasize pay for sustained performance;
- Encourage strong short and long-term financial performance by establishing challenging goals and leveraged incentive programs;
- Encourage executive stock ownership and alignment with shareholder interests by linking a meaningful portion of compensation to the value of Medtronic common stock; and
- Favor moderate cash allowances instead of Company-provided perquisites.

Our philosophy is to position total compensation at a level that is commensurate with Medtronic s size and performance relative to other leading medical device and pharmaceutical companies, as well as a limited number of general industry companies. The variable components of our program are pay for performance based and allow for market median pay for target performance, above-market median pay when performance is above target and below-market median pay when performance is below target performance. In addition, the equity components of the program align our executives with shareholders and ensure that their total compensation increases or decreases in direct correlation to both the long-term financial performance of the Company and the movement of our stock price.

Our compensation program is designed to ensure that our executives do not take unnecessary or excessive risks that could harm the long-term value of our Company. Features of our programs that are intended to mitigate harmful risk taking include the following:

- Base salaries are fully competitive and not subject to performance risk;

Incentive plans are appropriately weighted between short-term and long-term performance and cash and equity compensation;

Annual bonus and performance-based cash plans are capped at 225% and 180% of target awards, respectively;

Long-term incentive awards are weighted approximately one-third to stock options that vest over 4 years for alignment with shareholders, one-third to performance-based restricted stock for retention incentive, and one-third to performance-based cash for focus on strategic financial objectives;

Table of Contents

- Performance cycles are three years and overlap to reduce incentive to maximize performance in any one period;
- Performance goals are recalibrated annually to maintain directional alignment with pay and performance relative to historic comparison companies and broader market performance, and best estimates of future expectations;
- Our executives and directors are subject to a three-year retention requirement of 50% to 75% of after-tax profit shares earned from equity compensation plans; and
- Our Company has in place policies designed to recoup improper payments or gains from incentive and equity compensation paid or granted to executives.

Fiscal Year 2009 Compensation Decisions and Developments

Summarized below are key compensation decisions and developments for fiscal year 2009 for our named executive officers, other than Mr. DeMane who resigned as an executive officer at the beginning of the fiscal year:

- Base salary increases ranged from 0% to 19%, with the largest increases going to two of our named executive officers relating in part to their promotions at the beginning of the fiscal year;
- Target annual bonus opportunities were increased for two of our named executive officers, and Company-wide financial measures were diluted earnings per share, revenue growth, and a measure of cash flow;
- Long-term incentive opportunities were granted in an approximately equal mix of stock options, performance-based restricted stock, and performance-based cash with Company-wide financial measures based on three-year diluted earnings per share, revenue growth, and return on invested capital;
- Special performance-based restricted stock unit grants were made for retention purposes to three of our named executive officers with a Company-wide financial measure based on three-year diluted earnings per share growth;
- Long-term incentive payments for the performance-based cash cycle completed at the end of fiscal year 2009 were 69% of target award opportunities as a result of the diluted earnings per share and revenue growth financial measures being below target performance and the cash flow measure being above target performance;
- The performance-based restricted stock component of our long-term incentive plan for the three-year period ending at the end of our 2009 fiscal year will vest as scheduled in October 2009 as a result of the diluted earnings per share financial measures being above the performance diluted earnings per share performance threshold;
- Actual annual bonus payments for Company-wide performance were 93% of target award opportunities as a result of the diluted earnings per share and cash flow measure financial measures being above target performance and the revenue growth measure being below target performance;
- Base salaries for fiscal year 2010 were decreased by 5% for all of our named executive officers due to the current economic and business environment; and

All outstanding vested and unvested stock options held by our named executive officers had no intrinsic value at year end because the exercise price was higher than our stock price.

Table of Contents

Program Overview

The following is an illustration of the major components of Medtronic s compensation programs as applied to each named executive officers with the exception of Mr. DeMane who resigned as Chief Operating Officer of Medtronic effective April 30, 2008.

Objective: Provide a base wage that is competitive and reflective of individual performance
Generally represents 11% to 31% of total compensation[(1)]

Objective: Motivate achievement of annual goals
Generally represents 15% to 21% of total compensation provided annual financial objectives are achieved
All executive officers have Company-wide and, if applicable, sector annual business goals[(2)]

Objective: Motivate executives to focus on long-term shareholder value creation and strategic financial performance
Core long-term incentive program consists of three distinct components weighted at 1/3 each, with the sum targeting delivery of long-term compensation at approximately the median of market competitive levels
Generally represents 48% to 75% of total compensation

Objective: Ensure impartiality and objectivity in the event of a change-in-control situation to protect shareholder interests
Policy is consistent with design provisions and benefit levels at other similar companies

Objective: Provide reimbursement of some personal and business-related expenses such as memberships, financial and tax planning services in lieu of perquisites and aid in the attraction and retention of top talent
Represents less than 1% of total compensation

Objective: Supports retention, succession planning and recruitment
Used very judiciously
Generally represents a premium over and above our competitive market

(1) Total compensation is defined as the sum of base salary, target annual cash incentives, and the grant date fair value of long-term equity incentives. It does not necessarily tie to the values disclosed in the Summary Compensation Table and other tables. The chart is not drawn to scale for any particular named executive officer.

(2) For fiscal year 2010 the bonuses of our executive officers will be based 100% on Company-wide goals.

Table of Contents

The compensation mix in the illustration above reflects our bias for pay for performance, as well as our focus on sustained performance. Variable pay (annual and long-term incentives) represents 69% to 89% of total compensation while long-term financial measures and stock performance represent 48% to 75% of total compensation. The percentages above are calculated based on total direct compensation (base salary, annual incentives and long-term incentives) at target and excluding special restricted stock unit awards and compensation related to relocation or expatriate duties.

Independent Compensation Consultant

The Compensation Committee has engaged Frederic W. Cook & Co., Inc., an independent outside compensation consulting firm, to advise the Compensation Committee on all matters related to executive officer and director compensation. Specifically, Frederic W. Cook & Co. conducts annual competitive market analyses of total compensation for named executive officers, provides relevant market data, updates on compensation trends and counsel on program design and specific compensation decisions related to our CEO and other executives. The consultant attended all of the Compensation Committee meetings in fiscal year 2009, as is Medtronic s long-standing practice, and met with the Compensation Committee in executive session as requested at each meeting. The compensation consultant only works with management with the express permission of the Compensation Committee. Any services performed for the Company are related to executive and director compensation and are solely in support of decision-making by the Compensation Committee.

Role of Chief Executive Officer in Compensation Decisions

In making compensation decisions for executive officers reporting to the CEO, the Compensation Committee solicits the views of our Chief Executive Officer. The Chief Executive Officer is not present during Compensation Committee executive sessions, and does not make recommendations to the Compensation Committee about his own compensation.

Executive Compensation Peer Companies

The Compensation Committee considers relevant market pay practices when establishing executive compensation levels and evaluating our compensation programs. In order to ensure the competitiveness of our compensation programs, the Committee has established a peer group of companies for benchmarking purposes. The identification of these companies is based on discussions with, and recommendations from, the Compensation Committee s independent compensation consultant. The selection criteria were based on companies in the health care equipment, pharmaceutical, and biotechnology industries that position Medtronic in the median range of the group, on average, in various measures of company size. There were no changes made to the fiscal year 2008 peer group for fiscal year 2009.

