Polymer Holdings LLC
Form 424B4
December 17, 2009
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-162248

Prospectus

10,294,118 Shares

Kraton Performance Polymers, Inc.

Common Stock

This is our initial public offering, and no public market currently exists for our common stock. Kraton Performance Polymers, Inc. is offering 10,294,118 shares of common stock.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of the common stock is $13.50 per share. Our common stock has been approved for listing on the New York Stock Exchange under the symbol KRA .

We have granted the underwriters the right to purchase up to 1,544,117 shares of common stock at the offering price less the underwriting discount if the underwriters sell more than 10,294,118 shares of common stock in this offering. The underwriters can exercise this right at any time and from time to time, in whole or in part, within 30 days after the offering.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 15.

	Price to Public	Underwriting Discounts and Commissions	Proceeds, Before Expenses, to Issuer
Per Share	$ 13.50	$ 0.8775	$ 12.6225
Total	$ 138,970,593	$ 9,033,088.545	$ 129,937,504.455

Delivery of the shares of common stock will be made on or about December 22, 2009.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

BofA Merrill Lynch

Morgan Stanley

Oppenheimer & Co.

Goldman, Sachs & Co. **KeyBanc Capital Markets**

The date of this prospectus is December 16, 2009.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Information contained in our web site does not constitute part of this prospectus.

The KRATON name, our logo and other trademarks mentioned in this prospectus are the property of their respective owners.

We obtained the industry and market data used throughout this prospectus from our own internal estimates and research as well as from industry and general publications and research, surveys and studies conducted by third parties.

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SUMMARY

The following summary includes basic information about our company and this offering. It may not contain all of the information that is important to you. For a more comprehensive understanding of our company and this offering, you should read this entire prospectus.

On or prior to the completion of the offering, we will convert our company from a Delaware limited liability company (Polymer Holdings LLC) into a Delaware corporation (Kraton Performance Polymers, Inc.).

In this prospectus, unless we indicate otherwise or the context requires:

- *Polymer Holdings, our company, we, our, ours and us refer to Polymer Holdings LLC and its consolidated subsidiaries prior to the conversion, and to Kraton Performance Polymers, Inc. and its consolidated subsidiaries after the conversion;*
- *Kraton refers to Kraton Polymers LLC; and*
- *the SBC industry refers to the elastomeric styrenic block copolymers industry and does not include the high styrene or rigid SBC business.*

Our Company

General

We believe we are the world s leading producer of styrenic block copolymers (SBCs) as measured by 2008 sales and volumes. We market our products under the widely recognized KRATON® brand. Our estimates indicate that sales of our products, in the end-use markets we target, constituted 34% of global SBC revenue in 2008, approximately 3.1 times larger than our nearest competitor. SBCs are highly-engineered synthetic elastomers that we invented and commercialized over 40 years ago, which enhance the performance of numerous end-use products, imparting greater flexibility, resilience, strength, durability and processability. We focus on the end-use markets we believe offer the highest growth potential and greatest opportunity to differentiate our products from competing products. Within these end-use markets, we believe that we provide our customers with a broad portfolio of highly-engineered and value-enhancing polymers that are critical to the performance of our customers products. We seek to maximize the value of our product portfolio by introducing innovations that command premium pricing and by consistently upgrading from lower margin products. As the industry leader, we maintain significant competitive advantages, including a 40-year proven track record of innovation; world-class technical expertise; customer, geographical and end-use market diversity; and industry-leading customer service capabilities. These advantages are supported by a global infrastructure and a long history of successful capital investments and operational excellence.

Our SBC products are found in many everyday applications, including disposable baby diapers, the rubberized grips of toothbrushes, razor blades, power tools and in asphalt formulations used to pave roads. We believe that there are many untapped uses for our products, and we will continue to develop new applications for SBCs. Since January 1, 2008, we have been awarded 161 patents for new products or applications, which we believe will allow us to drive volume and revenue growth and expand our margins. We also develop, manufacture and market niche, non-SBC products that we believe have high growth potential, such as isoprene rubber latex, or IRL. IRL is a highly-engineered, reliable synthetic substitute for natural rubber latex. We believe the versatility of IRL offers significant opportunities for new, high-margin applications. Our IRL products, which are used in applications such as surgical gloves, have not been found to contain the proteins present in natural latex and are, therefore, not known to cause allergies. We believe we produce the highest purity IRL globally and that we are the only significant third-party supplier of the product. Our IRL business has grown at a compound annual growth rate of approximately 23% by volume from 2005 to 2008.

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We currently offer approximately 800 products to more than 700 customers in over 60 countries worldwide, and we manufacture our polymers on four continents (North America, Europe, South America and Asia). Our products are typically developed using our proprietary, and in many cases patent-protected, technology and require significant engineering, testing and certification. We are widely regarded as the industry s leading innovator and cost-efficient manufacturer in our end-use markets. We work closely with our customers to design products that meet application-specific performance and quality requirements. We expect these innovations to drive our organic growth, sustain our leadership position, expand our market share, improve our margins and produce a high return on invested capital. For example, in 2008, we developed a family of environmentally-friendly products to replace materials like polyvinyl chloride, or PVC, for medical packaging applications and wire and cable applications in electronics and automobiles.

Over the past several years, we have implemented a range of strategic initiatives designed to enhance our profitability and end-use market position. These include fixed asset investments to expand our capacity in high value products, enhance productivity at our existing facilities and significantly reduce our fixed cost structure through head count reductions, production line closures at our Pernis, the Netherlands, facility and system upgrades. During this period, we have shifted our portfolio to higher-margin products, substantially exited low-margin businesses such as footwear and implemented smart pricing strategies that have improved our overall margins and return on invested capital. We believe these initiatives provide us with a strong platform to drive growth, create significant operating leverage and position us to benefit from volume recovery in our end-use markets.

We believe that starting in late 2008 the global economic downturn, and associated reduction in customer and end-user inventory levels, caused an unprecedented slowdown across the industry. We experienced sales volume decline across all of our end-use markets, including the traditionally more stable consumer and medical applications. We believe that a significant factor in this decline was inventory de-stocking. The trend began to reverse itself in June 2009, as demand patterns began to shift towards recovery.

We generated total operating revenue of $1.2 billion and $717.3 million for the twelve and nine months ended December 31, 2008 and September 30, 2009, respectively, on volume of 313 kilotons and 199 kilotons, respectively. For the same periods, we generated net income of $28.4 million and $1.2 million and Adjusted EBITDA of $152.0 million and $56.3 million, respectively. We define Adjusted EBITDA and reconcile it to net income in footnote 3 under Summary Summary of Consolidated Financial Information and Other Data. We report under one operating segment.

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Our Industry Focus

The global demand for SBCs in 2008 exceeded 1,400 kilotons, resulting in sales of approximately $4.0 billion. According to management estimates, between 2001 and 2007, SBC demand for non-footwear applications grew at a compound annual growth rate of approximately 9.0%, or approximately 2.7 times global real GDP. In 2008, the SBC market contracted along with the global economy, reducing the 2001 to 2008 growth rate to 6.8%.

2008 Global SBC Consumption by Volume

SBCs are primarily sold into four end-uses: (1) Advanced Materials (compounding, personal care and polymer systems); (2) Adhesives, Sealants and Coatings; (3) Paving and Roofing; and (4) Footwear. Due to the higher selling prices in the Advanced Materials, Adhesives, Sealants and Coatings and Paving and Roofing end-uses relative to the Footwear end-use, the market share by end-use on a revenue basis is meaningfully different than on a volume basis.

2008 Global SBC Consumption by End-Use Market[1]

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Kraton focuses on the high-value end-use markets.

2008 Global SBC Consumption by End-Use Market Kraton vs. Industry[1]

There are two major types of SBCs: hydrogenated styrenic block copolymers, or HSBCs, and unhydrogenated styrenic block copolymers, or USBCs.

HSBCs. HSBC products are significantly more complex to produce than USBC products and, consequently, generate higher margins and generally command selling prices between two and three times those for USBCs. We believe our 47% end-use market share of 2008 HSBC sales leads the industry and is more than twice the size of our closest competitor. The HSBC class of products, which is typically more durable than USBC products, is primarily used in higher value-added Advanced Materials and Adhesives, Sealants and Coatings applications. We estimate that HSBCs accounted for approximately 12% of worldwide SBC industry sales in 2008.

HSBCs are primarily used in our Advanced Materials and Adhesives, Sealants and Coatings end-use markets, to impart improved performance characteristics such as:

- stretch properties in disposable diapers and adult incontinence products;
- soft feel in numerous consumer products such as the handles for razor blades, power tools and automobile interiors;
- impact resistance for demanding engineering plastic applications;
- flexibility for wire and cable plastic outer layers; and
- improved flow characteristics for many industrial and consumer sealants and lubricating fluids.

USBCs. We believe that our 30% market share of 2008 USBC sales, excluding Footwear, leads the industry, and is approximately 2.2 times that of our closest competitor in terms of 2008 sales. In 2008, we estimate that USBCs represented approximately 88% of worldwide SBC industry sales volumes and were used primarily in Footwear, Paving and Roofing and Adhesives, Sealants and Coatings end-use.

USBCs are used in all our end-use markets in a range of products to impart desirable characteristics, such as:

- resistance to temperature and weather extremes in roads and roofing;
- resistance to cracking, reduced sound transmission and better drainage in porous road surfaces;

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impact resistance for consumer plastics; and

increased processing flexibility in materials used in disposable diapers and adhesive applications, such as packaging tapes and labels.

Our End-Use Markets

We believe we hold the number one market position, based on 2008 sales and volume, in each of our targeted end-use markets. We have aligned our commercial activities to serve three core end-use markets that we believe have the highest growth and profitability potential: (1) Advanced Materials; (2) Adhesives, Sealants and Coatings; and (3) Paving and Roofing. We also serve a fourth end-use market, an Emerging Businesses category, which primarily includes our high-growth IRL business.

The following table describes our three core end-use markets together with our Emerging Businesses and other end-use markets and their approximate relative sizes:

End-Use Markets	Revenue Mix[1]	Our End-Use Market Position[2]	Our End-Use Market Share[2]	Our Relative End-Use Market Share[3]	Industry Compound Annual Growth Rate[4]	Selected Applications/Products
Advanced Materials	30%	#1	37%	2.2X	8.0%	Soft touch for consumer products (tooth brushes and razor blades) and power tools Impact resistant engineering plastics Automotive components Elastic films for disposable diapers and adult incontinence branded products Skin care products and lotions Disposable food packaging Medical packaging films and tubing, often to replace PVC
Adhesives, Sealants and Coatings	32%	#1	41%	2.6X	5.2%	Tapes and labels Non-woven and industrial adhesives Industrial and consumer weather sealants
Paving and Roofing	31%	#1	28%	1.9X	7.1%	Asphalt modification for performance roadways Asphalt modification for roofing felts and shingles
Emerging Businesses[5]	3%	N/A	N/A	N/A	17.7%	Surgical gloves Condoms
Other Markets[6]	4%	N/A	N/A	N/A	N/A	Lubricants and fuel additives High styrenics packaging

	Footwear

(1) Based on 2008 sales of $1,171.3 million (excludes by-product sales which are reported as other revenues).
(2) Management estimates, based on 2008 sales.
(3) Management estimates, versus next largest competitor based on 2008 sales.
(4) Management estimates of volume growth, 2001 to 2008, except for Emerging Businesses, which is 2005 to 2008.

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(5) The Emerging Businesses end-use market primarily includes our IRL business as well as other businesses and products that are under development. We believe that we are the only major third-party supplier of IRL, and therefore end-use market position, end-use market share and relative end-use market share metrics are not meaningful.

(6) Our Other Markets end-use market is not directly comparable to our three core and Emerging Businesses end-use markets because it includes a mix of products ranging from lubricants and fuel additives to high styrenics packaging to footwear products. Therefore, we cannot estimate end-use market position, end-use market share, relative end-use market share or industry compound annual growth rate.

Our Competitive Strengths

The following competitive strengths help us to sustain our market leadership position and contribute to our ability to generate superior margins and strong cash flow. We expect these strengths to support our growth in the future:

The Market Leader in SBCs

We believe we hold the number one global market position based on 2008 sales and volumes, including a 34% market share of revenues in the end-use markets we target. Our Belpre, Ohio facility is the largest in terms of production capacity and the most product-diversified SBC plant in the world, and we believe it is the largest HSBC plant as well in terms of production capacity. We believe our Wesseling, Germany plant is a world scale and cost efficient facility. As the pioneer of SBCs over 40 years ago, we believe our KRATON® brand is widely recognized for our industry leadership, and we are particularly well-regarded for our process technology expertise and long track record of market-driven innovation.

