WRIGHT MEDICAL GROUP INC
Form 424B5
November 20, 2007

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Convertible Senior Notes due 2014	200,000,000 (1)(2)	100%	$200,000,000 (1)(2)	$6,140 (3)
Common stock, par value $.01 per share	N/A (4)	N/A (4)	N/A (4)	N/A (5)

(1) Equals the aggregate principal amount of Convertible Senior Notes due 2014 to be registered hereunder. These amounts are estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended (the Securities Act).

(2) Includes $25,000,000 in aggregate principal amount of Convertible Senior Notes due 2014 that may be offered and sold pursuant to the exercise in full of the underwriters option to cover over-allotments.

(3) Calculated pursuant to Rule 457(o) under the Securities Act.

(4) Pursuant to Rule 416 under the Securities Act, the registrant is also registering an indeterminate number of shares of common stock as may become issuable upon conversion by reason of adjustments in the conversion price. No additional registration fee is required pursuant to Rule 457(i) under the Securities Act.

(5) Pursuant to Rule 457(i) under the Securities Act, no separate registration fee is required for the shares of common stock underlying the Convertible Senior Notes due 2014 because no additional consideration is to be received in connection with the exercise of the conversion privilege.

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Filed Pursuant to Rule 424(B)5
Registration No. 333-147487

Prospectus

Wright Medical Group, Inc.

$175,000,000
2.625% Convertible Senior Notes due 2014

Interest payable June 1 and December 1

Issue price: 100%

Holders may convert their 2.625% Convertible Senior Notes due 2014 into shares of our common stock at the conversion rate of 30.6279 shares per $1,000 principal amount of notes (which is equal to an initial conversion price of approximately $32.65 per share of common stock), subject to adjustment, at any time on or prior to the close of business on the business day immediately preceding the maturity date for the notes. If a holder elects to convert its notes in connection with a make-whole fundamental change (as defined in this prospectus), we will, in certain circumstances, pay a make-whole premium by increasing the conversion rate for notes converted in connection with such make-whole fundamental change.

Beginning on December 6, 2011, we may redeem for cash the notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to but excluding the redemption date, if the closing sale price of our common stock has exceeded 140% of the conversion price for at least 20 trading days in any consecutive 30-day trading period ending on the trading day prior to the date of mailing of the notice of redemption. If we experience a fundamental change, holders may require us to purchase for cash all or a portion of the notes, at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest, if any, to the fundamental change purchase date.

The notes will be our unsecured senior obligations and will rank equally with all of our other senior indebtedness. For a more detailed description of the notes, see Description of Notes beginning on page 28.

See Risk Factors beginning on page 6 of this prospectus to read about risk factors you should consider before buying the notes.

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

	Price to public[1]	Underwriting discounts and commissions	Proceeds, before expenses
Per note	100%	3%	97%
Total	$ 175,000,000	$ 5,250,000	$ 169,750,000

(1) Plus accrued interest, if any, from November 26, 2007.

The notes will not be listed on any securities exchange nor be included in any automatic quotation system. Our common stock is listed on The Nasdaq Global Select Market under the symbol WMGI. On November 19, 2007, the last reported sale price of our common stock was $26.12 per share.

We have granted the underwriters the right to purchase up to an additional $25,000,000 principal amount of the notes, solely to cover over-allotments.

The underwriters expect to deliver the notes to purchasers through the book-entry delivery system of The Depository Trust Company on or about November 26, 2007.

Sole Book-Running Manager

JPMorgan

Co-Managers

Piper Jaffray **Wachovia Securities**

November 19, 2007

You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different or additional information. We are not, and the underwriters are not, making an offer to sell any security in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in this prospectus and in the documents incorporated herein by reference is accurate only as of their respective dates. Our financial condition, results of operations, business and prospects may have changed since those dates.