Table of Contents

The following table lists Medtronic s fiscal year 2009 peer group, including Medtronic s ranking relative to these companies based on financial data available at the time of consideration:

	Most Recent Fiscal Year (in Millions)					June 30, 2008	
Company	**Net Revenue**	**Operating Income (EBIT)**	**Total Assets**	**Total Capital**	**Total Employees**	**Market Cap (in Millions)**	**Composite Percentile Rank**
Johnson & Johnson	$ 61,035	$ 15,153	$ 80,954	$ 52,856	119,200	$ 181,322	98%
Pfizer	48,209	14,574	115,268	79,149	86,600	118,188	96
Abbott Laboratories	25,914	5,524	39,714	29,992	68,000	81,748	84
Merck	21,198	6,251	48,351	23,924	59,800	80,903	82
Wyeth	22,400	5,349	42,717	30,015	50,527	63,947	80
3M	24,462	5,512	24,694	16,736	76,239	49,011	67
Amgen	14,771	5,429	34,639	29,046	17,500	51,343	63
Lilly (Eli)	18,634	4,803	26,788	18,672	40,600	52,483	60
Medtronic	**13,515**	**4,091**	**22,198**	**18,492**	**40,000**	**58,231**	**56**
Bristol-Myers Squibb	19,348	3,533	26,172	16,834	42,000	40,641	56
Schering-Plough	12,690	217	29,156	19,865	55,000	31,926	49
Genentech	11,724	4,292	18,940	14,906	11,174	79,763	48
Baxter International	11,263	2,355	15,294	10,005	46,000	40,115	46
Boston Scientific	8,357	1,219	31,197	23,286	24,500	18,389	44
Becton Dickinson	6,360	1,325	7,329	5,525	28,018	19,843	32
Stryker	6,001	1,327	7,354	5,395	16,026	25,894	30
Genzyme	3,814	845	8,302	7,443	10,000	19,214	21
Zimmer Holdings	3,898	1,323	6,634	5,554	7,600	15,753	17
Allergan	3,939	845	6,579	5,369	7,886	15,875	12
St. Jude Medical	3,779	917	5,329	4,316	12,000	13,853	11
Bard (C.R.)	2,202	559	2,476	1,999	10,200	8,731	3
75th Percentile	**22,849**	**5,515**	**35,908**	**25,205**	**56,200**	**67,901**	
Mean	**16,650**	**4,118**	**28,894**	**19,994**	**39,593**	**50,447**	
Median	**12,207**	**2,944**	**25,433**	**16,785**	**34,309**	**40,378**	
35th Percentile	**5,485**	**1,144**	**7,348**	**5,547**	**11,793**	**19,008**	
Medtronic %tile Rank	**55%**	**57%**	**45%**	**57%**	**52%**	**71%**	

Competitive Market

Medtronic also uses external survey sources to establish market data points, primarily the Towers Perrin Executive Compensation Database and the Hewitt Total Compensation Measurement Database. Towers Perrin and Hewitt are two of the largest human resource consulting firms globally and both are recognized leaders in the compensation survey industry.

We capture data from the general industry, our executive compensation peer companies, and the medical device and pharmaceutical industries. We then size the survey data relative to our Company s revenue or that of the relevant business unit using statistical regression models provided by the survey companies. This process is used because it has been shown that there is a strong positive correlation between the size of a company and executive pay.

We use an average of the size adjusted medians of the general industry data to set the initial benchmark for base pay for each of our executive jobs. Once this initial benchmark has been established, we conduct an analysis to compare this initial salary benchmark to the median salary of the peer companies, the medical device and pharmaceutical industries. If consistent differences become apparent, we may apply a slight adjustment (typically 5% to 10%) to the initial benchmark salary to bring it to a level that it is consistent with data reported in the more specialized industry groups.

Table of Contents

For short-term and long-term incentive guidelines, we rely on industry median data from our executive compensation peer companies as well as Frederick W. Cook and Co. s annual Survey of Long-Term Incentives, which is compiled by the consultant for our Compensation Committee. This data is then validated by size-adjusted median data from our Towers Perrin and Hewitt surveys.

We annually review the method and the data sources used, and results of our benchmarking process in order to ensure that all aspects of our compensation programs are positioned at levels that reflect the stated objectives of our compensation philosophy.

Base Salaries

Our objective is to establish market competitive base salaries within a competitive range of ± 15% of the market median benchmark established for each position.

The Compensation Committee solicits the views of our Chief Executive Officer on the compensation of our named executive officers (other than his own). In making his recommendations, the Chief Executive Officer assesses individual performance during the fiscal year, the individual s current salary percentile relative to the established market benchmark for their position, past salary treatment, individual performance, time in position and the scope and complexity of the position.

The Compensation Committee receives a detailed analysis of the named executive officers pay as compared to the median salary of the peer group from the independent consultant to the Compensation Committee. This data, in addition to that provided by management, is presented to and evaluated by the Compensation Committee, which approves base salaries for named executives annually at its meeting in April.

As a reflection of the current economic and business environment, all of our executive officers (including our named executive officers) proposed to the Compensation Committee a 5% reduction in their base salaries for fiscal year 2010. These salary changes were approved by the Committee during its April 2009 meeting and became effective on the first day of our 2010 fiscal year.

Base salary percentage increases from fiscal year 2008 to fiscal year 2009, and base salary percentage decreases from fiscal year 2009 to fiscal year 2010, for our named executive officers are shown below:

Name	Fiscal Year 2008	Fiscal Year 2009	Percent Increase (Decrease)	Fiscal Year 2010	Percent Increase (Decrease)
William A. Hawkins	$ 1,100,000	$ 1,177,000	7.0%	$ 1,118,150	(5.0)%
Gary L. Ellis	600,000	636,000	6.0	604,200	(5.0)
Stephen H. Mahle	620,000	620,000		589,000	(5.0)
Jean-Luc Butel	440,000	525,000(1)	19.3(1)	498,750	(5.0)
H. James Dallas	450,000	520,000(2)	15.6(2)	494,000	(5.0)
Michael F. DeMane	725,000	725,000(3)	(3)	N/A	N/A

(1) Effective April 26, 2008, Mr. Butel received a promotion to the position of Senior Vice President and President, Medtronic International. Mr. Butel s fiscal year 2009 salary increase of 19.3% consists of a 5.0% merit increase

and a 13.64% promotional increase.

(2) Effective April 26, 2008, Mr. Dallas received a promotion to the position of Senior Vice President, Quality and Medtronic Operations. Mr. Dallas fiscal year 2009 salary increase of 15.6% consists of a 5.0% merit increase and a 10.05% promotional increase.

(3) On April 29, 2008, it was announced that Mr. DeMane had informed Medtronic of his decision to resign as Chief Operating Officer effective April 30, 2008, however he remained a non-executive employee through May 31, 2009. Additional information related to Mr. DeMane s departure can be found on page 53 of this proxy statement.

For fiscal year 2009, base salary accounted for approximately 11% of total compensation for Mr. Hawkins and approximately 26% on average for the other named executive officers. The annual merit increases awarded to Messrs. Hawkins and Ellis for fiscal year 2009 moved their base salaries into our target market competitive range for their positions. The larger increases awarded to Messrs. Butel and Dallas reflect both merit and promotional increases, as both assumed positions that are of much larger scope of responsibility. At the beginning of fiscal year 2009, Mr. Butel was given responsibility for all of Medtronic s international operations, more than doubling the size of his business operations on an annual revenue basis. Similarly, Mr. Dallas, the company s Senior Vice President & Chief Information Officer in fiscal year 2008, assumed significant additional responsibilities in fiscal year 2009 including Medtronic business operations, quality, and healthcare systems. Mr. Mahle did not receive a salary increase in fiscal year 2009 as a reflection of his intent to retire from Medtronic in the foreseeable future. On average, the fiscal year 2009 base salaries of our named executive officers were approximately 90% of the midpoint of the established market range.

Annual Performance-Based Incentives

We deliver annual performance-based incentives to our named executive officers through the Medtronic, Inc. Executive Incentive Plan (MIP). MIP award targets, expressed as a percentage of base pay earned during the fiscal year, are within a competitive range of ± 15% of the market median annual incentives for our competitive market. Consistent with our pay for performance philosophy, we establish an award range that generates above-market pay for above-market performance and below-market pay for below-market performance.

Award Targets. The Compensation Committee reviews, discusses and approves MIP award targets for named executive officers each year in June, after review and approval of the Company s annual operating plan. No incentives are earned unless a minimum (threshold) diluted earnings per share target is met, at which point participants earn an award of 50% of target. Minimum awards (at the threshold level of performance) are 50% of the target amount and maximum awards to our named executive officers may be as high as 225% of the target amount for maximum achievement of all performance measures, subject to a fiscal year maximum of $3 million to any single participant.