Growth Through Innovation and Technological Know-how

SBC production and product development requires complex and specific expertise, which we believe many of our competitors are unable to replicate. As the industry pioneer, Kraton maintains a constant focus on enhancing the value-added attributes of our products and on developing new applications for SBCs. At December 31, 2008, we had approximately 1,176 granted patents and approximately 447 pending patent applications. Our Vision 20/20 program, introduced earlier this year, targets generating 20% of revenues by 2011 from new products or applications introduced in the prior five years. In 2008, we generated 13.5% of our sales from innovation driven revenue. We believe that our new product innovation will allow us to drive increases in our volume, expand product contribution margins and increase our customers reliance on Kraton s products and technical expertise. For example, for the nine months ended September 30, 2009, IRL represented 3.5% of revenues. Our sales of IRL from 2005 to 2008 grew at 23% by volume and are earning a unit contribution margin in excess of the company as a whole.

Diverse Global Manufacturing Capabilities and End-Use Market Exposures

We operate manufacturing facilities on four continents (North America, Europe, South America and Asia) producing what we believe to be the highest quality grades available of USBC and HSBC and high purity IRL. We believe we are the only SBC producer with this breadth of technical capabilities and global footprint, selling approximately 800 products in over 60 countries. Since 2003, we have successfully completed plant expansions totaling 60 kilotons of capacity, giving us a total capacity of 436 kilotons, at a total cost of less than $50 million. Our manufacturing and product footprint allow revenue diversity, both geographically and by end-use market. We believe our scale and footprint make us an attractive customer for our monomer suppliers which, in turn, allows us to offer a high degree of supply security to customers.

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Long-Standing, Strong Customer Relationships Supported by Leading Service Offering

We sell our products to over 700 customers, many of which we have had relationships with for 15 years or more. Our customers are broad-based, with no single customer accounting for more than 5% of our sales in 2008 (our top 10 customers represented 26% of sales in 2008). Our customers manufacturing processes are typically calibrated to the performance specifications of our products. Given the technical expertise and investment required to develop these formulations and the lead times required to replace them, we believe our customers face high switching costs. We believe our customers view our products as being high value-added, even though our products generally represent a small proportion of the overall cost of the finished product. Leveraging our global infrastructure, we believe we offer our customers a best-in-class service level that aligns us to their respective business models, through on demand order delivery and product development specifically designed for each customer s needs.

Experienced Management Team with a Track Record of Growth and Productivity Improvements

Our senior management team has an average industry experience of over 25 years, most of which is with some of the world s leading companies, including General Electric, Koch Industries and Chevron Phillips Chemical. Since early 2008, when the current executive team was put in place, we have instituted a number of strategic initiatives designed to enhance productivity, reduce costs and capital intensity, expand margins and drive innovation-led growth.

Our Business Strategy

Building on these competitive strengths, we are focused on achieving profitable top-line growth and improving margins through the introduction of highly-engineered, high value-added products to drive strong and sustainable cash flow.

Driving Growth and Margin Expansion Through Innovation

We have a 40-year track record of innovation dating back to our development of the first SBCs. Our research and development effort is focused on end-use markets and new product developments that we believe offer higher growth as well as opportunities to develop highly-differentiated products for our customers, thus yielding higher margin potential. We work very closely with our longstanding customer base to produce products that solve their specific technical requirements. For example, to address an industry trend to eliminate PVC from applications such as medical packaging and wire and cable, we have developed and commercialized a series of custom-designed polymers and compounds. In addition to this innovation-led growth, we believe that there are a number of end-use market dynamics that drive growth in our business such as: (1) the effect of the American Recovery and Reinvestment Act of 2009 on our paving business; (2) the general demand by customers for higher value-added products with better performance characteristics; and (3) the effect of an economic recovery on roofing applications.

Pursue Smart Pricing

In late 2007, we undertook a comprehensive review of our entire product portfolio, including both product-specific and customer-specific profitability analysis. As a result, we took a variety of actions including reducing or eliminating our exposure to lower margin business and increasing our prices to reflect the significant value-added benefits of our products to our customers products. For example, since the end of 2007, we have increased our unit contribution margins (the excess of the sale price of a unit of product over the variable cost to produce that unit) by more than 50%. We will continue to pursue pricing strategies that reflect the contribution to the end product of our high value and complex product offerings for which limited substitutes exist.

Invest in Key Growth Initiatives

As part of this offering, we plan to use some proceeds to fund high priority, high return strategic projects that will continue to allow us to more effectively and more efficiently serve our customers needs. One such project is the development of additional capacity in our IRL business to serve the rapid growth and to better capture the high margins that exist in this product line.

Continue to Pursue Operational Efficiencies

We have a history of implementing continuous process and cost improvement plans that have resulted in a significant reduction in our cost position and an improvement in the way we run our business. Since the beginning of 2007, we have implemented cost saving initiatives that have reduced costs by over $55 million, on an annual basis. In addition, on December 31, 2009, we will be exiting our Pernis facility in its entirety, which we expect will result in an additional $12 million in annual cost savings. Through these actions, we have created substantial operating leverage in our business model. We believe this demonstrates our management team s ability to successfully manage the business in a downturn and position us for significant growth and margin expansion in a global economic recovery. For a discussion of the costs associated with the Pernis exit, see Management s Discussion and Analysis Recent Developments.

Corporate and Other Information

We currently conduct our business through a Delaware limited liability company, Polymer Holdings LLC, and its consolidated subsidiaries. Prior to the closing of this offering, we will convert into a Delaware corporation to be named Kraton Performance Polymers, Inc.

Our principal executive offices are located at 15710 John F. Kennedy Boulevard, Suite 300, Houston, Texas 77032, and our telephone number is (281) 504-4700. Our corporate website address is *www.kraton.com*. We do not incorporate the information contained on, or accessible through, our corporate website into this prospectus, and you should not consider it part of this prospectus.

On or prior to the closing of this offering, TJ Chemical Holdings LLC, or TJ Chemical, will be merged into (and not survive the merger with) Kraton (for further details on this transaction, see Certain Relationships and Related Transactions Reorganization Transactions), at which time we will be owned directly by affiliates of TPG Capital, L.P. and J.P. Morgan Partners, LLC, a private equity division of JPMorgan Chase & Co. On December 23, 2003, Polymer Holdings acquired all the outstanding equity interests of Kraton from Ripplewood Chemical Holding LLC. The acquisition was funded, including transaction fees and expenses, in part through proceeds from the issuance of senior subordinated notes and borrowings under the term loan portion of the senior secured credit facility.

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Principal Stockholders

Following this offering and after giving effect to the merger of TJ Chemical into Kraton (see Certain Relationships and Related Transactions Reorganization Transactions), certain affiliates of TPG Capital, L.P., which we refer to collectively as TPG, will own approximately 38.8% of our common stock (approximately 36.8% pursuant to a full exercise of the underwriters over-allotment option) and certain affiliates of J.P. Morgan Partners, LLC, which we refer to collectively as JPMP, will own approximately 25.8% of our common stock (approximately 24.6% pursuant to a full exercise of the underwriters over-allotment option). Together TPG and JPMP will own, in the aggregate, approximately 64.6% of our common stock (approximately 61.4% if the underwriters over-allotment option is exercised in full).

TPG Capital, L.P.

TPG is a leading private investment firm with approximately $45 billion of assets under management as of September 30, 2009. The firm was founded in 1992 and is led by David Bonderman and James G. Coulter. Through its global buyout platform, TPG Capital, the firm generally makes significant investments in companies through acquisitions and restructurings across a broad range of industries throughout North America, Europe, Asia and Australia. Notable investments include Alltel Corp., Avaya, Inc., Burger King Holdings, Inc., Continental Airlines, Inc., Energy Future Holdings Corp. (formerly, TXU Corp.), Graphic Packaging International Corp., Grohe AG, Harrah s Entertainment, Inc., J Crew Group, Inc., Neiman Marcus Group, Inc., ON Semiconductor Corp., Seagate Technology, Shenzhen Development Bank Co., Ltd. and Texas Genco, LLC.

JPMorgan Partners

J.P. Morgan Partners, LLC is a private equity division of JPMorgan Chase & Co. (NYSE: JPM), one of the largest financial institutions in the United States. JPMP has invested over $15 billion worldwide in industrial, consumer, media, energy, financial services, healthcare and technology companies since its inception in 1984. In August 2006, the buyout and growth equity investment professionals of JPMP separated from JPMorgan Chase & Co. and formed CCMP Capital Advisors, LLC, or CCMP Capital, a global private equity firm specializing in buyout and growth equity investments. CCMP Capital has offices in New York, Texas and London. CCMP Capital advises JPMP on its portfolio of private equity investments, including the investment in our company; other notable investments include AMC Entertainment, Inc., Aramark Holdings Corporation, Grupo Corporative Ono, S.A., Jetro JMDH Holdings, Inc., Noble Environmental Power, LLC, QCE Holdings, LLC (Quiznos Sub), Warner Chilcott Holdings Co. and PQ Corporation.

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The Offering

Common stock we are offering	10,294,118 shares.
Common stock to be outstanding after this offering	29,709,114 shares.
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $126.1 million, after deducting estimated underwriting discounts and commissions and offering expenses.

We expect to use the net proceeds of this offering to repay a portion of the senior secured credit facility. We expect to use the remaining net proceeds for general corporate purposes, including to fund strategic capital projects such as alternative production capabilities for Isoprene Rubber, the development of additional capacity in our Isoprene Rubber Latex business, and/or the continuation of our upgrade of certain systems and operating controls at our Belpre, Ohio facility. See Use of Proceeds.

Underwriters option to purchase additional shares	We may sell up to 1,544,117 additional shares if the underwriters exercise their over-allotment option.
Dividend policy	We have not previously declared or paid any dividends or distributions on our common stock. We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. We are currently prohibited from paying cash dividends on our common stock by the covenants in the senior secured credit facility and may be further restricted by the terms of future debt or preferred securities. See Dividend Policy.
Risk factors	Investing in our common stock involves a high degree of risk. See Risk Factors for a discussion of factors you should carefully consider before deciding to invest in our common stock.
New York Stock Exchange symbol	KRA

The number of shares of common stock to be outstanding after the offering is based on 19,414,996 shares of common stock outstanding after our conversion to a corporation and 10,294,118 shares to be sold in the offering.

The number of shares of common stock to be outstanding after this offering does not take into account an aggregate of 4,350,000 shares of common stock reserved for future issuance under the Polymer Holdings LLC Equity Incentive Plan and 1,594,962 shares of common stock reserved for future issuance under the TJ Chemical Option Plan in connection with the settlement of options outstanding as of the closing of this offering, based on the Conversion Ratio (as defined in the Compensation Discussion and Analysis) of 1:13.5120.

In addition, except as otherwise noted, all information in this prospectus:

- assumes the underwriters do not exercise their over-allotment option; and gives effect to our conversion from a Delaware limited liability company to a Delaware corporation prior to the closing of this offering.

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Summary of Consolidated Financial Information and Other Data

The table below sets forth our selected consolidated historical financial data for the periods indicated. The summary consolidated historical financial data presented below for the years ended December 31, 2008, 2007 and 2006 and as of December 31, 2008 and 2007 have been derived from our audited consolidated financial statements, which are included elsewhere in this prospectus. The summary financial data for the nine months ended September 30, 2009 and 2008 and as of September 30, 2009, have been derived from our unaudited consolidated financial statements, which are included elsewhere in this prospectus. The unaudited consolidated financial statements include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, that management considers necessary for the fair presentation of the consolidated financial information set forth in those statements. Results of operations for the interim periods are not necessarily indicative of the results that might be expected for any other interim period or for an entire year.

The selected financial information and other data presented below should be read in conjunction with the information contained in Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and the audited consolidated financial statements and the notes thereto, which are included elsewhere in this prospectus.