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Wright Medical Group, Inc. is a Delaware corporation. Our principal executive offices are located at 5677 Airline Road, Arlington, Tennessee 38002 and our telephone number at that address is (901) 867-9971. Our website is located at http://www.wmt.com. The content of our website is not part of this prospectus, and prospective purchasers of the securities should not rely on any information contained therein in connection with their investment decision to acquire securities. Our website address is included as an inactive textual reference only.

The information contained or incorporated by reference in this prospectus was obtained from us and other sources that we believe are reliable. We cannot assure you that information provided by other sources is complete and accurate.

This prospectus is not an offer to sell, or the solicitation of an offer to buy, the securities in any jurisdiction where the offer or sale is not permitted.

The offer of the securities may be withdrawn at any time before the closing and is specifically made subject to the terms described in this prospectus, the underwriting agreement and the indenture.

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Cautionary note regarding forward-looking statements

This prospectus and the documents incorporated by reference herein include forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Forward-looking statements reflect management s current knowledge, assumptions, beliefs, estimates and expectations and express management s current views of future performance, results and trends and may be identified by their use of terms such as anticipate, believe, could, estimate, expect, intend, may, plan, predict, project, terms in this prospectus. Actual results might differ materially from those described in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, including the factors discussed in this prospectus and our filings with the Securities and Exchange Commission, or the Commission (including those described in Item 1A of our annual report on Form 10-K for the year ended December 31, 2006, and elsewhere in our quarterly reports), which could cause our actual results to materially differ from those described in the forward-looking statements. Although we believe that the forward-looking statements are accurate, there can be no assurance that any forward-looking statement will prove to be accurate. A forward-looking statement should not be regarded as a representation by us that the results described therein will be achieved. Readers should not place undue reliance on any forward-looking statement. The forward-looking statements are made as of the date of this prospectus, and we assume no obligation to update any forward-looking statement after this date.

You should read carefully the section of this prospectus under the heading Risk Factors beginning on page 6.

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Summary

This summary contains basic information about us, the notes and this offering. Because this is a summary, it does not contain all of the information you should consider before investing in the notes. You should carefully read this summary together with the more detailed information and financial statements and notes thereto contained elsewhere or incorporated by reference in this prospectus. To fully understand this offering, you should read all of these documents.

Our company

We are a global orthopedic medical device company specializing in the design, manufacture and marketing of reconstructive joint devices and biologics products. Reconstructive joint devices are used to replace knee, hip and other joints that have deteriorated through disease or injury. Biologics are used to replace damaged or diseased bone, to stimulate bone growth and to provide other biological solutions for surgeons and their patients. We have been in business for over 50 years and have built a well-known and respected brand name and strong relationships with orthopedic surgeons.

Our corporate headquarters and U.S. operations are located in Arlington, Tennessee, where we conduct our domestic research and development, manufacturing, warehousing and administrative activities. Outside the United States, we have research, distribution and administrative facilities in Milan, Italy; distribution and administrative facilities in Amsterdam, the Netherlands; and sales and distribution offices in Canada, Japan and throughout Europe. We market our products in over 60 countries through a global distribution system that consists of a sales force of approximately 820 individuals who promote our products to orthopedic surgeons and hospitals. At the end of 2006, we had approximately 340 independent distributors and sales associates in the United States, and approximately 480 sales representatives internationally who were employed through a combination of our stocking distribution partners and direct sales offices.

We were incorporated in November 1999, as a Delaware corporation, and had no operations until December 1999, when we acquired majority ownership of our predecessor company, Wright Medical Technology, Inc., in a recapitalization, and immediately thereafter acquired Cremascoli Ortho Holding, S.A., an orthopedic medical device company headquartered in Toulon, France. In 2001, we sold 7,500,000 shares of common stock in our initial public offering, which generated $84.8 million in net proceeds. In 2002, we sold 3,450,000 shares of common stock in a secondary offering which generated $49.5 million in net proceeds. In April 2007, we announced the acquisition of the foot and ankle reconstruction assets of Darco International, Inc. (Darco) and the external fixation assets of R&R Medical, Inc. (R&R Medical). In October 2007, we announced the acquisition of the subtalar implant product assets of Koby Ventures Ltd. d/b/a MetaSurg (MetaSurg). Each of these acquisitions adds key products to our extremities business.