For fiscal year 2009 the Compensation Committee approved an increase in the annual MIP target for Mr. Hawkins from 120% of his annualized base salary to 140%, and an increase for Mr. Ellis from 75% to 80% as a result of an analysis of competitive market data for those positions by the Committee. The annual MIP targets for Messrs. Mahle, Butel and Dallas remained at 80%, 70% and 65%, respectively.

Performance Measures. MIP performance measures are generally reviewed and approved annually at the Compensation Committee s April meeting. Financial measures are selected based on how effectively they impact, independently and together, the overall success of Medtronic. Performance measures for our named executive officers were based 100% on overall Company performance for all named executive officers except for Mr. Butel, who had 50% of his award based on the performance of our International business geography. In fiscal year 2010, all of our named executive officers MIP performance measures will be based 100% on overall Company performance. We believe our approach focuses our executives on sustained high quality revenue growth, innovation, market share and market expansion.

In fiscal year 2009, the financial measures for the portion of our plan based on overall Company performance were diluted earnings per share, revenue growth, and a measure of cash flow, with weights of 40%, 40% and 20%, respectively. Diluted earnings per share is an aggregate measure that focuses on growth and equity management, and reflects how well we deliver value to our shareholders from our business operations. For purposes of the MIP, as well as performance-based restricted stock unit awards and Long-Term Performance Plan (LTPP) awards discussed later in this Compensation Discussion and Analysis, diluted earnings per share refers to non-GAAP diluted earnings per share, a measure which includes adjustments for special charges. A reconciliation of non-GAAP diluted earnings per share to diluted earnings per share as reported in our financial statements is included in the Adjustments for Special Charges section on page 32 of this proxy statement. Revenue growth is a reflection of our ability to successfully bring new products to market, gain market share and expand the many markets that we serve. The cash flow measure is an indication of liquidity and reflects Medtronic s flexibility in making certain business decisions. For the purposes of our MIP, the cash flow measure is defined as Medtronic s net earnings ± changes in accounts receivable, inventory, net PP&E (property plant and equipment), other operating assets and accounts payable.

In determining the target levels for the revenue growth and diluted earnings per share performance measures, the Committee reviewed a number of historical and forward-looking factors including the competitive market, changes in the regulatory environment and economic trends. The Committee considered historical data from our executive peer group, analyst consensus data for both our executive compensation peer companies and the Med Tech subset of companies, and Medtronic s annual operating plan for fiscal year 2009.

In fiscal year 2009, the Company performance measures were established with the following ranges: diluted earnings per share growth (40% weight) of 8% to 17%, revenue growth (40% weight) of 6% to 15%, and a cash flow measure (20% weight) ranging from $2.510 billion to $2.910 billion. These ranges were established at levels generally equal to the 35th and 75th percentiles of the performance of our comparator group. Overall target performance in each of the measures would have yielded a payout approximating the market median.

In fiscal year 2009, the performance measures for the International component of Mr. Butel s MIP were: revenue growth (40% weight), earnings before interest and taxes (EBIT) (40% weight), on-time complaint quality reporting (10% weight) and Medtronic s market share as it relates to several key products outside of the United States (10% weight). Performance targets for revenue growth, EBIT and on-time complaint reporting were 8.5% to 18.0%, $2.449 billion to $2.693 billion, and 94% to 100% of target, respectively. Overall target performance in each of these measures would have yielded a payout approximating the market median.

Once actual performance against each performance measure is established, the achievement percentage is determined by interpolating actual performance relative to the performance range for each measure. These results are then weighted based on the plan weightings and summed to arrive at an overall achievement percentage plan year. Actual payouts are determined by multiplying the executive s eligible earnings by their annual target percentage, and then by the overall achievement percent for their plan.

Fiscal Year 2009 Award Payments. For fiscal year 2009, Medtronic exceeded the diluted earnings per share threshold and its plan target, while revenue growth was below target. The cash flow measure was above target. This resulted in overall Company performance of 93.37% of target. International performance, which impacts Mr. Butel s MIP, was 78.30% of target. As such, and in demonstration of our pay for performance bias, the fiscal year 2009 MIP awards for our executive officers, with the exception of Mr. DeMane, were all less than 100% of target.

An overview of the fiscal year 2009 MIP program, including target opportunities and award payments is presented below:

Name	Target Opportunity (as % of Base Salary)	Payout Range (as % of Base Salary) Minimum	Maximum	Target Payout	Actual Amount Paid	Actual Paid as % of Target
William A. Hawkins	140%	70%	255%	$ 1,647,800	$1,538,551	93.37%
Gary L. Ellis	80	40	180	508,800	475,067	93.37

Stephen H. Mahle	80	40	180	496,000	463,115	93.37
Jean-Luc Butel	70	35	158	367,500	315,425	85.83
H. James Dallas	65	33	146	338,000	315,591	93.37
Michael F. DeMane[(1)]	95	48	214	688,750	688,750	100.00

(1) Under the terms of Mr. DeMane s separation agreement which are discussed in detail on page 53 of this proxy statement, he received a fiscal year 2009 MIP award calculated as 100% of his targeted amount.

Long-Term Compensation

Our long-term incentive program establishes long-term compensation pay targets within a competitive range of ± 20% of the median industry peer group and focuses our executives attention on the sustained financial performance of the Company.

Our program equally weighs the value of stock options, performance-based restricted stock units, and performance-based cash and uses special restricted stock unit grants in limited circumstances for special recognition and retention purposes. The stock portions of the program align our compensation program with shareholder value creation. The cash component of our program is designed to deliver aggregate payouts that are above market median pay for above target financial performance and below median pay for below target financial performance. Again, we believe our approach focuses our executives on sustained high quality revenue growth, innovation, market share and market expansion.

Award Targets. The Compensation Committee reviews, discusses and approves all long-term compensation pay targets for named executives in June after reviewing a comprehensive annual competitive market analysis provided by our external independent consultant.

Stock Options. Stock options provide value only when the price of the stock appreciates over the grant price. This helps ensure a strong link between our executives and our shareholders. The value delivered is estimated using a Black-Scholes method of stock option valuation. Information on the Black-Scholes valuation for our fiscal year 2009 stock option awards is presented as part of the discussion of items in the Summary Compensation Table on page 38 of this proxy statement. Grant guidelines are approved by the Compensation Committee annually in June following review of the competitive market data. These guidelines consist of the award target and a minimum and maximum award range that varies from 50% to 200% of the targeted amount.

At the October Compensation Committee meeting, the Chief Executive Officer presented the Compensation Committee with his recommendations for option awards to the other named executive officers which were based on individual performance, potential, and retention considerations. Based on this information, and competitive market analysis presented by the independent consultant, the Compensation Committee approved annual stock option awards to the named executive officers. During the Compensation Committee meeting s executive session (during which neither the Chief Executive Officer nor any other member of management is present), the Compensation Committee reviewed the data presented by the Independent Compensation Consultant, as well as the performance of the Chief Executive Officer, and approved an annual stock option award for the Chief Executive Officer. All stock option grants have an exercise price that is equal to the closing market price of our shares on the date of grant, have a term of ten years and vest in equal increments of 25% each year beginning one year after the date of grant. Annual stock option awards to named executive officers were granted on the first business day of our fiscal third quarter.

For fiscal year 2009, stock option awards were granted at target amounts to Messrs. Hawkins and Ellis. As a reflection of their promotions, awards to Messrs. Butel and Dallas were slightly above target amounts. Mr. Mahle s award was below his target amount as a reflection of his intent to retire in the foreseeable future. The fair value of the stock option awards granted (valued according to our Black-Scholes model at $8.81 per share) accounted for approximately 25% of total compensation for our Chief Executive Officer and approximately 12% to 19% of total compensation for the remaining named executive officers, excluding Mr. DeMane, who did not receive a stock option award in fiscal year 2009. Mr. Hawkins award target for fiscal year 2009 was a fair value of $2.670 million. This represented an increase over the fiscal year 2008 award target of $2.600 million in fair value and was awarded to position his overall long-term compensation more appropriately in the median range of the competitive market data. Additional information about stock option

Table of Contents

awards granted to the named executive officers in fiscal year 2009 can be found in the Grants of Plan-Based Awards table on page 42 of this proxy statement.