	Year ended December 31,			Nine months ended September 30,	
	2008	2007	2006	2009 (unaudited)	2008 (unaudited)
	(in thousands)				
lidated nents of tions					
ting ues					
	$ 1,171,253	$ 1,066,044	$ 1,015,766	$ 682,061	$ 9
1)	54,780	23,543	32,355	35,235	
perating es	1,226,033	1,089,587	1,048,121	717,296	9
f Goods	971,283	938,556	843,726	602,633	7
Profit	254,750	151,031	204,395	114,663	2
ting ses					
ch and pment es	27,049	24,865	24,598	15,115	
, general strative	101,431	69,020	73,776	56,585	
iation and zation of able bles	53,162	51,917	43,574	41,582	
perating es	181,642	145,802	141,948	113,282	1
n uishment t				23,831	

in ngs in solidated					
res(2)	437	626	168	305	
st se, Net	36,695	43,484	66,637	24,783	
e (Loss) Income	36,850	(37,629)	(4,022)	734	
e Tax se it)	8,431	6,120	29,814	(485)	
come	$ 28,419	$ (43,749)	$ (33,836)	$ 1,219	$

Stephen Lubischer has served as the Vice President, Sales of us and Alphatec Spine since De 2006. From May 2005 to December 2006, Mr. Lubischer, was one of our and Alphatec Regional Vice Presidents, Sales. From 1995 to May 2005, Mr. Lubischer held senior lev positions at Interpore Cross International, a company that designs, manufactures and markets sy bone and tissue products and spinal implant devices. In his most recent position at Interpor International, Mr. Lubischer served as the Eastern Vice President of Sales. Prior to joining In Cross International, Mr. Lubischer also served as the Vice President, Sales for each of I Implants and Immedica, Inc., both medical device com

Jens Peter Timm has served as the Vice President, Research and Development of us and A Spine since February 2008. From 2004 until he joined us, Mr. Timm served as Vice Presi Research and Development at Applied Spine Technologies Inc. From 1999 to 2004, Mr. Timm in various engineering and research and development capacities at Interpore Cross Internationa recently as Director of Development, Anterior Fusion and Disc Systems. From 1997 t Mr. Timm served as a Development Engineer with Biomet, Inc. Mr. Timm is a charter membe Spine Arthroplasty S

Mitsuo Asai has served as President of Alphatec Pacific, Inc., or Alphatec Pacific, a wholly subsidiary of Alphatec Spine, since April 2008. From 2006 until he joined Alphatec Pacific i Mr. Asai was the President of Tokai Co., Ltd., a manufacturer of consumer goods. From 2002 t Mr. Asai served as General Manager and President of Virbac Japan Co., Ltd., a company that f on veterinary pharmaceuticals and healthcare products. From 1998 to 2002, Mr. Asai se President and CEO of Vital Link Corporation, a distributor of cardiovascular medical devices 1985 to 1996, Mr. Asai held various positions of increasing responsibility with Beckman C K.K., a manufacturer of biomedical testing instrument sy

Code of C

We have adopted a code of conduct that applies to all of our employees, including our Presid CEO, who is our principal executive officer, and Chief Financial Officer, who is our pr financial and accounting officer. The text of the code of conduct is posted on our we *www.alphatecspine.com* under Investor Relations Corporate Governance, is filed as an ex Annual Report on Form 10-K, and is available to stockholders without charge, upon req writing to the Secretary, Alphatec Holdings, Inc., at 5818 El Camino Real, Carlsbad, CA Disclosure regarding any amendments to, or waivers from, provisions of the code of cond apply to our directors, principal executive and financial officers will be included in a Current on Form 8-K within four business days following the date of the amendment or waiver, unless posting of such amendments or waivers is then permitted by the rules of The NASDAQ Stock and the SEC, in which case we intend to post such amendments and waivers on our we *www.alphatecspi*

COMPENSATION DISCUSSION AND ANALYSIS

We have prepared this Compensation Discussion and Analysis, or CD&A, to provide yo
information that we believe is necessary to understand our executive compensation polic
decisions as they relate to the compensation of the individuals identified below, who are our
Executive Officers, as such term is defined in Item 402 of Regulat

- Dirk Kuyper, President and Chief Executive Officer
- Peter C. Wulff, Chief Financial Officer, Vice President and Treasurer
- Stephen Lubischer, Vice President, Sales
- Jens Peter Timm, Vice President, Research and Development
- Mitsuo Asai, President, Alphatec Pacific

Compensation Philosophy and Obj

We are engaged in a very competitive industry, and our success depends upon our ability to attr
retain qualified executives. Accordingly, our compensation arrangements must be competitiv
Compensation Committee s intent is generally to target salaries, annual incentives and lo
incentive grant values at a range that is competitive with programs offered by other companies
whom we compete for personnel. The Compensation Committee s decisions are base
philosophy of pay for performance, with an individual s experience, potential and contributio
business determining his or her actual compensation. The Compensation Committee adminis
compensation programs for our executive officers, considering this competitive environment, b
believes that the compensation paid to our executive officers should be dependent upon our fi
performance and the value that we create for our stockholders. For this reason, the Compe
Committee s philosophy is to structure our compensation programs to provide meaningful in
for the attainment of specific financial objectives and to reward those executive officers wh
substantial contributions to the attainment of those objectives, and to link executive
compensation with perfor

The Compensation Committee s objectiv

- attract, retain, and motivate talented executives responsible for the success of the organi
- provide compensation to executives that is externally competitive, internally equitable and performance-based; and
- ensure that total compensation levels are reflective of company and individual performance and provide executives with the opportunity to receive above market total compensation for exceptional business performance.

We do not utilize compensation policies or practices that create risks that are reasonably likely t
a material adverse effect on us. This Compensation Discussion and Analysis section
generally our compensation policies and practices that are applicable for executive and mana

employees. We use common variable compensation designs across all of our business ur
divisions, with a significant focus on corporate and business financial performance as ge
described in our Annual Report on Form 10-K/A filed with the SEC on April 2

Compensation Process and Benchm

Compensation I

Pursuant to its charter, the Compensation Committee has responsibility for, among other
discharging the Board s responsibilities relating to compensation and benefits of our executive
including responsibility for evaluating management performance, officer compensation and b
plans and pro

In carrying out these responsibilities, the Compensation Committee is required to rev
components of executive officer compensation for consistency with our compensation philo

In 2008, we hired several new executive officers, namely Mr. Asai, the President of our subs
Alphatec Pacific, and Mr. Wulff, our Chief Financial Officer, Vice President and Treasure
respect to each of such individuals, their compensation for 2008 was determined during arms
negotiations with our President and CEO. With respect to all of such hires, the Compe
Committee approved the compensation terms set forth in such individual s employment ag
prior to their hire. Beginning in 2008, the processes followed by the Compensation Comm
setting executive compensation became more formalized. As requested by the Compe
Committee, our President and CEO presents individual performance review summaries, pr
annual salary increases and long-term incentive grant recommendations for the other ex
officers to the members of the Compensation Committee. The Compensation Committee revi
information and either approves the recommendation or makes changes at its discretio
Compensation Committee, in consultation with the Chairman of the Board of Directors, makes
assessment of our President and CEO based on our financial performance, his compensation co
to CEOs in our peer group, the components of his compensation and his total compensation lev
Compensation Committee then approves the compensation of our President an

In 2008, the President and CEO retained a compensation consultant, Remedy, LLC, to
compensation data of companies in our industry or similar industries that had annual revenues
to ours. In 2009, in lieu of using a compensation consultant, our President and CEO, working w
Vice President, Human Resources, reviewed published compensation survey data from compa
our industry or similar industries with annual revenues similar to ours. Except to the extent de
under Benchmarking, the Compensation Committee has not relied on formulas or specific
determining levels and mixes of compensation but rather has relied on its members subje
reasonable, good faith judgment based on their years of experience both with us and wit
companies they have been involved with in their professional c

In recognition of the challenging economic conditions that existed throughout 2009, none
executive officers received an increase in base salary during 2009. In 2009, our President an
provided recommendations to the Compensation Committee regarding financial goals and crit
the establishment of an annual bonus plan for our executive officers. These criteria and targe
based upon our operating plan for the 2009 fiscal year, as approved by the Board. The co
performance metrics under the bonus plan as approved by the Compensation Committee in
attainment of certain financial targets. The bonus plan for fiscal year 2009 is further describe
under the heading 2009 Bo

Benchm

In benchmarking compensation for the executive officers (other than the President and CE
President and CEO makes recommendations to the Compensation Committee based on tot
compensation (base salary plus annual cash incentives) and long-term equity incentives. Un
system, the President and CEO assigns a total target compensation range to a particular ex
officer after considering various factors under the major categories of job demands, knowledg
of responsibility and the total target compensation paid by our peer group. We anticipate that a
exercise will be employed in the future. With respect to our executive officers, all of Mr. Kuype
target compensation recommendations are reviewed and approved by the Compensation Com

Starting in 2009, the President and CEO evaluated the total targeted compensation of our ex
officers by comparing our information to published compensation survey data from companie
industry or similar industries with annual revenues similar to those of ours. We believe that o
group consists of the following companies: RTI Biologics, Accuray, Cardiac Science Corp., Nu
and Exactech. This group was different than our prior peer group because we believe that th
peer group included companies that either wer

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an industry that was similar enough to ours, or had revenues that were either significantly hi lower than ours. We periodically evaluate this list to ensure that it is an accurate representation peers. The survey data included information on job duties, and target and actual total compens the median and 75th percentiles. The President and CEO and the Compensation Committee ge consider total targeted compensation for key employees to be within the market competitive r total targeted compensation was between the median and 75th per

Elements of Compensation and How Each Element is C

As indicated above, compensation elements for our executive officers are designed to attract and individuals with exceptional ability for these key roles in a very competitive market for such Certain elements of compensation serve other important interests. For example, annual incent is designed to motivate the executive officers to attain our vital short-term goals. Long-term in pay in the form of equity awards vesting over a number of years aligns the executive officer s with that of our shareholders in seeing long-term increases in the value of our shares. Th compensation elements for our executive officers (salary, annual incentive, long-term incenti other benefits and perquisites) are described in more detail

For fiscal year 2009, each executive officer s compensation generally consisted of three e (i) base salary, (ii) cash bonus based upon our attainment of pre-established objectiv (iii) long-term stock-based incentive awards designed to align the interests between our ex officers and our shareh

Base Salaries and Target Bonus Perc

The President and CEO reviews the base salaries of the executive officers in the first quarter calendar year and determines whether any changes are appropriate for the then-current fisc During such review, the President and CEO takes multiple factors into consideration. Base sal the executive officers are targeted at a competitive market median based on each respective p with individual variations explained by differences in experience, skills and sustained performa recognition of the challenging economic conditions that existed throughout 2009, none executive officers received an increase in base salary during 2009. In February 2010, howe Compensation Committee approved the following increases to the 2010 salaries of our Executive Officers in consideration of the fact that salary increases were not given in 200 comparison to the relevant salaries of comparable positions of members of our peer group. In ac with respect to Mr. Kuyper, his 2010 target bonus percentage was reduced from 100% of h salary to 88.2% of his base salary due, in part, to the increase in his base

Name	2009 Base Salary	2010 Base Salary	Percentage Increase	2009 Target Bonus Percentage	2010 Ta Bonu Percent
Dirk Kuyper	$ 375,000	$ 425,000	13.3%	100%	8
Peter C. Wulff	$ 260,000	$ 273,000	5%	50%	
Stephen Lubischer	$ 245,000	$ 249,900	2%	85%	
Jens Peter Timm	$ 225,000	$ 236,250	5%	50%	
Mitsuo Asai	$ 284,775(1)	$ 293,318(1)	3%	35%	

(1) For the purposes of this table, Mr. Asai s 2009 base salary was converted from Japanese Y U.S. Dollars using the exchange rate as of December 31, 2009.