Principal products

We primarily sell reconstructive joint devices and biologics products. Our reconstructive joint device sales are derived from three primary product lines: knees and hips, collectively referred to as our reconstructive large joint business, and extremities. Our biologics sales are derived from a broad portfolio of products designed to stimulate and augment the natural regenerative

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capabilities of the human body. We also sell orthopedic products not considered to be part of our knee, hip, extremity or biologics product lines.

Our hip joint reconstruction product portfolio provides offerings in the areas of bone-conserving implants, total hip reconstruction, revision replacement implants and limb preservation. Our hip joint products include the CONSERVE® family of products, the PROFEMUR® Hip System, the DYNASTY® Acetabular System, the LINEAGE® Acetabular System, the ANCA-FIT™ Hip System and the PERFECTA® Hip System.

Our knee reconstruction products position us well in the areas of total knee reconstruction, revision replacement implants and limb preservation products. Our principal knee product is the ADVANCE® Knee System.

We offer extremity products for the hand, wrist, elbow, shoulder, foot and ankle in a number of markets worldwide. Our principal extremity products include the EVOLVE® Modular Radial Head system, the CHARLOTTE™ Foot and Ankle System, the LOCON-T® and LOCON-VLS® Distal Radius Plating Systems, and the MICRONAIL® intramedullary wrist fracture repair system. We also sell the Swanson line of finger and toe joint replacement products and the ORTHOSPHERE® Carpometacarpal Implant for repair of the basal thumb joint.

Our biologics products focus on biological musculoskeletal repair and include synthetic and human tissue-based materials. Our principal biologics products include the GRAFTJACKET® soft tissue repair and containment membranes, the ALLOMATRIX® line of injectable tissue-based bone graft substitutes, the OSTEOSET® synthetic bone graft substitute and the PRO-DENSE® and MIIG® product lines of minimally invasive injectable synthetic bone grafts.

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The offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the notes, see Description of Notes in this prospectus. In this Offering section, the terms the Company, we, us or our refer to Wright Medical Group, Inc. and not to its subsidiaries.

Issuer	Wright Medical Group, Inc.
Notes Offered	$175,000,000 principal amount of 2.625% Convertible Senior Notes due 2014 (plus up to an additional $25,000,000 principal amount of the notes solely to cover over-allotments).
Maturity Date	The notes will mature on December 1, 2014, unless earlier redeemed, purchased or converted.
Interest and Payment Dates	2.625% per year on the principal amount accruing from November 26, 2007, and payable semiannually in arrears in cash on June 1 and December 1 of each year, beginning June 1, 2008.
Conversion Rights	Holders may surrender their notes for conversion into shares of our common stock at the conversion rate, subject to adjustment, at any time on or prior to the close of business on the business day immediately preceding the maturity date for the notes. The initial conversion rate for the notes is 30.6279 shares of our common stock per $1,000 principal amount of notes. This is equivalent to an initial conversion price of approximately $32.65 per share of our common stock. Upon any conversion, subject to certain exceptions, you will not receive any cash payment or additional common stock representing accrued and unpaid interest, including additional interest, if any. Such interest will be deemed to be paid in full, rather than cancelled, extinguished or forfeited. See Description of Notes Conversion Rights. Holders who convert their notes in connection with a make-whole fundamental change, as defined herein, may be entitled to a make-whole premium in the form of an increase in the conversion rate for notes converted in connection with such make-whole fundamental change. See Description of Notes Conversion Rate Adjustments Adjustment to Shares Delivered Upon Conversion Upon a Make-Whole Fundamental Change.
Redemption	We may redeem the notes, in whole or in part, for cash at any time beginning on December 6, 2011, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, if the last reported sale price of our common stock has exceeded 140% of the conversion price for at least 20 trading days in