Performance-Based Restricted Stock Units. Performance-based restricted stock units are granted with a performance feature to ensure that no shares of stock are delivered to our executives if the Company does not meet a minimum diluted earnings per share growth requirement.

Similar to the annual stock option award targets discussed above, performance-based restricted stock grant targets for named executive officers were approved by the Compensation Committee in June. Actual awards were approved by the Compensation Committee during the October meeting and granted on the first business day of our fiscal third quarter. All performance-based restricted stock unit grants are made in the number of shares equal to the approved award dollar value divided by the closing market price of our shares on the date of grant, rounded up to the nearest whole share. These grants are credited with dividends in the form of dividend equivalent units that will be distributed upon vesting with the underlying award only if the performance criteria are met.

The performance goal that must be achieved for the fiscal year 2009 performance-based restricted stock units to vest is a cumulative diluted earnings per share growth during the three year period ending on the third anniversary of the date of grant that equals or exceeds a 5% compound annual growth rate, as determined by the Compensation Committee. Performance is measured over the three consecutive fiscal years beginning with the fiscal year during which the grant is made. If the performance goal is achieved, the awards will cliff vest 100% on the third anniversary of the date of grant. If the performance goal is not met, none of the awards vest.

For fiscal year 2009, performance-based restricted stock unit awards were delivered at target grant amounts to all of the named executive officers with the exception of Mr. DeMane, who did not receive an award. Performance-based restricted stock unit awards accounted for approximately 27% of total compensation for Mr. Hawkins and approximately 15% to 25% of total compensation for the remaining named executive officers, excluding Mr. DeMane. Mr. Hawkins award target for fiscal year 2009 was an award value of $2.85 million. This represented a $350,000 increase over his fiscal year 2008 performance-based restricted stock unit award target of $2.5 million. Similar to the stock option target increase noted above, this increase was awarded in order to position his overall long-term compensation more appropriately in the median range of the market data. Additional information about performance-based restricted stock unit awards granted to the named executive officers in fiscal year 2009 can be found in the Grants of Plan-Based Awards table on page 42 of this proxy statement.

In fiscal year 2007, performance-based restricted stock awards were granted to each of our named executive officers with the exception of Mr. DeMane, who was on an expatriate assignment at the time of the grant and was therefore granted performance-based restricted stock units. Under the terms set forth in the award agreements, these awards will vest on the third anniversary of the date of grant provided that the Company s cumulative diluted earnings per share growth equals or exceeds a 9% compound annual growth rate over a three-year performance period beginning on the first day of fiscal year 2007 and ending on the last day of fiscal year 2009. At the June 18, 2009 meeting, the Compensation Committee certified that the cumulative diluted earnings per share growth performance threshold has been met based upon Medtronic s performance over the three year performance period. As a result, these awards will vest as scheduled on October 30, 2009, the third anniversary of the date of grant, with the exception of the award to Mr. DeMane, which was forfeited when his employment ended on May 31, 2009. These awards are reflected in the Equity Incentive Plan Awards: Unearned Shares, Units or Other Rights That Have Not Vested column of the Outstanding Equity Awards at Fiscal Year End table on page 44 of this proxy statement. In addition, the fiscal year 2009 compensation expense for these awards as recognized for financial statement reporting purposes is included in the Summary Compensation Table on page 38 of this proxy statement.

Cash-Based Long-Term Performance Plan. Our Long-Term Performance Plan (LTPP) focuses our named executive officers on sustained achievement of critical long-term company-wide financial targets.

Table of Contents

The annual LTPP grant targets for each of our named executive officers are established at a level equal to approximately 1/3 of the total median long-term compensation target for their position. Grant targets are approved by the Compensation Committee in June for the three-year performance period beginning in the fiscal year in which the grant is made following a review of the competitive market data. LTPP awards are typically approved at target levels with actual payouts based on Company performance over the ensuing three-year period.

For the 2009-2011 phase of the LTPP, no incentives will be earned unless a cumulative diluted earnings per share threshold is met over the three-year performance period. Once the threshold is achieved, minimum payouts are 20% of the target amount and maximum payouts are 180% of the target amount. The minimum, target and maximum payouts to our named executive officers are presented in the Grants of Plan-Based Awards table on page 42 of this proxy statement.

Awards are paid annually for the most recently completed performance period. Calculations of award payments are reviewed by the Compensation Committee in April based on year-end forecasts of financial achievement and confirmed in June by the Chairman of the Compensation Committee based on financial results reported in our fiscal year 2009 earnings press release.

Performance Measures. LTPP performance measures are reviewed and approved annually at the Compensation Committee s April meeting and are based 100% on overall Company performance. Financial measures for the 2009-2011 performance period are three-year cumulative diluted earnings per share, three-year average annual revenue growth, and three-year average Return on Invested Capital (ROIC), and are weighted 50%, 30%, and 20%, respectively. In establishing the target levels for the cumulative diluted earnings per share and average revenue growth performance targets, the Committee considered historical data from our executive peer group, analyst consensus data for both our executive compensation peer companies and the Med Tech subset of companies, and the current forecast performance of the cumulative diluted earnings per share and revenue growth components of the 2007-2009 and the 2008-2010 LTPP plans.

Performance targets for the three-year performance period covered by the 2009-2011 LTPP are: 8% to 16% cumulative diluted earnings per share, average revenue growth of 5% to 13% and average ROIC of 12% to 20%. These ranges were established at levels generally equal to the 25th and 75th percentiles of the performance of our comparator group.

Once actual performance over the three-year period has been determined, the achievement percentage is calculated by interpolating actual performance relative to the performance range for each measure. These achievement percentages are then weighted based on the appropriate plan weightings and summed to arrive at an overall achievement percent for the plan year. Actual payouts are determined by multiplying the executive s grant target by the plan s overall achievement percent.

In fiscal year 2009, LTPP awards for the 2009-2011 performance period were granted at target amounts to all of the named executive officers, with the exception of Mr. DeMane, who was not granted an award. LTPP awards accounted for approximately 23% of total compensation for our Chief Executive Officer and approximately 15% to 25% of total compensation for the remaining named executive officers, excluding Mr. DeMane.

Payment of awards for the LTPP covering the 2007-2009 plan were made in June 2009 and can be found in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 38 of this proxy statement. Performance targets for the three-year performance period covered by the 2007-2009 plan were: cumulative diluted earnings per share of 9% to 17%, average revenue growth of 8% to 16% and average after-tax return on net assets of 12% to 20% and were weighted 50%, 30% and 20% respectively. Beginning with the 2009-2011 LTPP, after-tax return on net assets was replaced as a performance measure by return on invested capital.

Over the performance period, the Company s actual cumulative diluted earnings per share growth was 79% of target, the actual revenue growth was below the minimum of the performance range for the performance measure and the after-tax return on net assets was 149% of target, resulting in an overall

Table of Contents

achievement percentage of 69.29%. This below target payout demonstrates our pay for performance philosophy.

Special Restricted Stock Unit Awards. Grants of time-based restricted stock units are periodically made to named executive officers for strategic reasons such as attraction, promotion, succession planning, special recognition and retention and must be approved by the Compensation Committee. While vesting on these awards is generally three- to five-year cliff vesting, specific circumstances will dictate the terms of these grants. All restricted stock unit grants are made at a price equal to the closing market price of our shares on the date of grant.

Upon his promotion to the position of Chief Executive Officer in August 2007, Mr. Hawkins put forward his vision and strategy for Medtronic to his executive team. In order to galvanize his team around this new vision, Mr. Hawkins put forward a recommendation to the Compensation Committee to grant special performance-based restricted stock unit awards to several of the most senior leaders of Medtronic, including three of the named executive officers. These awards were first proposed to the Committee at the regular meeting in June 2008 and, to retain these critical executives, were approved during a special telephonic Compensation Committee meeting in July 2008. These exceptional awards will vest 100% on the third anniversary of the grant date if the Company s cumulative diluted earnings per share growth during the three year period ending on the third anniversary equals or exceeds a 5% compound annual growth rate, as determined by the Compensation Committee. The performance period began on the first day of fiscal year 2009 and ends on the last day of fiscal year 2011.