Annual Incentive Compe

Executive officers are eligible for incentive compensation annually un non-shareholder-approved bonus plan. Within this plan, the Compensation Committee esta annual incentive compensation that is based upon target awards expressed as a percentage executive s base salary. Payments under the bonus plan are determined based upon our perf against pre-established financial

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2009 Bonu

In February 2009, the Compensation Committee approved the bonus plans for each of our ex officers, which we refer to collectively herein as the 2009 Bonus Plan. Under the 2009 Bonu our Named Executive Officers were eligible for cash bonuses for the 2009 fiscal year as described

2009 Bonus Plan for Messrs. Kuyper, Wulff and

With respect to each of Messrs. Kuyper, Wulff and Timm, the target cash bonuses for fiscal yea were determined according to a formula expressed as percentages of the respective executiv salary, and was subject to adjustments based on the percentage to which the targeted app performance criteria was achieved, which in 2009 was predicated 100% on the achievement of EBITDA targets generated in accordance with our 2009 operating plan that was approved Board of Directors. The Compensation Committee approved all financial criteria for the awar such cash bonuses and the President and CEO presented the financial criteria to Messrs. Wu Timm for their confirmation of the achievability of such criteria. In the event the executives ex such target levels, they were entitled to receive cash bonuses based on higher percentages respective base salaries. The table below sets forth for each of these executive officers the perc of the base salary that such executive officer was eligible to receive as a cash bonus under th Bonus Plan upon the achievement of the target levels EB

Name	2009 Base Salary	Bonus Percentage U 100% Achievemen EBITDA Performa Criteria
Dirk Kuyper	$ 375,000	
Peter C. Wulff	$ 260,000	
Jens Peter Timm	$ 225,000	

In 2009, we achieved a percentage of the EBITDA target that entitled each of Messrs. Kuyper and Timm to 80% of his respective target bonus. 33% of the bonuses were paid in the first qu 2010, and the remainder is expected to be paid prior to the end of July 2010, provided the ex officer is employed by us on the day that the bonus

2009 Bonus Plan with Respect to M

With respect to Mr. Asai, the target cash bonus for fiscal year 2009 was determined accordi formula expressed as up to 35% of his base salary of 26 million Japanese yen, and was sub adjustments based on the percentage to which the targeted applicable performance crite achieved. Mr. Asai was eligible to receive a cash bonus for 2009 based on the achievemen following goals (i) a goal based upon total consolidated sales by Alphatec Pacific (which repre 50% of such bonus amount), (ii) a goal based upon total spine sales by Alphatec Pacific represented 25% of such bonus amount), and (iii) a goal based upon profits before taxes of A Pacific (which represented 25% of such bonus amount). The Compensation Committee appro financial criteria for the awarding of this cash bonus and the President and CEO presen financial criteria to Mr. Asai for his confirmation of the achievability of such criteria. In the eve the profits before taxes exceeded certain target levels, Mr. Asai was entitled to receive a cash based on higher percentages of his base

In 2009, Mr. Asai achieved a percentage of the spine revenue and profitability targets that entitl to 65% of his target bonus. 33% of his bonus was paid in the first quarter of 2010, and the ren is expected to be paid prior to the end of July 2010, provided Mr. Asai is employed by us on that the bonus

2009 Plan with Respect to Mr. Lul

With respect to Mr. Lubischer, the target cash bonus for fiscal year 2009 was determined base our achievement of certain sales goals in the U.S. Upon 100% achievement of all of such sales Mr. Lubischer s bonus would have equaled 85% of his base salary of $245,000. The Comp Committee approved all financial criteria for the awarding of this cash bonus and the Preside CEO presented the financial criteria to Mr. Lubischer for his confirmation of the achievability criteria. In the event that U.S. sales exceeded certain target levels, Mr. Lubischer would hav entitled to receive a cash bonus that was higher than the percentage of his base salary set forth Two-thirds of Mr. Lubischer s bonus was payable quarterly, based on the achievement of sales targets and one-third of Mr. Lubischer s bonus was payable following the end of the 20 year, based on the achievement of an annual sales

In 2009, Mr. Lubischer achieved a percentage of the revenue target that entitled him to 67% target bonus. 50% of his year-end bonus (which is equal to one-third of the total bonus amou paid in the first quarter of 2010, and the remainder is expected to be paid prior to the end of July provided Mr. Lubischer is employed by us on the day that the bonus

With respect to all of the bonuses described above, we (or Alphatec Pacific with respect to Mr had to have achieved a threshold of financial performance that was established by the Compe Committee before any of these bonuses would become p

Equity Compensation A

Equity compensation has traditionally been an important element of our executive compe program in order to align the interests of our executives with those of our stockholders. Beca value of the equity awards will increase only when we perform and increase stockholder val grant of such equity awards provides long-term incentives to the recipients thereof, includ executive officers. These awards not only serve to align the executives interests with tho stockholders over an extended period of time, but because they also generally are subject to ves connection with continued service to us over a specified period of time, these awards serv additional retention mechanism. The Compensation Committee believes that both of these el are important factors in executive compen

New Hire

Generally, we grant equity awards to our new employees, including our executive offi connection with the start of their employment. At the time of the hiring of any executive equity compensation generally is negotiated between such officer and us. Generally, such negot are conducted by our President and CEO on our behalf. The Compensation Committee approve negotiated equity compensation for newly hired executive officers. The size of such aw determined based upon available information concerning the competitive packages off executives in similar jobs at companies with which we are competitive for personnel, but established based upon any formal survey or other comparative data. In addition, the Preside CEO often adjusts such initial equity compensation grants as deemed appropriate to attract o specific candidates based on their experience, knowledge, skills and education and our needs than with respect to the restricted stock granted to Mr. Kuyper, which vests quarterly over the of four years, prior to November 2009, equity grants made to newly hired executive officers annually over either four or five years following the date of grant in equal installments anniversary of the date of grant, subject to the officer s continued employment with us. In N 2009, the Compensation Committee determined that all options issued after such date will ve four years, with 25% of such option vesting on the anniversary of the grant date, and the rem 75% vesting in 12 tranches each three months the

Annual Equity

Beginning in 2007, we have awarded our key employees, including our executive officers an stock option grant with the goal of providing continued incentives to retain strong executiv improve co

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performance. Each year, including fiscal year 2009, the President and CEO makes a recommer
to our Compensation Committee regarding whether any equity incentive grant is appropriat
executive officer and the amount of such grant. The Compensation Committee approves such
equity grant for executive officers. In reaching their decision, the President and CEO
Compensation Committee considers each individual s experience, the scope of such in
responsibilities, his or her performance in the applicable role, and his or her expecte
contribution to our goals and stockholder value. On August 4, 2009, following Compe
Committee approval, each of Messrs. Asai, Lubischer, Wulff, Timm and Kuyper receive
options to purchase 20,000; 20,000; 25,000; 20,000 and 50,000 shares, respectively, of our co
stock as part of our annual option grant program. On November 5, 2009, the Compe
Committee approved a grant of options to purchase 20,000 shares of common stock to Mr. Lu
as an additional bonus for Mr. Lubischer. This issuance to Mr. Lubischer was not made pursuan
2009 Bonus Plan, and was granted to Mr. Lubischer because he did not receive an equity g
March 2009 (see Equity Grants Made in March 2009). The amount of the annual equi
evaluated so as to ensure that the grants are comparable to similarly-situated executives in com
companies in our industry with whom we directly compete in our hiring and retention of exe
Prior to November 2009, merit based annual equity grants made to executive officers generally
annually over the four years following the date of grant in equal installments on the anniversar
date of grant, subject to the officer s continued employment with us. In November 2
Compensation Committee determined that all options issued after such date will vest over fou
with 25% of such option vesting on the anniversary of the grant date, and the remaining 75%
in 12 tranches each three months the

Equity Grants Made in Marc

On March 6, 2009, following Compensation Committee approval, Messrs. Kuyper, Wulff and
were granted options to purchase 50,000, 25,000 and 20,000 shares, respectively, of our co
stock. These options were granted to the executives as an additional bonus amount for fiscal yea
based on the Compensation Committee s belief that despite the fact that we did not reach
EBITDA and revenue targets, we achieved certain other important milestones in 2008, in
revenue goals and product development and launch milestones. These issuances were no
pursuant to the bonus plan that was approved by the Compensation Committee for 2008. These
vest annually over the four years following the date of grant in equal installments on the anni
of the date of grant, subject to the officer s continued employment

Termination and Change in Control Based Compe

Our Compensation Committee agreed to severance packages for our Named Executive Officers
of the negotiations with each of these executive officers to secure his services. Our Compe
Committee approved the severance packages based on their experience serving on boards of di
and compensation committees of companies of a similar size and stage of development to us a
familiarity with severance packages offered to executive officers of such companies. Based
knowledge, experience and information, we believe that the respective severance peri
provision of medical and similar benefit programs during such severance periods are both rea
and generally in line with severance packages negotiated with executive officers of similarly s
com

In addition, pursuant to our restricted stock agreements and stock option agreements w
executive officers, including our Named Executive Officers, in the event of a change in con
defined in our Amended and Restated 2005 Employee, Director and Consultant Stock
amended, the vesting of outstanding restricted stock grants and stock option awards held
executive officers will accelerate in connection with a change in control, without regard to whe
executive officer terminates employment in connection with or following the change in

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Other Compe

We maintain broad-based benefits and perquisites that are provided to all employees, including insurance, life and disability insurance, dental insurance, an employee stock purchase plan 401(k) plan. We match all employee contributions to our 401(k) plan, including those of our ex officers. We also provide our President and CEO and all sales employees, including Mr. Lub with a monthly automobile allowance. In particular circumstances, we also utilize cash bonuses when certain executives and senior level non-executives join us. Such cash signing b are typically repayable in full to us if the recipient voluntarily terminates employment with us the first anniversary of the date of hire. Whether a signing bonus is paid and the amount th determined on a case-by-case basis under the specific hiring circumstances. For example, w paid and will consider paying cash bonuses to compensate for amounts forfeited by an executiv terminating prior employment. In addition, we may assist with certain expenses associated executive joining and maintaining their employment with us. For example, in 2009, we reim our Vice President, Research and Development, for certain housing costs and/or expenses rel relocation and we purchased his Connecticut residence for an appraised price provided by party. In addition, in 2009 we reimbursed our President of Alphatec Pacific for rental expenses to an apartment close in proximity to our corporate office in Japan and expenses relate purchase of workman s accident compensation insurance. We believe these forms of comp create additional incentives for an executive to join us in a position where there is high demand. These forms of compensation are typically structured to not exceed certain m amounts and/or time p

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EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Summary Compensation

The following table sets forth information concerning compensation paid or accrued during th years ended December 31, 2009, 2008, and 2007, for services rendered to us by our Chief Ex Officer, our Chief Financial Officer, and our three other most highly compensated executive in 2009, each of whose total compensation exceeded $100,000. We refer to these executive off our Named Executive Officers elsewhere in t

Name and Principal Position	Year	Salary ($)	Bonus ($)(5)	Stock Awards ($)(6)	Option Awards ($)(6)	Non-Equity Incentive Plan Compensation ($)(7)	All Other Compensation ($)
Dirk Kuyper(1)	2009	389,423(8)			161,060	300,000	20,96
	2008	362,212	116,157		324,330		32,50
President and Chief Executive Officer	2007	175,000		2,566,731		175,000	283,85
Peter C. Wulff(2)	2009	270,000(8)			80,530	104,000	
	2008	130,000	16,384		406,568		
Chief Financial Officer, Vice President and Treasurer							
Stephen Lubischer	2009	254,423(8)			95,496	139,707	15,30
	2008	258,847	156,211	49,790	50,358		20,32
Vice President, Sales	2007	264,424			59,471	123,750	41,66
Jens Peter Timm(3)	2009	233,654(8)			64,424	90,000	155,54
Vice President, Research and Development							
Mitsuo Asai(4)	2009	264,181			50,220	65,000	33,42
President, Alphatec Pacific, Inc.	2008	190,068	61,038		205,275		24,08

(1) Mr. Kuyper joined us as our President and CEO in June 2007.

(2) Mr. Wulff joined us as our Chief Financial Officer, Vice President and Treasurer in June 20

(3) Mr. Timm joined us as our Vice President, Research and Development, in February 2008.

(4) Mr. Asai joined us as our President, Alphatec Pacific, Inc., in April 2008.

(5) The amounts shown represent bonus amounts outside of a plan that were paid in cash.