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	any consecutive 30-day trading period ending on the trading day prior to the date of mailing of the notice of redemption. See Description of Notes Redemption.
Fundamental Change Purchase	If we undergo a fundamental change (as defined in this prospectus under Description of Notes Fundamental Change Permits Holders to Require Us to Purchase Notes), subject to certain conditions, you will have the option to require us to purchase all or any portion of your notes for cash. The fundamental change purchase price will be 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest, to, but excluding, the fundamental change purchase date.
Ranking	The notes will be our general, senior unsecured obligations and will be effectively subordinated to all of our existing and future secured debt, to the extent of the assets securing such debt, and are structurally subordinated to all liabilities of our subsidiaries, including trade payables. The notes are structurally subordinated to our revolving credit facility, which is guaranteed by our domestic subsidiaries. At September 30, 2007, our $100,000,000 revolving credit facility had available borrowing capacity of $97,100,000, after considering outstanding letters of credit. The revolving credit facility can be increased by up to an additional $50,000,000 at our request and subject to the agreement of the lenders. We currently have no borrowings outstanding under the revolving credit facility. We expect from time to time to incur additional indebtedness and other liabilities. The indenture pursuant to which the notes are issued will not limit the amount of indebtedness that we or any of our subsidiaries may incur.
Use of Proceeds	We estimate that the net proceeds from this offering will be approximately $169.2 million, or approximately $193.5 million if the underwriters exercise their option in full to purchase additional notes, in each case, after deducting underwriting discounts and estimated offering expenses. We expect to use the net proceeds from this offering primarily for general corporate purposes, including for acquisitions from time to time.
Book-Entry Form	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company (DTC) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances described herein. See Description of Notes Global Notes; Book-Entry; Form.

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Form and Denomination	The notes will be issued in minimum denominations of $1,000 and any integral multiple thereof.
Absence of a Trading Market for the Notes	The notes will not be listed on any securities exchange nor included in any automated quotation system. The notes will be new securities for which there is currently no trading market, and we cannot guarantee that an active or liquid market will develop.
Nasdaq Symbol for Common Stock	Our common stock is listed on The Nasdaq Global Select Market under the symbol WMGI.
Trustee	The trustee for the notes is The Bank of New York.
Governing Law	The indenture and the notes will be governed by the laws of the State of New York.
Risk Factors	See Risk Factors and other information included or incorporated by reference in this prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.

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Risk factors

You should carefully consider the risks described below and all other information contained in this prospectus before making an investment decision. If any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are not material, actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the value of the notes or our common stock could decline, and you may lose part or all of your investment.

Risks related to our business

We are subject to substantial government regulation that could have a material adverse effect on our business.

The production and marketing of our products and our ongoing research and development, preclinical testing and clinical trial activities are subject to extensive regulation and review by numerous governmental authorities both in the United States and abroad. For further details on this process, see Business Government Regulation in our annual report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference. U.S. and foreign regulations govern the testing, marketing and registration of new medical devices, in addition to regulating manufacturing practices, reporting, labeling and recordkeeping procedures. The regulatory process requires significant time, effort and expenditures to bring our products to market, and we cannot be assured that any of our products will be approved. Our failure to comply with applicable regulatory requirements could result in these governmental authorities:

- imposing fines and penalties on us;
- preventing us from manufacturing or selling our products;
- bringing civil or criminal charges against us;
- delaying the introduction of our new products into the market;
- recalling or seizing our products; or
- withdrawing or denying approvals or clearances for our products.

Even if regulatory approval or clearance of a product is granted, this could result in limitations on the uses for which the product may be labeled and promoted. Further, for a marketed product, its manufacturer and manufacturing facilities are subject to periodic review and inspection. Subsequent discovery of problems with a product, manufacturer or facility may result in restrictions on the product, manufacturer or facility, including withdrawal of the product from the market or other enforcement actions.