As approved by the Committee, the following performance-based restricted stock unit awards were granted on July 28, 2008:

Name	Face Value of Grant	Number of Units
Gary L. Ellis	$1,500,008	28,377
Jean-Luc Butel	1,000,005	18,918
H. James Dallas	1,500,008	28,377

All of these grants will be credited with dividends in the form of dividend equivalent units that will be distributed upon vesting with the underlying award only if the performance criteria are met.

There were no other grants of special performance-based restricted stock units made to the named executive officers during fiscal year 2009.

Adjustments for Special Charges

Medtronic s performance-based plans require that when special charges (such as certain litigation charges, restructuring charges, certain tax adjustments and in-process research and development charges) significantly impact operating income, this impact will be reviewed and evaluated by the Compensation Committee and potentially excluded in determining financial performance. The plans define significant as an impact in the general amount of 5% of the operating income in the year incurred. In addition, the Company has developed a set of principles to guide treatment of acquisitions and non-recurring items. Specifically:

Non-recurring charges from acquisitions and other non-recurring items are generally excluded from the calculation of performance regardless of whether the impact is greater than or less than 5% of operating income. This exclusion occurs when the effect is positive or negative.

Operating results from acquisitions which impact operating income below the 5% threshold can be included in the calculation of performance at the discretion of the Compensation Committee.

The Compensation Committee reviewed this policy, and a review of competitive practice presented by the independent consultant to the Committee, during their June 2008 meeting. The Committee determined that Medtronic s practice is consistent with competitive practice and recommended no changes to the current practice and guidelines.

This provision benefits shareholders by allowing management to make decisions of material strategic importance without undue concern for impact on compensation. When such adjustments have been applied, they have had both a positive and negative impact on past awards.

In accordance with Medtronic s policy, for fiscal year 2009 the Compensation Committee excluded a number of items from Medtronic s results for the purposes of calculating performance on short-term and long-term incentive programs and the Medtronic Savings and Investment Plan (the 401(k) Plan). The following table reconciles the adjustments made in fiscal year 2009 and provides a brief description of each adjustment:

	Twelve Months Ended April 24, 2009	**Explanation of Non-Recurring Adjustments**
Diluted EPS, as reported	$1.93	
Special charges	0.06	After-tax impact of a charitable contribution made to The Medtronic Foundation.
Restructuring charges	0.07	Net after-tax charges related to restructuring initiatives begun in the fourth quarter of fiscal year 2009 partially offset by the reversal of excess reserves related to the global realignment initiative begun in fiscal year 2008.
Certain litigation charges	0.43	After-tax litigation charges for 1) settlement of royalty disputes with Johnson & Johnson, 2) final judgment in litigation with Cordis Corporation, 3) settlement of litigation with Fastenetix LLC, and 4) the Federal Circuit Court of Appeals decision relating to the litigation with DePuy.
In-process research and development charges	0.55	After-tax charges for in-process research and development from acquisitions and the purchase of certain intellectual property.
Certain tax adjustments	(0.12)	Tax benefit associated with settlements reached with U.S. Federal and State taxing authorities and assessments received from various foreign tax authorities.
Dilution from Physio-Control	0.02	Pro-forma impact on earnings per share from the operations of the Physio-Control operating unit. The operations of this unit were excluded from the operating plan due to the announced intent to spin or divest this business.
Dilution from acquisitions	0.02	Pro-forma impact on earnings per share from the acquisitions of CryoCath Technologies, Inc., Ablation Frontiers, Inc., Ventor Technologies Ltd., and CoreValve Inc. (excluding in-process research and development charges, which are included above).
Non-GAAP diluted EPS	$2.96	

The Compensation Committee reviewed and approved the above adjustments consistent with Medtronic s principles as outlined above. These adjustments resulted in a payout of 93.37% for named executive officers excluding Mr. Butel and Mr. DeMane under the annual MIP and 69.29% under the 2007-2009 LTPP.

Other Benefits and Perquisites

Medtronic provides broad-based benefit plans to all of its employees, including the named executive officers. These include:

Qualified Retirement Plans. Medtronic sponsors a number of tax qualified retirement plans for its employees. In the United States, Medtronic changed its retirement plans effective May 1, 2005 in order to provide then current employees and employees hired after that date a choice of retirement plans. Employees hired prior to May 1, 2005 had the option of continuing in a defined benefit pension plan (the Medtronic Retirement Plan) or electing to participate in one of the new plans. Employees hired after that date choose to participate in either of the new plans, the Personal Pension Account, or the Personal Investment Account. The Personal Pension Account is a cash balance component of the previous defined benefit pension plan and the Personal Investment Account is a component of the Company s tax qualified 401(k) Plan. Additional details regarding these plans are provided on page 48 of this proxy statement.

Supplemental Retirement Plans. Medtronic does not offer an enhanced retirement plan to its executive officers. Instead, the Company offers a nonqualified Supplemental Executive Retirement Plan designed to provide all eligible employees, including but not limited to the named executive officers, with benefits which supplement those provided under certain of the tax qualified plans maintained by Medtronic. The plan is designed to restore benefits lost under the Personal Pension Account, Personal Investment Account or the Medtronic Retirement Plan due to covered compensation limits established by the Internal Revenue Code. This plan also restores benefits for otherwise eligible compensation deferred into the Medtronic, Inc. Capital Accumulation Plan Deferral Program (the Capital Accumulation Plan). The Supplemental Executive Retirement Plan uses the same benefit formula as the Medtronic Retirement Plan and includes the same elements of compensation included in the qualified plan in addition to compensation deferred into the Capital Accumulation Plan. As such, the plan provides employees with no greater benefit than they would have received under the qualified plan in which they participate were it not for the covered compensation limits and deferrals into our Capital Accumulation Plan.

Nonqualified Deferred Compensation Plan. Medtronic does not offer a special non-qualified deferred compensation plan to its executive officers. Instead, the Company provides all vice presidents, including our named executive officers, and highly-compensated sales employees with a market competitive nonqualified deferred compensation program through the Capital Accumulation Plan. Our plan allows these employees to make voluntary deferrals from their base pay and incentive payments, which are then credited with gains or losses based on the performance of selected investment alternatives. These alternatives are the same as those offered in our tax qualified 401(k) plan. There is no Company contribution to the plan.

Business Allowance and Perquisites. Instead of perquisites like company-provided automobiles, aircraft, country-club memberships, financial and tax advisors, etc., Medtronic provides named executive officers with a market competitive business allowance, unless they are on an expatriate assignment. With the exception of Mr. Butel who is on an expatriate assignment, and Mr DeMane who resigned from his position as Chief Operating Officer effective April 30, 2008, the annual business allowances provided to our named executive officers in fiscal year 2009 ranged from $24,000 to $40,000. In addition, we pay up to $2,000 for the cost of an annual executive physical that exceeds coverage provided by the executive s medical plans. For named executive officers on expatriate assignments, rather than providing a business allowance, we pay for certain housing and related living costs. These amounts are sometimes a significant part of an expatriate s total compensation. These amounts are included in the All Other Compensation column of our summary compensation table.

Change of Control Agreements

Compensation in a change of control situation is designed: (1) to protect the compensation already earned by executives and to ensure that they will be treated fairly in the event of a change of control; and (2) to help ensure the retention and dedicated attention of key executives critical to the ongoing operation of the Company. Our change of control provisions support these principles. We believe shareholders will be best served if the interests of our executive officers are aligned with them, and providing change of control benefits should encourage senior management to pursue potential mergers or transactions that may be in the best interest of shareholders.

For fiscal year 2009, our change of control agreements for our named executive officers provided the following benefits if a severance trigger occurs within three years of a change of control:

Agreement Provision	Description
Severance Triggers	Termination by Medtronic other than for Cause or Disability; or Termination by the Executive for Good Reason.
Severance Benefits	3X base salary and the higher of the average bonus paid for the three most recently completed fiscal years or the annual bonus paid or payable for the most recently completed fiscal year; Accrued salary, accrued vacation, annual and long-term incentives; Continuation of certain insurance, retirement and welfare plan benefits for a period of time not exceeding three years; and Full excise tax gross up, if applicable. However, amounts payable under the agreement may be reduced in certain circumstances if the reduction would avoid the imposition of the excise tax and therefore the need for a gross up.