(6) The amounts shown are the aggregate grant date fair values of these awards computed in accordance with FASB ASC Topic 718, Stock Compensation. The assumptions and methodologies used to calculate these amounts are discussed in Notes 2 and 9 in the Notes t Financial Statements contained in the original filing of this Annual Report on Form 10-K w SEC on March 2, 2010 (the Form 10-K). See also our discussion under Item 7 Manager Discussion and Analysis of Financial Condition and Results of Operations Critical Accoun Policies and Use of Estimates Stock-Based Compensation in the Form 10-K. The SEC s rules previously required that we present stock award and option award information for 200 2008 based on the amount recognized during the corresponding year for financial statement reporting purposes with respect to these awards (which meant, in effect, that in any given ye could recognize for financial statement reporting purposes amounts with respect to grants m that year as well as with respect to grants from past years that vested in or were still vesting that year). However, recent changes in the SEC s disclosure rules require that we now prese stock award and option award amounts in the applicable columns in the table above with res to 2008 and 2007 on a similar basis as the 2009 presentation using the grant date fair value awards granted during the corresponding year, regardless of the period over which the awar scheduled to vest. Since this requirement differs from the SEC s past disclosure rules, the a reported in the table above for stock awards and option awards for 2008 and 2007 differ fro amounts previously reported in our Summary Compensation Table for these years. As a resu the extent applicable, each named executive officer s total compensation amounts for 2008 2007 also differ from the amounts previously reported in our Summary Compensation Tabl these years.

(7) The amounts shown represent the aggregate dollar amounts earned under the Company s a bonus plan. The amounts shown do not include any portion of the awards paid in grants of o to purchase shares of our common stock.

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(8) While base salaries were generally unchanged from 2008 to 2009, there were minor change actual salaries due to pay cycle difference between years. Specifically, there was one additio bi-weekly pay cycle in 2009 than in 2008 and 2007.

(9) All other 2009 compensation for Mr. Kuyper consists of an automobile allowance of $12,00 matching contributions under our 401(K) plan of $8,961.

(10) All other 2009 compensation for Mr. Lubischer consists of an automobile allowance of $9,(and matching contributions under our 401(K) plan of $6,301.

(11) All other 2009 compensation for Mr. Timm consists of costs related to the sale of Mr. Timm s home of $123,723, taxable relocation reimbursements of $22,550, other relocation related costs of $3,776 and matching contributions under our 401(K) plan of $5,493.

(12) All other 2009 compensation for Mr. Asai consists of rental expenses for an apartment in cl proximity to our corporate office in Japan of $32,574 and reimbursement of the premium o Mr. Asai s workman s accident compensation insurance policy of $855.

2009 Grants of Plan-Based A

The following table sets forth information regarding grants of stock and option awards made Named Executive Officers during the fiscal year ended December 31

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Or Base Price of Option Awards ($/Sh) (2)	Gra Fai of and Aw
Dirk Kuyper		2/26/09	0	375,000	468,750			
	3/06/09	2/26/09				50,000	1.28	
	8/04/09	7/28/09				50,000	4.45	1
Peter C. Wulff		2/26/09	0	130,000	162,500			
	3/06/09	2/26/09				25,000	1.28	
	8/04/09	7/28/09				25,000	4.45	
Stephen Lubischer		2/26/09	0	208,250	260,313			
	8/04/09	7/28/09				20,000	4.45	
	11/05/09	11/05/09				20,000	4.93	
Jens Peter Timm		2/26/09	0	112,500	140,625			
	3/06/09	2/26/09				20,000	1.28	
	8/04/09	7/28/09				20,000	4.45	
Mitsuo Asai		2/26/09	0	99,671	124,589			
	8/04/09	7/28/09				20,000	4.45	

(1) The amounts shown reflect the potential payouts under the 2009 Bonus Plan. Except with re to Mr. Lubischer, the amount shown in the Threshold column reflects the minimum payo under the 2009 Bonus Plan, which could have been zero if the targets set forth in the 2009 B Plan were not met. The amount shown in the Maximum column is 125% of the target bo amount. Mr. Lubischer was entitled to receive quarterly and annual cash bonuses based on t achievement of quarterly and annual revenue goals, respectively, under his 2009 bonus plan amount shown in the Maximum column is 125% of Mr. Lubischer s target bonus amou actual amounts earned under the 2009 Bonus Plan are set forth in the Summary Compensati Table under Non-Equity Incentive Plan Compensation.

(2) All stock options were granted under our Amended and Restated 2005 Employee, Director a Consultant Stock Plan, as amended (the 2005 Stock Plan) with an exercise price equal to market value of our common stock on the date of the grant, which, in accordance with the 2 Stock Plan is the closing price of our common stock on the date of the grant as reported on t NASDAQ Global Market.

(3) The grant date fair value of the option awards has been computed in accordance with FASB Topic 718. For more information about the assumptions used to determine the fair value of option awards during the year, see Notes 2 and 9 in the Notes to Financial Statements conta the Form 10-K. See also our discussion under Item 7 Management s Discussion and Anal Financial Condition and Results of Operations Critical Accounting Policies and Use of Estimates Stock-Based Compensation in the Form 10-K.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards

Employment Agre

In June 2007, we and Alphatec Spine entered into an employment agreement with Dirk K pursuant to which Mr. Kuyper agreed to serve as our President and CEO. Pursuant to the agre the term of Mr. Kuyper s employment expires on July 1, 2011. Pursuant to the agreement, Mr received an initial annual base salary of $350,000, which amount has since been increased currently $425,000, and he is eligible to receive an incentive bonus each fiscal year in an amoun to a percentage of his annual base salary for such year established by the Compensation Com with the payment of such bonus based on Mr. Kuyper s achievement of performance ob established by our Compensation Committee each fiscal year. For fiscal year 2009, Mr. Kuyper bonus percentage was 100% of his base salary. In connection with the commencemen employment, we granted Mr. Kuyper 690,000 shares of restricted common stock that vest and b non-forfeitable in 16 equal tranches. The agreement also provides for the reimbursement o $1,000 per month for automobile-related expenses. Pursuant to the agreement, we agreed to rei Mr. Kuyper for up to $270,000 of costs related to his relocation to Carlsba

In November 2006, we and Alphatec Spine entered into an employment agreement with S Lubischer, pursuant to which Mr. Lubischer agreed to serve as our Vice President, Sales. Purs the agreement, Mr. Lubischer received an initial annual base salary of $275,000, which amo since been modified and is currently $249,900, and he is eligible to receive incentive bonuses ba his achievement of quarterly and annual performance objectives established by our Compe Committee at the beginning of each fiscal year. For fiscal year 2009, Mr. Lubischer s targ percentage was 85% of his base salary. In connection with the commencement of his employm granted Mr. Lubischer options to purchase up to 7,160 shares of our common stock. The optio annually in five equal tranches beginning on the first anniversary of the gra

In January 2008, we and Alphatec Spine entered into an employment agreement with Mitsu pursuant to which Mr. Asai agreed to serve as the President of Alphatec Spine s subsidiary, Pacific. The agreement has a term of three years. Pursuant to the agreement, Mr. Asai rece initial annual base salary of 26,000,000 Japanese yen, which amount has since been increased currently 26,780,000 Japanese yen, and he is eligible to receive an incentive bonus each fiscal an amount equal to a percentage of his annual base salary for such year established Compensation Committee, with the payment of such bonus based on Mr. Asai s achievement o performance objectives established by our Compensation Committee at the beginning of eac year. For fiscal year 2009, Mr. Asai s target bonus percentage was 35% of his base s connection with the commencement of his employment, we granted Mr. Asai options to purc to 75,000 shares of our common stock. The options vest annually in four equal tranches begin the first anniversary of the grant date. Pursuant to the agreement we pay up to 4,000,000 yen p to provide Mr. Asai with a furnished corporate apartment in Tokyo, Japan. Mr. Asai als monthly travel allowance of 70,000 yen, provided that such amounts are used for travel b Tokyo, Japan and Mr. Asai s home in Osaka, Japan. We also reimburse Mr. Asai for a premium associated with Mr. Asai s purchase of a workmen s accident compensation insuran For purposes of the Summary Compensation Table, the average monthly exchange rate for con from Japanese Yen to U.S. Dollars was used to calculate the salary and all other compensatio bonus amount was calculated in U.S. D

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In June 2008, we and Alphatec Spine entered into an employment agreement with Peter C.
pursuant to which Mr. Wulff agreed to serve as our Chief Financial Officer, Vice Preside
Treasurer. Pursuant to the agreement, Mr. Wulff received an initial annual base salary of $2
which amount has since been increased and is currently $273,000, and he is eligible to rec
incentive bonus each fiscal year in an amount equal to a percentage of his annual base salary f
year, with the payment of such bonus based on Mr. Wulff s achievement of annual perf
objectives established by our Compensation Committee at the beginning of each fiscal year. Fo
year 2009, Mr. Wulff s target bonus percentage was 50% of his base salary. In connection
commencement of his employment, we granted Mr. Wulff options to purchase up to 150,000 sh
our common stock. The options vest in 16 equal tr

In February 2008, we and Alphatec Spine entered into an employment agreement with Jer
Timm, pursuant to which Mr. Timm agreed to serve as our Vice President, Resea
Development. Pursuant to the agreement, Mr. Timm received an initial annual base s
$225,000, which amount has since been increased and is currently $236,250, and he is eli
receive an incentive bonus each fiscal year in an amount equal to a percentage of his annu
salary for such year, with the payment of such bonus based on Mr. Timm s achievement o
performance objectives established by our Compensation Committee at the beginning of eac
year. For fiscal year 2009, Mr. Timm s target bonus percentage was 50% of his base s
connection with the commencement of his employment, we granted Mr. Timm options to purc
to 75,000 shares of our common stock. The options vest annually in four equal tranches begin
the first anniversary of the grant date. Pursuant to the agreement, we agreed to reimburse Mr
for certain costs related to his relocation to Carlsbad, CA. In addition, pursuant to the term
employment agreement, in 2009 we purchased the Connecticut residence of Mr. Timm
appraised price provided by a thir

Equity A

All option awards granted to our Named Executive Officers in 2009 were granted pursuan
2005 Stock Plan with an exercise price equal to the closing price of our common stock on the
grant and vest annually from the grant date in either four or five equal installments of 25% o
respectively. In November 2009, the Compensation Committee determined that all options issu
such date will vest over four years, with 25% of such option vesting on the anniversary of th
date, and the remaining 75% vesting in 12 tranches every three months the

Pursuant to our restricted stock agreements and stock option agreements with our executive o
including our Named Executive Officers, in the event of a change in control, as defined in th
Stock Plan and described below, the vesting of outstanding restricted stock grants and stock
awards held by our executive officers will accelerate in connection with a change in control,
regard to whether the executive officer terminates employment in connection with or follow
change in c

Generally, a change in control shall occur on the date that: (i) any one person, entity or grou
ownership of capital stock of us, together with our capital stock already held by such person, e
group, constitutes more than 50% of the total fair market value or total voting power of our
stock; provided, however, if any one person, entity or group is considered to own more than
the total fair market value or total voting power of our capital stock, the acquisition of ad
capital stock by the same person, entity or group shall not be deemed to be a change of contr
majority of members of the Board is replaced during any 12-month period by directors
appointment or election is not endorsed by a majority of the members of the Board prior to the
the appointment or election; or (iii) any one person, entity or group acquires (or has acquired
the 12-month period ending on the date of the most recent acquisition by such person, entity or
assets from us that have a total gross fair market value at least equal to 80% of the total gr
market value of all of the assets of us immediately prior to such acquisition or acqui

2009 Bon

As described in the Compensation Discussion and Analysis, except with respect to Messrs. Lu and Asai, under the 2009 Bonus Plan, cash bonuses were to be paid to our executive o including Messrs. Kuyper, Wulff, and Timm, based upon our achievement of certain EBITDA in fiscal year 2009. 100% of each executive s target bonus amount was predicated upon our E The EBITDA goals were generated in accordance with the 2009 operating plan that was appro the Board of Directors. Mr. Lubischer s bonus targets were based upon the achievement o revenue targets. Mr. Asai s bonus targets were based upon the achievement of certain spine and profitability goals for our subsidiary, Alphatec Pacific. The Compensation Committee ap all financial criteria for the awarding of such cash bonuses and the President and CEO presen financial criteria to the executive officers for their confirmation of the achievability of such c

In 2009, we achieved a percentage of the EBITDA targets that entitled each of Messrs. Kuyper, and Timm, to 80% of their respective target bonuses, 33% of which was paid in the first qu 2010, and the remainder of which is expected to be paid prior to the end of July 2010. In Mr. Lubischer achieved a percentage of the revenue target that entitled him to 67% of his target Two-thirds of Mr. Lubischer s bonus was payable quarterly in 2009 and one-third was payable Of the amount payable in 2010, 50% was paid in the first quarter of 2010, and the remai expected to be paid prior to the end of July 2010. In 2009, Mr. Asai achieved a percentage of th revenue and profitability targets that entitled him to 65% of his target bonus, 33% of which w in the first quarter of 2010, and the remainder of which is expected to be paid prior to the end 2010. In all instances, the executive officer must be employed by us on the day that the ren portion of the bonus is paid to be entitled to receive such pa