We are currently conducting clinical studies of some of our products under an investigational device exemption. Clinical studies must be conducted in compliance with United States Food and Drug Administration (FDA) regulations, or the FDA may take enforcement action. The data collected from these clinical studies will ultimately be used to support market clearance for these products. There is no assurance that the FDA will accept the data from these clinical studies or that it will ultimately allow market clearance for these products.

We are subject to various federal and state laws concerning health care fraud and abuse, including false claims laws, anti-kickback laws, and physician self-referral laws. Violations of

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these laws can result in criminal and/or civil punishment, including fines, imprisonment, and in the United States, exclusion from participation in government health care programs. The scope of these laws and related regulations are expanding and their interpretation is evolving. There is very little precedent related to these laws and regulations. Increased funding for enforcement of these laws and regulations has resulted in greater scrutiny of marketing practices in our industry and resulted in several government investigations by various government authorities. If a governmental authority were to determine that we do not comply with these laws and regulations, then we and our officers and employees, could be subject to criminal and civil sanctions, including exclusion from participation in federal health care reimbursement programs.

During the third quarter of 2007, as a result of a two year government investigation regarding potential financial inducements paid to surgeons, five of our competitors entered into deferred prosecution or non-prosecution agreements with the U.S. Department of Justice, and four of those companies entered into settlement agreements with the U.S. Department of Health and Human Services, Office of the Inspector General.

In order to market our product devices in the member countries of the European Union (EU), we are required to comply with the Medical Devices Directive and obtain CE mark certification. CE mark certification is the European symbol of adherence to quality assurance standards and compliance with applicable European Medical Device Directives. Under the Medical Devices Directive, all medical devices including active implants must qualify for CE marking. In August 2005, an EU Medical Devices Directive changed the classification of hip, knee and shoulder implants from class IIb to class III. The transition period for these changes began September 1, 2007. Upon reclassification to class III, manufacturers will be required to assemble significantly more documentation and submit it to the appropriate European regulatory authority for formal approval prior to affixing the CE mark to their product and packaging. We intend to comply with the Medical Devices Directive for all of our products manufactured and sold in the EU. However, there can be no assurance that our products will be approved for CE marking in a timely manner or at all.

Modifications to our marketed devices may require FDA regulatory clearances or approvals or require us to cease marketing or recall the modified devices until such clearances or approvals are obtained.

When required, the products we market in the United States have obtained premarket notification under Section 510(k) of the Food, Drug, and Cosmetic Act (FDC Act) or were exempt from the 510(k) clearance process. We have modified some of our products and product labeling since obtaining 510(k) clearance, but we do not believe these modifications require us to submit new 510(k) notifications. However, if the FDA disagrees with us and requires us to submit a new 510(k) notification for modifications to our existing products, we may be the subject of enforcement actions by the FDA and be required to stop marketing the products while the FDA reviews the 510(k) notification. If the FDA requires us to go through a lengthier, more rigorous examination than we had expected, our product introductions or modifications could be delayed or canceled, which could cause our sales to decline. In addition, the FDA may determine that future products will require the more costly, lengthy and uncertain premarket approval (PMA) application process. Products that are approved through a PMA application generally need FDA approval before they can be modified. See Business Government Regulation in our annual report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference.

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If market clearance is not obtained for launch of the CONSERVE® Plus System in the United States, growth of our hip product line could be impacted.

Our CONSERVE® Plus Resurfacing System is available outside the United States. There can be no assurance that the sale of our CONSERVE® Plus product in the United States will be cleared by the FDA in a timely manner or at all, which could have a significant impact on the future growth of our hip product line.

Our biologics business is subject to emerging governmental regulations that can significantly impact our business.