Our change of control agreements are discussed in more detail in the Potential Payments Upon Termination or Change of Control section below. As a result of his resignation as Chief Operating Officer, Mr. DeMane no longer is a party to a change of control agreement with Medtronic. We do not have individual employment contracts with our named executive officers other than those associated with a change of control.

Policies Regarding Equity Holding, Sale and Transfer of Awards and Incentive Compensation Forfeiture

Equity Holding. The Compensation Committee has approved stock retention requirements as follows: the Chief Executive Officer must retain, for a period of three years, 75% of the net after-tax profit shares realized from option exercises and 75% of the net gain shares relating to share issuances resulting from grants made on or after April 26, 2003. Other named executive officers must retain, for a period of three years, 50% of the net after-tax profit shares realized from option exercises and 50% of the net gain shares relating to share issuances resulting from grants made on or after April 26, 2003. For stock options, net after-tax profit shares are those shares remaining after payment of the option s exercise price and applicable taxes. For share issuances, net gain shares are those shares remaining after payment of income taxes. Shares retained may be sold after three years. The retention requirements were established at a higher level for the Chief Executive Officer as a reflection of the increased scope of decision-making inherent in this position and to maintain increased alignment with long-term Company performance. In the case of retirement or termination, the shares may be sold after the shorter of the remaining retention period or one year following retirement or termination.

As of April 24, 2009, all executive officers were in compliance with the stock retention requirements.

Sale and Transfer of Awards. All stock option, restricted stock, restricted stock unit and performance-based restricted stock/restricted stock unit awards are granted under plans which specifically prohibit the sale, assignment and transfer of awards granted under the plan with limited exceptions such as the death of the award recipient. In addition, the Compensation Committee of the Board of Directors may allow an award holder to assign or transfer an award.

Table of Contents

Incentive Compensation Forfeiture. Medtronic has a comprehensive Incentive Compensation Forfeiture Policy, which is designed to recoup improper payments or gains paid to executive officers. If the Board determines that any executive officer has received an improper payment or gain, which is an incentive payment or grant paid or awarded to the executive officer due to misconduct, the executive officer must return the improper payment or gain to the extent it would not have been paid or awarded had the misconduct not occurred, including interest on any cash payments. Misconduct means any material violation of the Medtronic, Inc. Code of Conduct or other fraudulent or illegal activity for which an executive officer is personally responsible as determined by the Board. All executive officers are required to agree to this policy in writing.

Equity Compensation Forfeiture. The Company may require the return or forfeiture of cash and/or shares received or receivable in certain circumstances in which an employee has a termination of employment from the Company or any affiliate. The Company may exercise its ability to require forfeiture of awards if, within six months prior to or twelve months following the date of termination of employment, the current or former employee engages in any of the following activities: (a) performing services for or on behalf of any competitor of, or competing with, the Company or any affiliate; (b) unauthorized disclosure of material proprietary information of the Company or any affiliate; (c) a violation of applicable business ethics policies or business policies of the Company or any affiliate; or (d) any other occurrence determined by the Compensation Committee of the Board of Directors.

Tax and Accounting Implications

The Compensation Committee structures all compensation to be compliant with the $1 million deduction limitation of Section 162(m) of the Internal Revenue Code, which limits the amount of remuneration that Medtronic may deduct for our Chief Executive Officer and the three other highest-paid named executive officers, unless the Compensation Committee determines that compliance in a specific situation would not be in the best interests of Medtronic and its shareholders. In addition, the Compensation Committee structures all deferred compensation within the meaning of Section 409A of the Internal Revenue Code such that all named executive officers are not subject to the excise tax under Section 409A.

In light of the adoption by Medtronic of SFAS No. 123(R), it is now more economically attractive to grant equity-based awards other than stock options. Consequently, the Compensation Committee now grants fewer stock options and more performance-based awards in the form of performance-based restricted stock units and awards under the LTPP, which focuses our named executive officers not only on the performance of the stock, but also on specific performance measures that are critical to the long-term success of the business.

Medtronic Stock Grant Policy and Practice

All employee stock awards, which include restricted stock grants, restricted stock units and stock options, are approved either by the Compensation Committee of the Board or the internal stock committee (the ISC). The Compensation Committee approves all stock awards to the executive officers as well as all awards which are not delegated to the ISC due to the size of the award. The ISC, which includes the Chief Executive Officer and the Senior Vice President, Chief Talent Officer, approves all other stock awards.

It is Medtronic s policy to make stock, stock unit and option grants on the first business day of each fiscal quarter for all grants approved by the Compensation Committee or the ISC during the preceding quarter. This policy was effective beginning in fiscal year 2007. Prior to adopting the current policy, stock grants were effective on the date of approval or, in certain cases, on a future effective date that was specifically identified in the resolutions at the time of approval.

The fair market value or exercise price on all Medtronic stock awards is established in the Medtronic, Inc. 2008 Stock Award and Incentive Plan as the closing sale price of shares on the New York Stock Exchange on the date of grant. Medtronic has priced stock awards consistent with the plan and no backdating of stock options has occurred.

Table of Contents

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the section of this proxy statement entitled Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management. Based on such review and discussions, the Compensation Committee recommended to the Board that the section entitled Compensation Discussion and Analysis be included in this proxy statement.

COMPENSATION COMMITTEE:

Richard H. Anderson, Chair
Victor J. Dzau, M.D.
James T. Lenehan
Kendall J. Powell
Jack W. Schuler

Table of Contents

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table summarizes all compensation for each of the last three fiscal years awarded to, earned by or paid to the Company s Chief Executive Officer, Chief Financial Officer, three other most highly compensated executive officers during fiscal year 2009, and Michael DeMane, who would have been in the table had he been an executive officer at the end of fiscal year 2009 (collectively, the named executive officers). You should refer to the section entitled Compensation Discussion and Analysis beginning on page 21 of this proxy statement to understand the elements used in setting the compensation for our named executive officers. A narrative description of the material factors necessary to understand the information in the table is provided below.

Principal	Fiscal Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	
Hawkins	2009	$ 1,177,000	$	$ 2,261,955	$ 1,721,335	$2,162,161	$115,475	$ 74,700	$
nd Chief	2008	996,000		1,465,793	1,053,074	971,749	116,260	46,010	
Officer	2007	775,000		1,726,476	1,261,157	490,963	119,907	38,809	
is	2009	636,000		1,207,094	557,080	856,162	32,500	35,140	
President	2008	600,000		693,968	435,190	424,336	73,011	32,910	
inancial	2007	525,000		462,861	534,401	295,313	167,499	33,184	
Mahle	2009	620,000		999,120	682,165	982,790	29,152	35,861	
Vice	2008	620,000		1,054,664	1,191,902	485,376	72,483	33,935	
f	2007	595,000		880,465	1,645,264	219,793	562,898	33,290	
Policy and									
utel	2009	525,000		1,077,983	361,427	523,295	22,610	1,100,740	
President	2008	440,000		869,868	354,619	384,038	37,855	1,100,069	
nt,									
al									
allas	2009	520,000	420,000	1,159,683	286,509	488,816		46,600	
President,									
DeMane[1]	2009	842,116		1,162,436	681,064	1,104,490	108,850	21,979	
ior Vice	2008	671,000		1,062,106	629,486	518,232	57,813	372,756	
Operating	2007	530,000		1,680,638	878,660	529,470	92,371	812,027	

(1) Mr. DeMane resigned as Senior Vice President and Chief Operating Officer effective April 30, 2008; however, he remained a non-executive employee until May 31, 2009. See page 53 of this proxy statement for a discussion of his separation agreement.

Salary. The salary column represents the base salary earned by the named executive officer during the applicable fiscal year. This column includes any amounts that the officer may have deferred under the Capital Accumulation Plan, which is included in the nonqualified deferred compensation table on page 49 of this proxy statement. Each of the named executive officers also contributed a portion of his salary to the Medtronic, Inc. Savings and Investment Plan. For Mr. DeMane, this amount includes $725,000 in base salary and $117,116 in accrued but unused vacation pay, which was paid as a result of his separation from the Company.