In 2009, base salary and bonus payments for each of Messrs. Kuyper, Wulff, Lubischer, A Timm represented 79.1%, 82.3%, 78.1%, 79.7% and 59.5% of their total compensation, respe

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Outstanding Equity Awards at 2009 Fiscal Yea

The following table sets forth information regarding grants of stock options and unvested stock that were outstanding and held by our Named Executive Officers as of December 31

		Option Awards(1)				Stock Awards(2)	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have not Vested (#)	Market V Shares or Sto That Ha Vested
Dirk Kuyper	07/02/07					301,875	1,
	06/19/08	56,250	93,750	4.37	06/19/18		
	03/06/09		50,000	1.28	03/06/19		
	08/04/09		50,000	4.45	08/04/19		
Peter C. Wulff	06/16/08	56,250	93,750	4.63	06/16/18		
	07/30/08	6,250	18,750	4.79	07/30/18		
	03/06/09		25,000	1.28	03/06/19		
	08/04/09		25,000	4.45	08/04/19		
Stephen Lubischer	08/12/05				08/12/15	7,256	
	09/26/05				09/26/15	1,448	
	05/22/08				05/22/18	7,500	
	01/10/07	2,864	4,296	3.53	01/10/17		
	08/22/07	10,000	10,000	3.93	08/22/17		
	07/30/08	5,000	15,000	4.79	07/30/18		
	08/04/09		20,000	4.45	08/04/19		
	11/05/09		20,000	4.93	11/05/19		
Jens Peter Timm	03/12/08	18,750	56,250	5.05	03/12/18		
	07/30/08	2,500	7,500	4.79	07/30/18		
	03/06/09		20,000	1.28	03/06/19		
	08/04/09		20,000	4.45	08/04/19		
Mitsuo Asai	04/01/08	17,500	52,500	5.20	04/01/18		
	07/30/08	2,500	7,500	4.79	07/30/18		
	08/04/09		20,000	4.45	08/04/19		

(1) All option awards granted prior to July 2007 vest annually from the grant date in five equal installments of 20%. All option awards granted from July 2007 forward, vest annually from grant date in four equal installments of 25%. All option grants have a term of ten years.

(2) All restricted share awards granted prior to July 2007 vest annually from the grant date in fi equal installments of 20%. All restricted share awards granted from July 2007 forward vest annually from the grant date in four equal installments of 25% with the exception of Mr. Ku restricted share award, which vests quarterly from the grant date over four years. All unvest restricted share awards are subject to repurchase rights within 12 months of termination, and certain instances vested restricted share awards are subject to repurchase within 12 months o termination.

(3) Amount based on December 31, 2009 closing price of $5.34 per share of our common stock
NASDAQ Global Market.

2009 Option Exercises and Stock

The following table sets forth information regarding shares of common stock acquired upon ves our Named Executive Officers during the fiscal year ended December 31, 2009. There v exercises of options to purchase our common stock by our Named Executive Officers during th year ended December 31

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value R on Ve ($)
Dirk Kuyper	172,500	5
Peter C. Wulff		
Stephen Lubischer	11,068	
Jens Peter Timm		
Mitsuo Asai		

(1) The value realized on vesting is calculated by multiplying the number of shares that vested applicable vesting date by the closing price of our common stock on the NASDAQ Global N on the applicable vesting date.

Pension B

We do not have any qualified or non-qualified defined benefi

Nonqualified Deferred Compen

We do not have any non-qualified defined contribution plans or other deferred compensation

Potential Payments upon Termination or Change-in-C

Termination of Employment and Change in Control Arrang

The employment agreements with our Named Executive Officers provide certain benefits u termination of employment without cause. Such benefits are described in detail

In the event that Mr. Kuyper is terminated without cause, he is entitled to receive as sev compensation his base salary for a period of 12 months, a payment for any accrued but vacation days, and payment of, or reimbursement for, the continuation of his health and insurance coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act, or COB a 12-month period following such termination date, and a gross up related to any taxes i connection with such COBRA payments. In the event that Mr. Kuyper s employment is termin to either his death or disability, we are required to pay Mr. Kuyper (or his estate, as the case n an amount equal to Mr. Kuyper s target bonus for the fiscal year in which such termination (with such amount pro-rated based on the date of termination). In addition, in the event of term due to death or disability, any unvested stock options and restricted stock awards held by Mr. shall become fully vested and not subject to forfeiture or repu

In the event that Mr. Lubischer is terminated without cause, he is entitled to receive as sev compensation his base salary for a period of at least three, but not more than 12 months, wi period being determined by us based on our desired length of the period of noncompetition, a p for any accrued but unused vacation days, and payment of, or reimbursement for, the continua his health and dental insurance coverage pursuant to COBRA for the period in which he is re severance, and a gross up related to any taxes incurred in connection with such COBRA During this time period, Mr. Lubischer shall be bound by certain obligations to not compete

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In the event that Mr. Asai is terminated without cause, he is entitled to receive as sev compensation his base salary for a period of 12 months and a payment for any accrued but vacation days. In the event of Mr. Asai s death, 50% of his then current base salary would be to his

In the event that Mr. Wulff is terminated without cause, he is entitled to receive as sev compensation his base salary for a period of nine months and a payment for any accrued but vacation days, and payment of, or reimbursement for, the continuation of his health and insurance coverage pursuant to COBRA for the period in which he is receiving severance, and up related to any taxes incurred in connection with such COBRA p

In the event that Mr. Timm is terminated without cause, he is entitled to receive as sev compensation his base salary for a period of six months and a payment for any accrued but vacation days, and payment of, or reimbursement for, the continuation of his health and insurance coverage pursuant to COBRA for the period in which he is receiving severance, and up related to any taxes incurred in connection with such COBRA p

Pursuant to our restricted stock agreements and stock option agreements with our executive o including our Named Executive Officers, in the event of a change in control, as defined in th Stock Plan and described below, the vesting of outstanding restricted stock grants and stock awards held by our executive officers will accelerate in connection with a change in control, regard to whether the executive officer terminates employment in connection with or follow change in c

Generally, a change in control shall occur on the date that: (i) any one person, entity or grou ownership of capital stock of us, together with our capital stock already held by such person, e group, constitutes more than 50% of the total fair market value or total voting power of our stock; provided, however, if any one person, entity or group is considered to own more than the total fair market value or total voting power of our capital stock, the acquisition of add capital stock by the same person, entity or group shall not be deemed to be a change of contro majority of members of the Board is replaced during any 12-month period by directors appointment or election is not endorsed by a majority of the members of the Board prior to the the appointment or election; or (iii) any one person, entity or group acquires (or has acquired the 12-month period ending on the date of the most recent acquisition by such person, entity or assets from us that have a total gross fair market value at least equal to 80% of the total gr market value of all of the assets of us immediately prior to such acquisition or acqui

Potential Post-Employment Payments

The table below reflects amounts payable by us to the Named Executive Officers (i) assumin employment was terminated on December 31, 2009 and (ii) assuming a change in control occu December 31

Name	Voluntary Termination by Executive(1) ($)	For Cause Termination(1) ($)	Involuntary Disability or Death(2) ($)	Termination by the Company Without Cause Prior to a Change in Control ($)	Char Contro
Dirk Kuyper	45,155	45,155	2,325,420	408,682(4)	1,9
Peter C. Wulff	17,318	17,318		220,262(5)	2
Stephen Lubischer	33,271	33,271		278,682(6)	1
Jens Peter Timm	18,849	18,849		128,052(7)	1
Mitsuo Asai	16,992	16,992	142,388	284,775(8)	

(1) The only post-employment payments due to Named Executive Officers who voluntarily ter
their employment or are terminated for cause would be accrued earnings and accrued but un
vacation through the termination date. Accrued vacation through termination, whether in
connection with a voluntary termination or termination for cause, must be paid in accordanc
California law.

(2) If Mr. Kuyper had been terminated due to death or disability, his annual pro-rated target bo
$375,000 would have been payable to his estate, all unvested stock awards would have
immediately fully vested and we would have waived our rights to repurchase any unvested
awards, which totaled $1,950,420 based on the closing stock price of $5.34 as of December
2009. If Mr. Asai had been terminated due to death, 50% of his then current salary would b
payable to his estate.

(3) Represents the intrinsic value of the unvested stock option and restricted stock awards as of
December 31, 2009 that would have been accelerated had a change in control occurred on t
date, calculated by multiplying the number of underlying unvested shares by the closing pri
our stock on December 31, 2009 ($5.34 per share) and, in the case of stock options, then
subtracting the applicable option exercise price. As of December 31, 2009, Mr. Kuyper had
301,875 unvested restricted stock awards and Mr. Lubischer had 16,204 unvested restricted
awards. As of December 31, 2009, Mr. Kuyper had 193,750 unvested stock options, Mr. W
had 162,500 unvested stock options, Mr. Lubischer had 69,296 unvested stock options, Mr.
had 103,750 unvested stock options and Mr. Asai had 80,000 unvested stock options.

(4) Mr. Kuyper s post-employment compensation would consist of (a) a maximum of 12 mont
salary totaling $375,000 payable monthly, (b) healthcare related benefits of $16,039 and (c)
gross ups on healthcare related benefits of $17,643.

(5) Mr. Wulff s post-employment compensation would consist of (a) nine months salary totali
$195,000, (b) healthcare related benefits of $12,029 and (c) tax gross ups on healthcare rela
benefits of $13,233.

(6) Mr. Lubischer s post-employment compensation would consist of (a) 12 months salary tota
$245,000, (b) healthcare related benefits of $16,039 and (c) tax gross ups on healthcare rela
benefits of $17,643.

(7) Mr. Timm s post-employment compensation would consist of (a) six months salary totalin
$112,500, (b) healthcare related benefits of $7,406 and (c) tax gross ups on healthcare relat
benefits of $8,146.

(8) Mr. Asai s post-employment compensation would consist of 12 months salary totaling 26,
Japanese Yen, or $284,775. For the purposes of this table, the exchange rate from Japanese
U.S. Dollars as of December 31, 2009 was used for the conversion.

Compensation Committee Interlocks and Insider Partici

During fiscal year 2009 the members of the Compensation Committee have been, and curre
Mr. O Neil and Mr. Molson. No member of the Compensation Committee was at anytime duri
year 2009 an officer or employee of Alphatec (or any of its subsidiaries), or was formerly an of
Alphatec (or any of its subsidiaries). During fiscal year 2009, no executive officer of Alphatec
as: (i) a member of the compensation committee (or other committee of the board of di
performing equivalent functions or, in the absence of any such committee, the entire b
directors) of another entity, one of whose executive officers served on the Compensation Co
of Alphatec; (ii) a director of another entity, one of whose executive officers served
Compensation Committee of Alphatec; or (iii) a member of the compensation committee (
committee of the board of directors performing equivalent functions or, in the absence of a
committee, the entire board of directors) of another entity, one of whose executive officers serv
director of A

Director Compen

The following table shows the total compensation paid or accrued during the fiscal year December 31, 2009 to each of our directors other than Mr. Kuyper, whose compensation is incl the Summary Compensation Table and discussed above. There were no stock awards granted directors during the fiscal year ended December 31

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(2)	All Other Compensation ($)	T
Mortimer Berkowitz III(1)				
John H. Foster(1)				
Rohit M. Desai(3)	16,000	18,833		
James R. Glynn(3)	69,000(4)	18,833		
Stephen H. Hochschuler, M.D.(3)			240,000(5)	2
Siri S. Marshall(3)	60,000(4)	18,833		
R. Ian Molson(3)	46,000	18,833		
Stephen E. O Neil(3)	56,000	18,833		
Richard Ravitch(3)(6)	5,000	18,833		

(1) Mr. Foster and Mr. Berkowitz were not paid any compensation for their service as a director during 2009 nor did they have any stock awards or options outstanding as of December 31, 2009.

(2) Represents the grant date fair value of the stock options to purchase 7,500 shares of commo awarded on August 4, 2009 to certain of our directors, which were the only stock options gr to our directors in the fiscal year ended December 31, 2009. The assumptions and methodol used to calculate these amounts are discussed in Notes 2 and 9 in the Notes to Financial Statements contained in the Form 10-K. See also our discussion under Item 7 Managemen Discussion and Analysis of Financial Condition and Results of Operations Critical Accoun Policies and Use of Estimates Stock-Based Compensation in the Form 10-K.

