



Medical Devices

*An Analysis of Board Trends and Director Compensation
2009*

CTPartners
Board Consultants

Vertical Market: Medical Devices

Introduction

To provide information on governance trends in the Medical Devices industry, CTPartners conducted the following research based upon the most recent proxy statements of 12 selected public companies.

Key Findings

Performance: The market performance of the eleven companies surveyed indicates that the medical devices industry as a whole has enjoyed a decade of impressive growth with slight downturns corresponding with the economic recession of the past year. Of the ten companies for which share price performance data since 2000 was available, only two showed negative performance, and all but one beat the performance of the S&P 500 index during the same period.

Share Ownership: Alignment between the interests of directors and shareholders is strong, with non-executive directors holding sizeable stakes (median: \$2 MM) in the companies on whose boards they serve. Including executive board members in the analysis raises the average director's equity stake to over \$46 MM.

Overboarding: Overboarding appears to be a relatively common occurrence in the Medical Devices industry, with half of the companies surveyed employing directors who serve on four or more boards.

Rotation: There is little indication that the next few years will see a higher-than-average service

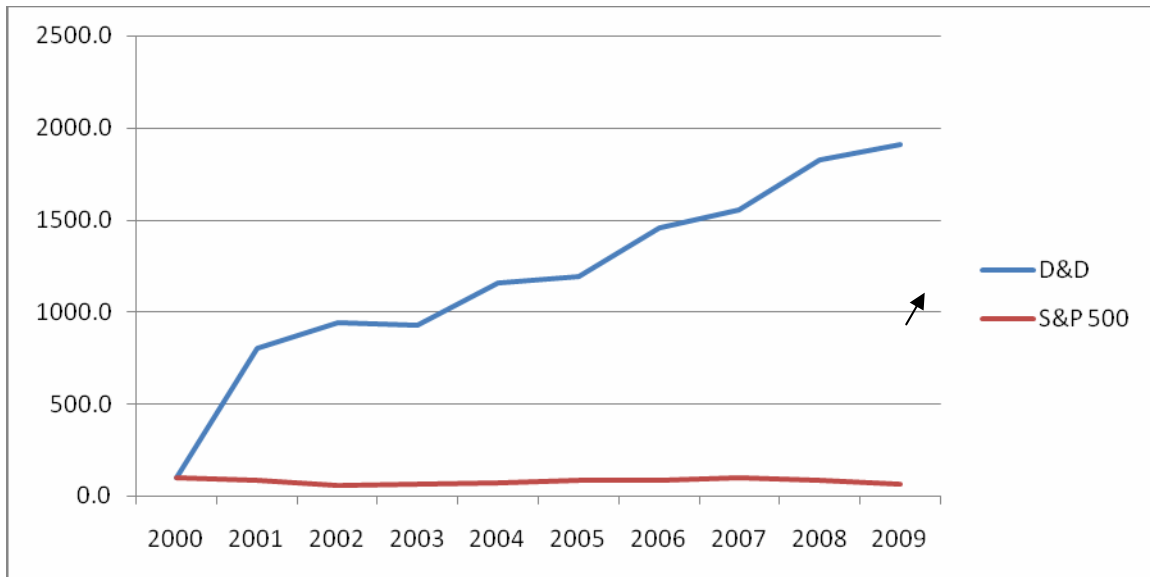
rotation in the industry as a whole. Current board members have an average age of 62 and an average length of board service of ten years. A notable exception is Bio-Rad Laboratories, which has an average director age of 73 and an average length of service of 26 years.

Composition: Boards vary fairly significantly in composition. The average board has ten directors, with a range from seven to thirteen, and is 82% independent, with a wide range from 43% to 91%.

Diversity: Efforts to increase board diversity by gender and ethnicity appear to be a priority among the 12 boards surveyed. Every board surveyed has at least one female director, and six of the eleven boards for which ethnicity data was available have at least one director that belongs to an ethnic minority group.

Compensation: Non-executive director compensation is heavily comprised of equity grants. Of the companies surveyed, all compensated non-executive directors in cash, and eleven in stock and options grants. Average director compensation was \$67,783 in cash, \$101,190 in stocks, and \$85,782 in options.

Industry Performance



Indexed performance of ten devices companies* since 2000, as compared to the performance of the S&P 500.

Stock performance data relative to a major index over an extended period of time can often be useful in determining board performance. Ten of the twelve public companies surveyed have historical performance data since 2000. Their average performance data was compared to S&P 500 index performance from the period of August, 2000 through August, 2009.