Bonus. The bonus column represents a cash bonus of $420,000 payable in June 2008. This payment was made in lieu of LTPP participation for fiscal year 2009.

Stock Awards. The stock awards column represents the dollar amount of share-based compensation expense recognized for financial statement reporting purposes in the applicable fiscal year in accordance with SFAS No. 123(R) for restricted stock and restricted stock units (including performance-based restricted stock and performance-based restricted stock units) (collectively, the restricted stock awards) granted to each of the named executive officers.

Table of Contents

Option Awards. The option awards column represents the dollar amount of share-based compensation expense recognized in the applicable fiscal year for stock option awards granted to each of the named executive officers for financial statement reporting purposes in accordance with SFAS No. 123(R). The following table provides the fair value of options granted to the named executive officers for expense recognized in fiscal years 2007, 2008 and/or 2009 and the related assumptions used in the Black-Scholes model:

	Stock Option Grant Date					
	October 21, 2004	October 19, 2005	May 1, 2006	October 30, 2006	October 29, 2007	October 27, 2008
Fair value of options granted	$11.99	$16.35	$14.97	$12.25	$13.80	$8.81
Assumption used:						
Risk free rate(1)	3.28%	4.32%	5.01%	4.63%	4.11%	3.10%
Expected volatility(2)	21.80%	25.00%	25.00%	20.00%	22.96%	26.01%
Expected life(3)	5.00 yrs	5.17 yrs	5.17 yrs	5.17 yrs	6.50 yrs	6.10 yrs
Dividend yield(4)	0.67%	0.70%	0.77%	0.90%	1.05%	2.07%

(1) The risk-free rate is based on the grant date yield of a zero-coupon U.S. Treasury bond whose maturity period equals or approximates the option s expected term.

(2) Beginning in the third quarter of fiscal year 2007, the expected volatility is based on a blend of historical volatility and an implied volatility of the Company s common stock. Implied volatility is based on market traded options of the Company s common stock. Prior to the third quarter of fiscal year 2007, the Company calculated the expected volatility based exclusively on historical volatility.

(3) The Company analyzes historical employee stock option exercise and termination data to estimate the expected life assumption. Beginning in the third quarter of fiscal year 2008, the Company began to calculate the expected life assumption using the midpoint scenario, which combines historical exercise data with hypothetical exercise data, as the Company believes this data currently represents the best estimate of the expected life of the option. Prior to the third quarter of fiscal year 2008, the Company calculated the expected life based solely on historical data.

(4) The dividend yield rate is calculated by dividing the Company s annual dividend, based on the most recent quarterly dividend rate, by the closing stock price on the grant date.

Non-Equity Incentive Plan Compensation. This column reflects the MIP payment earned by the named executive officers during fiscal year 2009 and payable in June 2009 and the full cash payment earned by the executive officers under the 2007-2009 LTPP payable in June 2009, including any amounts deferred under the Capital Accumulation Plan. These deferrals are not included in the nonqualified deferred compensation table on page 49 of this proxy statement because the payment was made after the end of the applicable fiscal year. The table below reflects the compensation received by the named executive officer under each plan.

Name	Medtronic Incentive Plan	2007-2009 LTPP
William A. Hawkins	$ 1,538,551	$ 623,610

Gary L. Ellis	475,067	381,095
Stephen H. Mahle	463,115	519,675
Jean-Luc Butel	315,425	207,870
H. James Dallas	315,591	173,225
Michael F. DeMane	688,750(1)	415,740

(1) The MIP payment represents a payment at target for fiscal year 2009, paid pursuant to a separation agreement between Mr. DeMane and Medtronic. The 2007-2009 LTPP payment represents a payment based on actual business results in accordance with the terms of the LTPP.

Change in Pension Value and Nonqualified Deferred Compensation Earnings. This column includes the estimated aggregate increase in the accrued pension benefit under Medtronic s defined benefit pension plan. The change in the present value of the accrued value is impacted by variables such as additional years of service, age and the discount rate used to calculate the present value of the change. The Company changed its discount rate in valuing pension liabilities from 6.75% in fiscal year 2008 to 8.25% for the fiscal year 2009 plan year. The higher discount rate used to determine the change in pension value contributed to a relatively low increase in the change in pension value from fiscal year 2008 to fiscal year 2009. Assumptions are described in Note 14 to our consolidated financial statements in our annual report for fiscal year 2009 accompanying this proxy statement.

Also included is $116 in above-market earnings for Mr. Mahle s deferred compensation earnings.

All Other Compensation. The all other compensation column includes the following:

Name	Fiscal Year	Certain Perquisites and Other Personal Benefits(1)	Tax Gross-ups(2)	Registrant Contributions to Defined Contribution Plans(3)	Perquisites Related to Expatriate Expenses(4)	Total
William A. Hawkins	2009	$59,338	$ 4,322	$11,040		$ 74,700
	2008	37,100		8,910		46,010
	2007	30,229		8,580		38,809
Gary L. Ellis	2009	24,100		11,040		35,140
	2008	24,000		8,910		32,910
	2007	24,604		8,580		33,184
Stephen H. Mahle	2009	24,821		11,040		35,861
	2008	25,025		8,910		33,935
	2007	24,710		8,580		33,290
Jean-Luc Butel	2009	3,103	19,390	11,040	1,067,207	1,100,740
	2008			8,910	1,091,159	1,100,069
H. James Dallas	2009	24,060		22,540		46,600
Michael F. DeMane	2009	2,580		11,040	8,359	21,979
	2008	24,000		8,910	339,846	372,756
	2007	97		8,580	803,350	812,027

(1) The value of certain perquisites and other personal benefits for Mr. Hawkins was $63,660 (including tax gross-ups), which reflects a $40,000 business allowance paid in lieu of perquisites and the costs incurred by the Company for his spouse to attend a President s Club and the World Economic Forum at which his spouse was expected to attend. On December 3, 2008, the Compensation Committee approved an increase in Mr. Hawkins business allowance from $40,000 to $80,000, effective January 1, 2009. Subsequently, Mr. Hawkins declined the increase and returned to Medtronic an amount of $4,923, which represented the previously paid portion of the increase. The returned amount is not included in the table above. The aggregate value of perquisites and other personal benefits for Mr. Ellis was $24,100, which reflects a business allowance paid in lieu of perquisites, as

well as reimbursement for an annual physical examination. The value of certain perquisites and other personal benefits for Mr. Mahle was $24,821, which reflects a business allowance paid in lieu of perquisites, as well as reimbursement for an annual physical examination. The value of certain perquisites and other personal benefits for Mr. Butel was $3,103, which reflects a $205 reimbursement for an annual physical examination and the costs incurred by the Company for his spouse to attend a President s Club event at which his spouse was expected to attend. The aggregate value of perquisites and other personal benefits for Mr. Dallas was $24,060, which reflects a business allowance paid in lieu of perquisites, as well as reimbursement for an annual physical examination. The value of certain perquisites and other personal benefits for Mr. DeMane was $2,580, which reflects a pro-rata business allowance paid in lieu of perquisites for the time Mr. DeMane was an executive of the Company, as well as reimbursement for an annual physical exam. The Company occasionally allows its executives to use tickets for sporting

Table of Contents

and special events previously acquired by the Company for business use when no other business use has been arranged. There is no incremental cost to the Company for the use.

(2) Tax gross-ups related to certain perquisites for Messrs. Hawkins and Butel.

(3) This amount reflects the contribution by Medtronic to match named executive officer contributions to the Medtronic 401(k) supplemental executive retirement plan. Medtronic matches employee contributions of up to 6% of eligible compensation. The plan makes a minimum contribution of $.50 and a maximum of $1.50, with any contribution over the minimum determined based on diluted earnings per share performance target levels. The fiscal year 2009 match of $.80 was based on achievement of an adjusted diluted earnings per share of $2.96. Amounts in this column for Mr. Dallas also reflect contributions made to his Personal Investment Account under the Medtronic, Inc. Savings and Investment Plan, which provides him with a benefit equal to 5% of eligible pay up to the IRS limit of $230,000 for the Plan year ended April 24, 2009. For additional information, see the Pension Benefits table on page 48.