(3) As of December 31, 2009, the following directors named in the table above had outstanding stock awards for the following number of shares: Dr. Hochschuler, 14,437 shares; Mr. Molson, 10,827 shares; and Mr. O Neil, 10,827 shares. As of December 31, 2009, the following directors named in the table above had outstanding stock options to purchase the following number of shares: Mr. Desai, 30,000 shares; Mr. Glynn, 30,000 shares; Dr. Hochschuler, 200,000 shares; Ms. Marshall, 22,500 shares; Mr. Molson, 22,500 shares; Mr. O Neil, 22,500 shares; and Mr. Ravitch, 30,000 shares.

(4) Includes $30,000 for Mr. Glynn and $40,000 for Ms. Marshall for service on the Special Committee for the Scient x acquisition.

(5) All other compensation consists of consulting fees paid to Dr. Hochschuler (See Certain Relationships and Related Transactions, and Director Independence).

(6) Mr. Ravitch resigned from our Board of Directors effective September 24, 2009.

As of April 25, 2007, the Board approved the following compensation program for our indep directors in which (i) upon election to the Board, each independent director (excluding N

Molson and O Neil) shall be granted nonqualified options to purchase 15,000 shares of our
stock; (ii) on the first business day following the annual meeting each year, each independent
that has served on the Board for at least six months prior to such date shall be granted nonqu
options to purchase 7,500 shares of our common stock; (iii) upon election to the Boar
independent director (excluding Messrs. Molson and O Neil) shall receive a cash payment of
(iv) each independent director (including Messrs. Molson and O Neil) shall receive a cash pa
$2,000 per meeting for attendance in person at Board meetings (and committee meetings); (
independent director (including Messrs. Molson and O Neil) shall receive a cash payment o
per meeting for attendance at telephonic Board meetings (and committee meetings); and (v
independent director (including Messrs. Molson and O Neil) shall receive an annual $10,

payment for serving as Chairman of a Board committee (provided that such person was in atte as Chairman for at least two-thirds of the meetings of such committee). The nonqualified optio over a three-year period, and become vested immediately upon a change in control or a substantially all of our assets. Each of our directors is reimbursed for expenses incurred in con with attendance at the meetings of our Board and committees of the

On August 4, 2009, Messrs. Glynn, Desai, Molson, O Neil and Ms. Marshall each re nonqualified stock option grant of 7,500 shares of our common stock at an exercise of $4.45 pe as consideration for their service on our Board pursuant to the above compensation progra options vest over a three-year period, and become vested immediately upon a change in cont sale of substantially all of our assets and expire ten years from the gra

Equity Compensation Plan Infor

The following table provides certain aggregate information with respect to all of our compensation plans in effect as of December 31

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securit Remaining Availa for Future Issuan Under Equity Compensation Pla (excluding securit reflected in column (a)) (c)
Equity compensation plans approved by security holders(1)	3,242,908(2)	$ 3.76	1,486,(
Equity compensation plans not approved by Security holders			
Total	3,242,908(2)	$ 3.76	1,486,(

(1) This plan consists of our Amended and Restated 2005 Employee, Director and Consultant S Plan.

(2) Excludes 520,254 shares of restricted stock awards issued and unvested as of December 31,

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COMPENSATION COMMITTEE REPORT

The Compensation Committee of our Board of Directors has reviewed and discus
Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K w
management. Based on this review and discussion, the Compensation Committee has recomme
the Board of Directors that the Compensation Discussion and Analysis be included in thi
Statement on Schedul

MEMBERS OF THE COMPENSATION COMM

Stephen E. O Neil (C

R. Ian

REPORT OF AUDIT COMMITTEE FOR THE YEAR ENDED DECEMBER 31, 20

The Audit Committee of the Board, which consists entirely of directors who meet the indepe
and experience requirements of the rules promulgated by the Securities and Exchange Com
and The NASDAQ Stock Market has furnished the following

The Audit Committee assists the Board in overseeing and monitoring the integrity of our fi
reporting process, compliance with legal and regulatory requirements and the quality of inte
external audit processes. This committee s role and responsibilities are set forth in its charte
by the Board, which is available on our website at *www.alphatecspine.com*. This committee
and reassesses its charter annually and recommends any changes to the Board for approval. Th
Committee is responsible for overseeing our overall financial reporting process, and
appointment, compensation, retention, and oversight of the work of Ernst & Young LLP. In fu
its responsibilities for the financial statements for fiscal year ended December 31, 2009, th
Committee took the following

Reviewed and discussed the audited financial statements for the fiscal year ended December 31, 2009 with management and Ernst & Young LLP, our independent audito

Discussed with Ernst & Young LLP the matters required to be discussed by Statement
Auditing Standards No. 61, as amended, as adopted by the Public Company Accountin
Oversight Board in Rule 3200T, relating to the conduct of the audit; and

Received written disclosures and the letter from Ernst & Young LLP regarding its
independence as required by PCAOB Ethics and Independence Rule 3256, Communi
with Audit Committee Concerning Independence. The Audit Committee further discu
with Ernst & Young LLP their independence. The Audit Committee also considered th
of pending litigation, taxation matters and other areas of oversight relating to the financ
reporting and audit process that the committee determined appropriate.

Based on the Audit Committee s review of the audited financial statements and discuss
management and Ernst & Young LLP, the Audit Committee recommended to the Board
audited financial statements be included in our Annual Report on Form 10-K for the fiscal yea
December 31, 2009 for filing with the Securities and Exchange Comm

MEMBERS OF THE AUDIT COMM

James R. Glynn (Ch

R. Ian

Stephen E

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Our records reflect that all reports which were required to be filed pursuant to Section 16(a Exchange Act were filed on a timely basis, except that one initial report of ownership was filed HGP II, LLC and 15 reports, in the aggregate, of a change in beneficial ownership were filed each of the following: Messrs. Kuyper (four reports regarding four transactions), Lubisch reports regarding two transactions), Stott (two reports regarding two transactions), Garner (two regarding two transactions), Timm (two reports regarding two transactions), Wulff (one regarding one transaction), Molson (one report regarding one transaction) and Hochschuler (one regarding one transa

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Agreements with our Officers, Directors and Principal Shareh

For the year ended December 31, 2009, we incurred costs of $0.2 million related to reimburser travel expenses to Foster Management Company and HealthpointCapital, LLC., including reimbursement of Foster Management Company s airplane. Foster Management Company is owned by John H. Foster, a member of our Board. Based upon a competitive analysis of com leased aircraft, our Board determined that the hourly reimbursement rate is at or below mark for the charter of similar a

In 2005, we and Alphatec Spine entered into an agreement with Dr. Stephen H. Hochschul became one of our directors in October 2006, pursuant to which Dr. Hochschuler agreed to s the Chairman of our Scientific Advisory Board. Pursuant to the agreement we pay Dr. Hochschu attending Scientific Advisory Board meetings and he received equity compensation in connecti the agreement. In October 2006, we and Alphatec Spine entered into a Consulting Agreeme Dr. Hochschuler. Pursuant to the terms of the agreement, we agreed to appoint Dr. Hochschule and Alphatec Spine s Board of Directors until the next annual meeting of each of its stockh until his successor is duly appointed and qualified. Pursuant to the agreement, Dr. Hochsc required to provide advisory services to us related to the spinal implant industry and our resea development strategies. The agreement had an initial term of three years, and in October automatically renewed for an additional year. The agreement will continue to automatically each year unless it is terminated prior to its automatic renewal date in October. In return f advisory services, we paid Dr. Hochschuler cash and equity compensation. In 2009, we aggregate of $0.2 million to Dr. Hochschuler pursuant to these agree

In 2009, we incurred costs of $0.2 million for legal services paid on behalf of HealthpointCa connection with a litigation matter in which both we and HealthpointCapital were na defe

In June 2009, we entered into a subscription agreement with HealthpointCapital Partners I pursuant to which we sold 3,937,007 shares of our common stock at a price of $2.54 per sh private placement to HealthpointCapital Partners II, L.P. for an aggregate purchase p approximately $10.0 r

In November 2009, the Company purchased the Connecticut residence owned by Jens Peter our Vice President, R&D. The purchase was transacted at a third-party appraised price of $0.4 r The Company subsequently engaged a real-estate firm to manage and sell the property. The Co incurred expenses related to the sale of the property of $0.1 r

Acquisition of Scient x and Related Agre

On March 26, 2009, we acquired 100% of the outstanding shares of Scient x S.A., or Scient medical device company based in France that designs, develops and manufacturers surgical in to treat disorders of the spine. The transaction, which we refer to as the Share Purchase, was str as an all stock transaction such that 100% of outstanding Scient x stock was exchanged purs fixed ratio for 24,000,000 shares of our common stock. The consideration paid for the 1

outstanding Scient x stock was 23,730,644, which reflected a reduction in the 24,000,00
calculated at the closing in exchange for our payı

certain fees and expenses incurred by HealthpointCapital Partners, L.P. and Healthpoint
Partners II, L.P., which we otherwise refer to collectively as HealthpointCapital, in connectio
the Share Purchase. Alphatec shareholders who owned shares of our capital stock prior to th
Purchase own approximately 69% of the combined company and approximately 31% is ow
former Scient x shar

Prior to the Share Purchase, HealthpointCapital and their affiliates in the aggregate held approxi
39.5% of the shares of our common stock and approximately 94.8% of the shares of Scien
February 1, 2010. Accordingly, they received shares of our common stock in connection w
Share Purchase proportional to their ownership interests in Scient x. Five of our directors, M
Berkowitz III, John H. Foster, R. Ian Molson, Stephen E. O Neil and Stephen H. Hochschul
are beneficial owners of or affiliated with HealthpointCapital, LLC, which is the ultimate pa
HealthpointCapital, and Messrs. Berkowitz, Foster and Molson are also directors of either Sci
any affiliate of Scient x. Following the Share Purchase, HealthpointCapital, collective
approximately 38.2% of our common stock based on shares outstanding as of June 15

In connection with the Share Purchase, we entered into a corporate governance agreeme
HealthpointCapital, pursuant to which HealthpointCapital has agreed generally not to, dir
indirectly, and subject to certain exceptions, effect, seek, offer or propose to effect or partic
any arrangement or scheme to acquire any of our securities, to join any group regardi
transaction to acquire our securities, or to make any public announcement with respect to, or su
unsolicited proposal for or offer of (with or without condition), any extraordinary tran
involving us or our securities or assets. However, HealthpointCapital may make a propos
independent committee of our board of directors with respect to certain of these transactions,
as any such proposal is not publicly disclosed. HealthpointCapital has further agreed that if it b
aware that it beneficially owns more than a permitted number of our shares set forth in the agre
then it shall promptly take all action necessary to reduce the number of beneficially owned sh
the aggregate to a permitted number of

HealthpointCapital has also agreed that it will not transfer or permit any of its affiliates or ass
to transfer any of its shares, except for transfers where no transferee would beneficially own mo
the number of shares beneficially owned by HealthpointCapital as of the date of the agre
transfers to its controlled affiliates, provided that such affiliate becomes a signatory to the agre
transfers pursuant to a tender or exchange offer, merger or other business combination appro
the board of directors, transfers approved by an independent committee of the board of direc
transfers to its limited or general partners, if, as a result, no transferee would beneficially ow
than the number of shares held by HealthpointCapital as of the date of the corporate gove
agre

In connection with the closing of the Share Purchase, we entered into a registration rights agr
with HealthpointCapital and the other Scient x shareholders, which we refer to collective
Registration Rights Holders, pursuant to which the Registration Rights Holders have regi
rights with respect to the shares issued in the Share Purchase and any other of our shares held b
stockholders that constitute restricted securities under Rule 144 of the Securities Act, whic
to as the Registrable

Pursuant to the registration rights agreement, the Registration Rights Holders have dema
piggy-back registration rights with respect to the Registrable Shares. At any time after June 24
HealthpointCapital may demand that we register all or a portion of the Registrable Shares
under the Securities Act, so long as the market value of such securities on the date of such requ
least $10 million or represent 3% of the total outstanding shares of our common stock. We wil
the registration as requested, unless disinterested members of our board of directors determi
such registration would materially interfere with any pending or contemplated acquisition, dive
financing, registered primary offering or other transaction, or would be materially detriment
and our stockholders, in which case we will have the right to defer such registration for a perio
to 6