During this period, the S&P 500 index lost 30%. 8 of the 10 devices companies analyzed beat the index performance, with an average gain of 131%. Two companies exhibited a negative performance: Medtronic Inc., with a period loss of 27% (3% better than the index), and Cardinal Health, Inc.**, with a period loss of 32% (2% worse than the index). The high performer for the

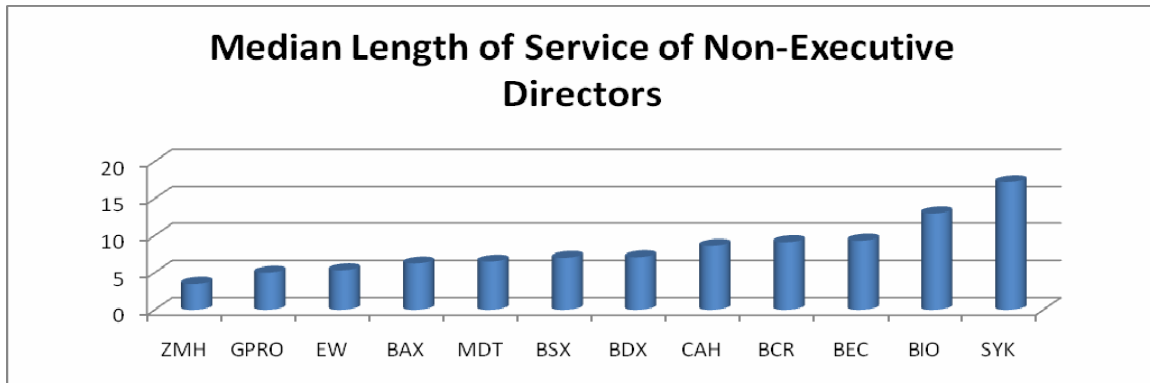
period was Bio-Rad Laboratories, Inc. (BIO), whose stock price has increased by 588% over the past nine years.

While such performance could be viewed as indicative of excellent governance, the consistently high gains across the industry suggest a high demand for medical devices during the period examined. The companies surveyed appear to have capitalized on a strong market opportunity, and it is difficult to ascertain how much influence their past Directors had on these decisions.

*Excludes Gen-Probe Inc. and Zimmer Holdings, for which data dating back to 2000 was unavailable.

**Cardinal Health Inc. data is used throughout this survey to represent CareFusion, its devices & diagnostics arm which was spun off into an independent entity in 2009.

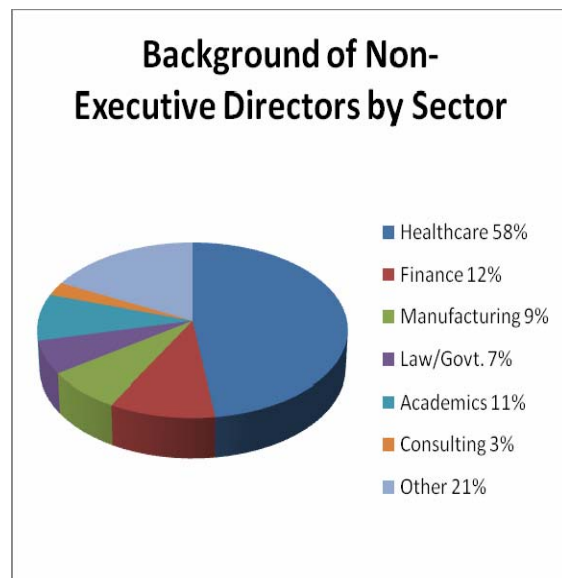
Director Demographics



The typical medical devices company board consists of ten directors, 82% of whom are independent. These non-executive directors likely come from the healthcare industry, with other backgrounds represented in varying quantities. These other backgrounds include finance, manufacturing, law, consulting, and academics.

Of the 119 directors on the 11 boards, directors tend to be male and Caucasian, with an average age of 62 and an age range of 41 to 85. They have served for an average of ten years with a range of zero to 52 years.

Most directors serve on at least one other board; of the 99 non-executive directors studied; only 17 hold no other directorships (17%).