(4) For fiscal year 2009, the expenses relating to Mr. DeMane s expatriate assignment in Europe were for foreign-income tax payments. For fiscal year 2009, of the $1,086,597 (including tax gross-ups) relating to Mr. Butel s expatriate assignment in Japan, $355,756 was for foreign-income tax payments, $304,482 was in the form of a host housing allowance, $124,418 was in the form of an automobile allowance and $109,880 was in the form of a cost of living differential. Additional categories of expatriation expense are payments for home leave, a family allowance, family educational expense, financial planning payments and miscellaneous assignment-related expenses. Medtronic pays Mr. Butel portions of his compensation in Japanese Yen, which is converted based on published market exchange rates as determined on a quarterly basis.

GRANTS OF PLAN-BASED AWARDS

The following table summarizes all plan-based award grants to each of the named executive officers during fiscal year 2009. You should refer to the Compensation Discussion and Analysis sections entitled Annual Performance-Based Incentives on page 27 and Long-Term Compensation beginning on page 29 to understand how plan-based awards are determined. A narrative description of the material factors necessary to understand the information in the table is provided below.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards		
Name	**Award Type**	**Threshold**	**Target**	**Maximum**
William A. Hawkins	MIP	$ 823,900	$ 1,647,800	$ 3,707,550
	LTPP	500,000	2,500,000	4,500,000
Gary L. Ellis	MIP	254,400	508,800	1,144,800
	LTPP	110,000	550,000	990,000
Stephen H. Mahle	MIP	248,000	496,000	1,116,000
	LTPP	150,000	750,000	1,350,000
Jean-Luc Butel	MIP	183,750	367,500	826,875
	LTPP	60,000	300,000	540,000
H. James Dallas	MIP	169,000	338,000	760,500
	LTPP	50,000	250,000	450,000
Michael F. DeMane[(1)]	MIP	344,375	688,750	1,549,688
	LTPP			

(1) Mr. DeMane did not receive a grant under the LTTP for fiscal year 2009. Grants made in fiscal year 2009 reflect the 2009-2011 performance cycle.

Name	**Award Type**	**Grant Date**	**Approve Date**	**Estimated Future Payouts Under Equity Incentive Plan Awards Target (#)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards**
William A. Hawkins	OPT	10/27/08	10/15/08		303,533	36.24	2,673,215
	PBRSU	10/27/08	10/15/08	78,643			2,850,022
Gary L. Ellis	OPT	10/27/08	10/15/08		55,188	36.24	486,041
	PBRSU	07/28/08	07/01/08	28,377			1,500,008
	PBRSU	10/27/08	10/15/08	15,177			550,014

Stephen H. Mahle	OPT	10/27/08	10/15/08		41,391	36.24	364,531
	PBRSU	10/27/08	10/15/08	20,696			750,023
Jean-Luc Butel	OPT	10/27/08	10/15/08		35,872	36.24	315,925
	PBRSU	07/28/08	07/01/08	18,918			1,000,005
	PBRSU	10/27/08	10/15/08	8,279			300,031
H. James Dallas	OPT	10/27/08	10/15/08		35,872	36.24	315,925
	PBRSU	07/28/08	07/01/08	28,377			1,500,008
	PBRSU	10/27/08	10/15/08	6,899			250,020
Michael F. DeMane[1]	OPT						
	PBRSU						

(1) Mr. DeMane did not receive a nonqualified stock option grant or a grant of performance-based restricted units during fiscal year 2009.

MIP = Annual performance-based plan award granted under the Medtronic, Inc. Executive Incentive Plan
LTPP = Long-term performance plan award granted under Medtronic, Inc. 2003 Long-Term Incentive Plan
OPT = Nonqualified stock options granted under the Medtronic, Inc. 2008 Stock Award and Incentive Plan
PBRSU = Performance-based restricted stock units (with the 07/28/08 units granted under the Medtronic, Inc. 2003 Long-Term Incentive Plan and the 10/27/08 units granted under the Medtronic, Inc. 2008 Stock Award and Incentive Plan)

Table of Contents

Estimated Future Payouts Under Non-Equity Incentive Plan Awards. Amounts in these columns represent future cash payments under the 2009-2011 LTPP and cash payments made in June 2009 under the annual performance-based plan for fiscal year 2009 at threshold, target and maximum performance. The LTPP provides for annual grants that are earned over a three-year period. Upon meeting a minimum performance threshold, awards under the LTPP can range from 20% to 180% of the original grant based on Company performance relative to the following metrics: three-year cumulative diluted earnings per share, three-year average annual revenue growth and three-year average return on invested capital. Similarly, the MIP provides for annual grants based upon meeting a minimum performance threshold. Awards under the MIP can range from 50% to 225% of the original determination based on both Company performance relative to diluted earnings per share, annual revenue growth and a cash flow measure as described on page 27 of this proxy statement in fiscal year 2009. The maximum dollar value that may be paid to any participant in qualified performance-based awards, denominated in cash in any fiscal year is $10 million.

Estimated Future Payouts Under Equity Incentive Plan Awards. Amounts in this column represent grants of performance-based restricted stock units. Performance-based restricted stock unit grants vest 100% on the third anniversary of the date of grant assuming that Medtronic achieves a minimum three-year cumulative diluted earnings per share threshold.

All Other Option Awards/Exercise or Base Price of Option Awards. The exercise or base price of all option awards is the closing market price of Medtronic common stock on the date of grant. Option awards vest 25% on each anniversary of the date of grant over a four year period.

Grant Date Fair Value of Stock and Option Awards. This column represents the grant date fair value of each equity award granted in fiscal year 2009 computed in accordance with SFAS No. 123(R). For a discussion of the assumptions used in calculating the amount recognized for stock options granted on October 27, 2008, see page 39 of this proxy statement. The expense recognized for restricted stock unit awards is equal to the grant date fair value, which is equal to the closing stock price on the date of grant and is expensed over the vesting period.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The table below reflects all outstanding equity awards made to each of the named executive officers that are outstanding at the end of fiscal year 2009. The market or payout value of unearned shares, units or other rights that have not vested equals $29.58, which was the closing price of Medtronic s common stock on the New York Stock Exchange on April 24, 2009, and for performance-based restricted stock and for Performance Share Plan awards presumes that the target performance goals are met.

	Option Awards					Stock Awards				
		Number of Securities Underlying Unexercised Options (#)					Shares or Units of Stock That Have Not Vested		Equity Incent Plan Award Unearned Sha Units or Oth Rights That H Not Vestec	
	Option Grant Date	Exer-cisable	Unexer-cisable	Option Exercise Price ($)	Option Expiration Date	Grant Date	Number (#)[1]	Market Value ($)	Number (#)[1]	Ma or P Va (
s	01/07/2002	82,305		48.60	01/07/2012	05/15/2006	42,415	1,254,636		
	01/07/2002	36,214		48.60	01/07/2012	10/30/2006			18,481	5
	10/24/2002	49,031		44.87	10/24/2012	10/29/2007			52,335	1,5
	10/23/2003	65,204		46.01	10/23/2013	10/27/2008			79,601	2,3
	10/21/2004	100,000		50.00	10/21/2014					
	04/29/2005	7,591		52.70	04/29/2015					
	04/29/2005	5,462		52.70	04/29/2015					
	10/19/2005	56,838	18,947	56.74	10/19/2015					
	10/30/2006	33,881	33,881	48.70	10/30/2016					
	10/29/2007	47,100	141,303	47.77	10/29/2017					
	10/27/2008		303,533	36.24	10/27/2018					
	4/28/1999	2,618		37.59	4/28/2009	6/24/2005	9,939	293,996		
	5/1/1999	13,328		35.97	5/1/2009	7/31/2006	20,547	607,780		
	10/27/1999	19,623		33.13	10/27/2009	10/30/2006			11,294	3
	4/30/2000	23,590		51.94	4/30/2010	10/29/2007			11,514	3
	10/26/2000	17,434								