In addition, if at any time we register any shares of our capital stock, other than in connectio
(i) a registration pursuant to an exercise of demand rights described above, (ii) a registration r
solely to a business combination or merger involving us, (iii) a registration relating solely
employee benefit plans, (iv) a registration relating to our reorganization or other transactio
Rule 145 of the Securities Act, or (v) any registration on any form that does not include subst
the same information as would be required to be included in a registration covering the
Registrable Securities, the Registration Rights Holders are entitled to notice of the registration
include all or a portion of their Registrable Shares in the regis

A holder s right to demand or include Registrable Shares in a registration is subject to the rig
underwriters to limit the number of shares included in the o

Subject to certain exceptions and provided our officers and directors enter into similar agreem
connection with a piggy-back registration, the Registration Rights Holders have agreed that th
not effect any public sale or distribution of our common stock, enter into a transaction which
have the same effect, or enter into any swap, hedge, or other arrangement that transfers, in who
part, any economic consequences of ownership of such securities, or publicly disclose the inter
make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, h
other arrangement, during the 10 days prior to and the 90 days after the effective time
underwritten piggy-back registration in which any of such Registration Rights Holder s Re
Shares are in

The registration rights agreement contains customary provisions allocating rights and responsi
and obligating us and the Registration Rights Holders to indemnify each other against
liabilities arising from any registration of sec

Related Party Transaction P

Our officers, directors and affiliates are required to obtain Audit Committee approval for any pr
related party transactions. In addition, our code of conduct requires that each director, offi
employee must do everything he or she reasonably can to avoid conflicts of interest or the appe
of conflicts of interest. The code of conduct states that a conflict of interest exists when an indi
private interest interferes in any way with our interests and sets forth a list of broad categorie
types of transactions that must be reported to our compliance officer. Under the code of cond
reserve the right to determine when an actual or potential conflict of interest exists and then
any action we deem appropriate to prevent the conflict of interest from occ

Director Indepe

Our Board has determined that the following members of the Board qualify as independent d
under the current independence standards promulgated by the Securities and Exchange Comm
and The NASDAQ Stock Market: R. Ian Molson, Stephen E. O Neil, James R. Glynn, Rohit M
and Siri S. M

PROPOSALS TO BE VOTED UPON BY STOCKHOLDERS

ELECTION OF DIRECTORS

(Notice Item 1)

On April 22, 2010, the Board of Directors nominated Mortimer Berkowitz III, John H. Foster Molson, Stephen E. O Neil, Stephen H. Hochschuler, M.D., James R. Glynn, Rohit M. De Kuyper and Siri S. Marshall for election at the Annual Meeting. If they are elected, they will s our Board of Directors for a term of one year until the next annual meeting of stockholders a their respective successors have been duly elected and qualified, or until their earlier d resig

Unless authority to vote for any of these nominees is withheld, the shares represented by the e proxy will be voted **FOR** the election as directors of Mortimer Berkowitz III, John H. Foster Molson, Stephen E. O Neil, Stephen H. Hochschuler, M.D., James R. Glynn, Rohit M. De Kuyper and Siri S. Marshall. In the event that either nominee becomes unable or unwilling to the shares represented by the enclosed proxy will be voted for the election of such other perso Board of Directors may recommend in his/her place. We have no reason to believe that any n will be unable or unwilling to serve as a d

A plurality of the shares voted affirmatively or negatively at the Annual Meeting is required each nominee as a d

The board of directors recommends the election of Mortimer Berkowitz III, John H. R. Ian Molson, Stephen E. O Neil, Stephen H. Hochschuler, M.D., James R. Glynn, Desai, Dirk Kuyper and Siri S. Marshall as directors, and proxies solicited by the b directors will be voted in favor thereof unless a stockholder has indicated otherwise

INDEPENDENT PUBLIC ACCOUNTANTS

(Notice Item 2)

The Audit Committee has appointed Ernst & Young LLP, independent public accountants, to au financial statements for the fiscal year ending December 31, 2010. The Board of Directors pr that the stockholders ratify this appointment. Ernst & Young LLP audited our financial stateme the fiscal year ended December 31, 2009. We expect that representatives of Ernst & Young LL be present at the Annual Meeting, will be able to make a statement if they so desire, and available to respond to appropriate que

The following table presents fees for professional audit services rendered by Ernst & Young, L the audit of our annual financial statements for the years ended December 31, 2009 and Decem 2008, and fees billed for other services rendered by Ernst & Young, LLP during those p

	Fiscal Year 2009	Fisca 2
Audit fees(1)	$ 894,532	$ 9
Audit-related fees(2)	109,000	
Tax fees(3)	38,117	
Total	$ 1,041,649	$ 1,0

(1) Audit Fees represent professional services provided in connection with the audit of our finan statements, review of our quarterly financial statements, and audit services in connection wi other regulatory filings. The 2009 fees include $17,600 in accounting consultations billed as services.

(2) Audit-related Fees consist of fees for services provided in the indicated year for assurance a related services that are reasonably related to the performance of the audit or review of finan statements, but not listed as Audit Fees. The total 2009 audit related fees were for due di accounting consultations and other services provided in connection with our acquisition of Scient x.

(3) Tax Fees represent professional services provided in connection with Section 382 tax compl and $13,917 of pre-acquisition tax structuring activities in connection with our acquisition o Scient x.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Serv Independent Au

Consistent with Securities and Exchange Commission s policies regarding auditor independe Audit Committee has responsibility for appointing, setting compensation and overseeing the w our independent public accountant. In recognition of this responsibility, the Audit Commit established a policy to pre-approve all audit and permissible non-audit services provided independent public acco

Prior to engagement of our independent public accountant for the next year s audit, managem submit an aggregate of services expected to be rendered during that year for each of four catego services to the Audit Committee for ap

1. ***Audit*** services include audit work performed in the review of financial statements, as well a
that generally only an independent public accountant can reasonably be expected to provide, inc
comfort letters, statutory audits, and attest services and consultation regarding financial acco
and/or reporting sta

2. ***Audit-Related*** services are for assurance and related services that are traditionally performed
independent public accountant, including due diligence related to mergers and acquisitions, em
benefit plan audits, and special procedures required to meet certain regulatory require

3. ***Tax*** services include all services performed by an independent public accountant s tax p
except those services specifically related to the audit of the financial statements, and includes
the areas of tax compliance, tax planning, and tax

4. ***Other Fees*** are those associated with services not captured in the other categories. We gener
not request such services from our independent public acco

Prior to engagement, the Audit Committee pre-approves these services by category of servi
fees are budgeted and the Audit Committee requires our independent public account
management to report actual fees versus the budget periodically throughout the year by cate
service. During the year, circumstances may arise when it may become necessary to eng
independent public accountant for additional services not contemplated in the original pre-appro
those instances, the Audit Committee requires specific pre-approval before engaging our indep
public accountant. The Audit Committee may delegate pre-approval authority to one or mor
members. The member to whom such authority is delegated must report, for informational pu
only, any pre-approval decisions to the Audit Committee at its next scheduled m

In the event the stockholders do not ratify the appointment of Ernst & Young LLP as our indep
public accountants, the Audit Committee will reconsider its appoi

The affirmative vote of a majority of the votes cast affirmatively or negatively for this proposa
Annual Meeting is required to ratify the appointment of the independent public accou

**The board of directors recommends a vote to ratify the appointment of Ernst & Young I
independent public accountants, and proxies solicited by the board of directors will be v
favor of such ratification unless a stockholder indicates otherwise on the**

CODE OF CONDUCT AND ETHICS

We have adopted a code of conduct that applies to all of our employees, including our Chief Ex Officer and Chief Financial Officer. The text of the code of conduct is posted on our we *www.alphatecspine.com* and is available to stockholders without charge, upon request, in wr our General Counsel and Secretary, Ebun S. Garner, Esq., c/o Alphatec Holdings, Inc., at 5 Camino Real, Carlsbad, CA 92008. Disclosure regarding any amendments to, or waiver provisions of the code of conduct that apply to our directors, principal executive and financial will be included in a Current Report on Form 8-K within four business days following the date amendment or waiver, unless website posting of such amendments or waivers is then permitted rules of The NASDAQ Stock

OTHER MATTERS

The Board of Directors knows of no other business that will be presented to the Annual Mee any other business is properly brought before the Annual Meeting, proxies in the enclosed fo be voted in accordance with the judgment of the persons voting the p

STOCKHOLDER PROPOSALS AND NOMINATIONS FOR DIRECTORS

To be considered for inclusion in the proxy statement relating to our 2011 **a**nnual mee stockholders, stockholder proposals must be received no later than February 28, 2011, which days prior to the date that is one year from this year s mailing date of June 28, 2010. To be co for presentation at the annual meeting of stockholders to be held in 2011, stockholder proposa be received no later than May 14, 2011 or earlier than April 14, 2011. Proposals received af date will not be voted on at the annual meeting. If a proposal is timely received, the prox management solicits for the meeting may still exercise discretionary voting authority on the p under circumstances consistent with the proxy rules of the SEC. All stockholder proposals sh marked for the attention of Secretary, Alphatec Holdings, Inc., 5818 El Camino Real, Carlsb

Carlsb

June 2

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as am (other than exhibits thereto) filed with the SEC, which provides additional information ab is available on the Internet at *www.alphatecspine.com* and is available in paper form to ben owners of our common stock without charge upon written request to Peter C. Wulff Financial Officer, Vice President and Treasurer, Alphatec Holdings, Inc., 5818 El Camino Carlsbad, CA

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APPENDIX A

ALPHATEC HOLDINGS, INC.

5818 EL CAMINO REAL

CARLSBAD, CA 92008

PROXY FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JULY 28, 2010

The undersigned, revoking any previous proxies relating to these shares, hereby acknowledges of the Notice and Proxy Statement, dated June 21, 2010, in connection with the annual meetin held at the offices of HealthpointCapital Partners, LP, which are located at 505 Park Avenu Floor, New York, NY 10022, at 2:00 p.m., Eastern Standard Time, on Wednesday, July 28, 20 hereby appoints Ebun S. Garner, Esq. (with full power to act alone), as the attorney and prox undersigned, with power of substitution, to vote all shares of the Common Stock of A Holdings, Inc. registered in the name provided herein, which the undersigned is entitled to vot 2010 Annual Meeting of Stockholders, and at any adjournments thereof, with all the pow undersigned would have if personally present. Without limiting the general authorization given, said proxy is instructed to vote or act as follows on the proposals set forth in this

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MA DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF THIS PROXY IS SI AND RETURNED WITHOUT SPECIFIC DIRECTION, THIS PROXY WILL BE VOTE PROPOSALS 1 A

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 1 AN

PROPOSAL 1 Election of the following nominees as directors of the Company to serve until next annual meeting of stockholders and until their respective successors have elected and qualified, or until their earlier death, resignation or removal.

Nominees: John H. Foster, Mortimer Berkowitz III, R. Ian Molson, Stephen E O Neil, Stephen H. Hochschuler, M.D., James R. Glynn, Rohit M. Desai, Di Kuyper and Siri S. Marshall.

¨ **FOR ALL NOMINEES**

¨ **WITHHELD FOR ALL NOMINEES**

¨ **FOR ALL NOMINEES, except vote withheld from the following nominee(s) (please list below):**

PROPOSAL 2	Ratification of the selection of Ernst & Young, LLP, to serve as the Company independent registered public accounting firm for the fiscal year ending December 31, 2010.

FOR [ ]   AGAINST [ ]   ABSTAIN [ ]

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In their discretion, the proxies are authorized to vote upon such other matters as may properl
before the meeting or any adjournments thereof. If you wish to vote in accordance v
recommendations of the board of directors, just sign below. You need not mark any

Please sign below. When signing as attorney or as an executor, administrator, trustee or gu
please give full title as such. If a corporation, please sign in full corporate name by an auth
official. If a partnership, please sign in partnership name by authorized

Date:

Signature

KINDLY SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOS
ENVELOPE IF YOU ARE NOT PLANNING TO ATTEND THE ANNUAL MEETING. IF
DO ATTEND AND WISH TO VOTE PERSONALLY, YOU MAY REVOKE YOUR PROX
ANY TIME BEFORE IT IS EXERCISED.

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