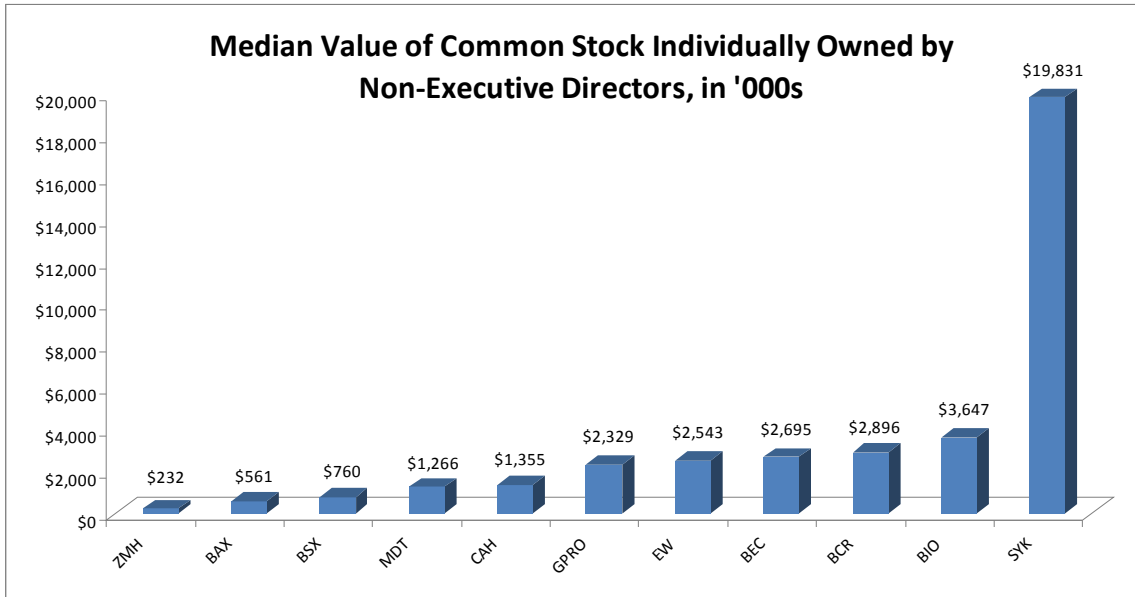


Board Diversity

Director diversity has garnered significant attention in the past few years, and it appears that, in the case of the medical devices industry, efforts are being made to diversify boards by gender and ethnicity. Women currently hold 18 of the 119 seats in the twelve companies surveyed, or 15% as compared to the Fortune 500 average of 14.6%; of these, a majority were appointed in the past five years, a period during which the failure of some companies to appoint female directors garnered negative press

attention. Every board surveyed had at least one female director; six of the twelve boards employed two women. Board diversification by ethnicity also appears to be a recent priority: eleven board members in this survey belong to racial minority groups, and all were appointed in 1999 or later. Minorities held an average of 10% of directorships. Five of the eleven boards for which ethnic data was available had no minority representation.

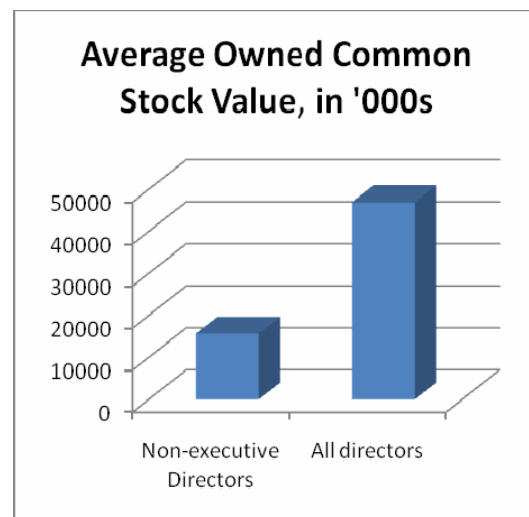
Equity Ownership



Equity ownership has historically been viewed as a metric by which director-shareholder alignment can be measured. In keeping with that philosophy, it can be derived from the data above that this alignment strongly exists among the major firms in the medical devices industry. The 99 non-executive directors of the twelve companies surveyed own a total of over \$1 billion in stock in the companies on whose boards they serve, or a median individual investment of \$1, 293,990.72.

In the instance of several of the companies surveyed, the median figure of the stakes of non-executive directors obscures a tremendous variation in individual investment. One director of Stryker, for example, personally owns over \$796 MM of common stock in the company, while one of his contemporaries owns just over \$500 K. The difference between the company median figures and the overall average illustrates

the existence of several individual directors holding very significant stakes in their respective companies.

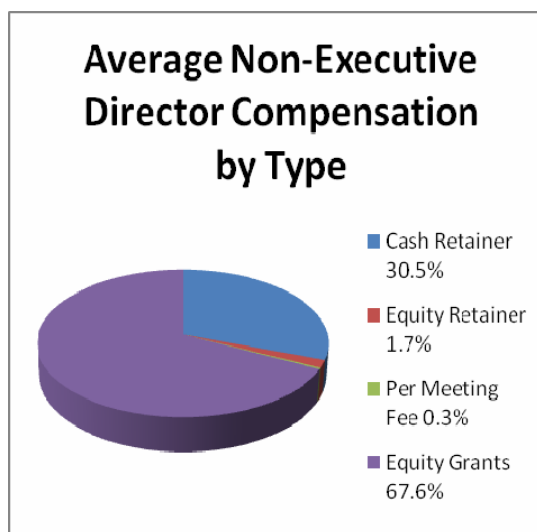


Non-Executive Director Compensation

Company Name	Ticker	Data Year	Market Cap as of 10/22/09 (in Bs)	Annual Cash Retainer	Annual Equity Retainer	Per Meeting Fee	Equity Grants
BAXTER INTERNATIONAL INC	BAX	2008	\$33.18	\$60,000		\$1,500	\$120,000
BECKMAN COULTER INC	BEC	2008	\$4.66	\$40,000		\$2,000	\$110,321
BECTON DICKINSON & CO	BDX	2008	\$16.16	\$70,000			\$135,000
BIO-RAD LABORATORIES INC	BIO	2008	\$2.48	\$24,000		\$100	
BOSTON SCIENTIFIC CORP	BSX	2008	\$12.30	\$75,000			\$125,000
CARDINAL HEALTH INC	CAH	2008	\$10.30	\$75,000			\$120,000
BARD (C.R.) INC	BCR	2008	\$7.3	\$50,000		\$1,650	\$127,008
EDWARDS LIFESCIENCES CORP	EW	2008	\$4.11	\$20,000			\$196,680
GEN-PROBE INC	GPRO	2008	\$2.17	\$48,000	\$12,000		\$133,691
MEDTRONIC INC	MDT	2008	\$40.40	\$80,000			\$160,000
STRYKER CORP	SYK	2008	\$19.09	\$115,000			\$147,186
ZIMMER HOLDINGS INC	ZMH	2008	\$11.44	\$25,000	\$25,000	\$1,500	\$136,295

Non-executive director compensation has historically been split between cash payments and equity grants. Among the companies surveyed in the healthcare devices and diagnostics industry, the ratio of this compensation division heavily favors equity grants. This may reflect a larger trend in corporate governance.

In this survey, eleven out of the twelve companies for which data was available compensated more heavily in equity than in cash; the median compensation breakdown was 34% cash, 66% equity. Only one of the companies surveyed, Bio-Rad Laboratories, did not compensate directors with stock or option grants.



Board Directors

Baxter International (13)

NYSE: BAX

ALBERT P.L. STROUCKEN
BLAKE E. DEVITT(A)
CAROLE J. SHAPAZIAN^o
GAIL D. FOSLER^o
JAMES R. GAVIN†
JOHN D. FORSYTH(C)
JOSEPH B. MARTIN
K. J. STORM
PETER S. HELLMAN
ROBERT L. PARKINSON+
THOMAS T. STALLKAMP
WALTER E. BOOMER*±
WAYNE T. HOCKMEYER

Beckman Coulter Inc. (10)

NYSE: BEC

BETTY WOODS^o
CHARLES HAGGERTY(C)
GLENN S. SCHAFER(A)
KEVIN M. FARR
PETER B. DERVAN
ROBERT G. FUNARI
SCOTT GARRETT*+
SUSAN R. NOWAKOWSKI^o
VAN B. HONEYCUTT
WILLIAM N. KELLEY

Becton Dickinson & Co. (13)

NYSE: BDX

ADEL A.F. MAHMOUD†
ALFRED SOMMER
BASIL L. ANDERSON†(A)
BERTRAM L. SCOTT†
CATHY E. MINEHAN^o
CLAIRE M. FRASER-
LIGGETT^o
EDWARD DEGRAAN(C)
EDWARD J. LUDWIG*+
GARY A. MECKLENBURG
HENRY P. BECTON
JAMES F. ORR
MARSHALL O. LARSEN
WILLARD J. OVERLOCK

Bio-Rad Laboratories (7)

NYSE: BIO

ALBERT J. HILLMAN
ALICE N. SCHWARTZ^o
DAVID SCHWARTZ*+
JAMES J. BENNETT+
LOUIS DRAPEAU
NORMAN SCHWARTZ+
RUEDIGER NAUMANN-
ETIENNE(A)

Boston Scientific Corp. (14)

NYSE: BSX

ERNEST MARIO
J. RAYMOND ELLIOTT+ (A)
JOHN E. ABELE+
JOHN E. PEPPER
MARY ANNE FOX^o
N J. NICHOLAS+
PETER M. NICHOLAS+
RAY J. GROVES±
UWE E. REINHARDT
WARREN B. RUDMAN(C)
URSULA M. BURNS
JOEL L. FLEISHMAN
KRISTINA M. JOHNSON
JAMES R. TOBIN

Cardinal Health, Inc. (12)

NYSE: CAH

CALVIN DARDEN†
COLLEEN F. ARNOLD^o
DAVID W. RAISBECK
GREGORY B. KENNY
J. MICHAEL LOSH (A)
JEAN G. SPAULDING^o†
JOHN B. MCCOY
JOHN F. FINN
MICHAEL D. O'HALLERAN
PHILLIP L. FRANCIS
R. KERRY CLARK+
RICHARD C. NOTEBAERT (C)

Bard (C.R.) Inc. (10)

NYSE: BCR

ANTHONY WELTERS†
GAIL K. NAUGHTON^o
HERBERT L. HENKEL
JOHN H. WEILAND+
MARC C. BRESLAWSKY
T. KEVIN DUNNIGA (A)
THEODORE E. MARTIN†
TIMOTHY M. RING*+
TOMMY G. THOMPSON
TONY L. WHITE(C)

Edwards Lifesciences (7)

NYSE: EW

BARBARA J. MCNEIL^o
DAVID E.I. PYOTT
JOHN T. CARDIS(A)
MICHAEL A.
MUSSALLEM*+
MIKE R. BOWLIN±(C)
ROBERT A. INGRAM

Gen-Probe Inc. (8)

NasdaqGS: GPRO

ABRAHAM D. SOFAER
ARMIN M. KESSLER±(C)
HENRY L. NORDHOFF*+
JOHN C. MARTIN
JOHN W. BROWN
LUCY SHAPIRO^o
PHILLIP M. SCHNEIDER (A)
RAYMOND V. DITAMORE

Medtronic Inc. (11)

NYSE: MDT

DAVID C. CALHOUN
DENISE M. O'LEARY^o(A)
JACK W. SCHULER
JAMES T. LENEHAN
JEAN-PIERRE ROSSO
KENDALL J. POWELL±
RICHARD H. ANDERSON(C)
ROBERT C. POZEN
SHIRLEY ANN JACKSON^o†
VICTOR J. DZAU†
WILLIAM A. HAWKINS*+
WILLIAM A. HAWKINS*+

Stryker Corp. (8)

NYSE: SYK

DONALD M. ENGELMAN+
HOWARD E. COX (C)
WILLIAM U. PARFET (A) ±
JOHN W. BROWN*
LOUISE L. FRANCESCONI^o
RONDA E. STRYKER^o
STEPHEN P. MACMILLAN+

Zimmer Holdings, Inc. (9)

NYSE: ZMH

ARTHUR J. HIGGINS(C)
AUGUSTUS A. WHITE
BETSY J. BERNARD^o
CECIL B. PICKETT†
DAVID C. DVORAK+
JOHN L. MCGOLDRICK*
LARRY C. GLASSCOCK(A)
MARC N. CASPER
ROBERT A. HAGEMANN

× chair
± lead independent director
(A) audit committee chair
(C) comp committee chair
+ insider
o woman
† minority*

*director ethnicity data not available for all companies
** some information could not be obtained due to merger

Basis of the Research

The data in the survey was compiled from proxy statements dated from January 2008 through March 2009.

This study focuses on twelve medical devices companies: Baxter International, Beckman Coulter Inc, Becton Dickinson & Co., Bio-Rad Laboratories Inc, Boston Scientific Corp, Cardinal Health Inc, Bard (C.R.) Inc, Edwards Lifesciences Corp, Gen-Probe Inc, Medtronic Inc, Stryker Corp, and Zimmer Holdings, Inc.

More detailed information concerning the company boards discussed in this survey is available by contacting Buster Houchins, Vice Chairman, at the address below.

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