The FDA has statutory authority to regulate allograft-based products, processing and materials. The FDA has been working to establish a more comprehensive regulatory framework for allograft-based products, which are principally derived from cadaveric tissue. The framework developed by the FDA establishes criteria for determining whether a particular human tissue-based product will be classified as human tissue, a medical device or biologic drug requiring premarket clearance or approval. All tissue-based products are subject to extensive FDA regulation, including a requirement that ensures that diseases are not transmitted to tissue recipients. The FDA has also proposed extensive additional regulations that would govern the processing and distribution of all allograft products. Consent to use the donor s tissue must also be obtained. The regulations for allograft-based products are still developing. From time to time, the FDA reviews these products and may informally suggest to us how these products should be classified. If a human tissue-based product is considered human tissue, it does not require FDA clearance or approval before being marketed. If it is considered a medical device or biologic drug, then FDA clearance or approval may be required.

Additionally, our biologics business involves the procurement and transplantation of allograft tissue, which is subject to federal regulation under the National Organ Transplant Act (NOTA). NOTA prohibits the sale of human organs, including bone and other human tissue, for valuable consideration within the meaning of NOTA. NOTA permits the payment of reasonable expenses associated with the transportation, processing, preservation, quality control and storage of human tissue. We currently charge our customers for these expenses. In the future, if NOTA is amended or reinterpreted, we may not be able to charge these expenses to our customers and, as a result, our business could be adversely affected.

Our principal allograft-based biologics offerings include ALLOMATRIX®, GRAFTJACKET® and IGNITE® products.

If we fail to compete successfully in the future against our existing or potential competitors, our sales and operating results may be negatively affected and we may not achieve future growth.

The markets for our products are highly competitive and dominated by a small number of large companies. We may not be able to meet the prices offered by our competitors, or offer products similar to or more desirable than those offered by our competitors. See Business Competition in our annual report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference.

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If we lose one of our key suppliers, we may be unable to meet customer orders for our products in a timely manner or within our budget.

We rely on a limited number of suppliers for the components used in our products. Our reconstructive joint devices are produced from various surgical grades of titanium, cobalt chrome and stainless steel, various grades of high-density polyethylenes, silicone elastomer and ceramics. We rely on one source to supply us with a certain grade of cobalt chrome alloy and one supplier for the silicone elastomer used in our extremity products. We are aware of only two suppliers of silicone elastomer to the medical device industry for permanent implant usage. Additionally, we rely on one supplier of ceramics for use in our hip products.

In addition, for our biologics products, we presently depend upon a single supplier as our source for demineralized bone matrix (DBM) and cancellous bone matrix (CBM), and any failure to obtain DBM and CBM from this source in a timely manner will deplete levels of on-hand raw materials inventory and could interfere with our ability to process and distribute allograft products. During the remainder of 2007 and during 2008, we are expecting a single not-for-profit tissue bank to meet all of our DBM and CBM order requirements, a key component in the allograft products we currently produce, market and distribute. We cannot be sure that our supply of DBM and CBM will continue to be available at current levels or will be sufficient to meet our needs, or that future suppliers of DBM and CBM will be free from FDA regulatory action impacting their sale of DBM and CBM. Since there is a small number of suppliers, if we cannot continue to obtain DBM and CBM from our current source in volumes sufficient to meet our needs, we may not be able to locate replacement sources of DBM and CBM on commercially reasonable terms, if at all. This could have the effect of interrupting our business, which could adversely affect our sales. Further, we rely on one supplier for our GRAFTJACKET® family of soft tissue repair and graft containment products. Sales of our GRAFTJACKET® family of soft tissue repair products have grown to represent a significant portion of our total consolidated net sales. We currently have a dispute with the supplier of our GRAFTJACKET® family of soft tissue repair and graft containment products. In this dispute, we assert our contractual rights to future types of tissue products which are not currently part of our product offering. These future products may be competitive to our current products. The dispute is subject to binding arbitration. There can be no assurance that the present dispute will be decided in our favor. The present dispute may lead to other disputes with our supplier which may ultimately lead to materially adverse consequences to us.

Suppliers of raw materials and components may decide, or be required, for reasons beyond our control to cease supplying raw materials and components to us. FDA regulations may require additional testing of any raw materials or components from new suppliers prior to our use of these materials or components and in the case of a device with a PMA application, we may be required to obtain prior FDA permission, either of which could delay or prevent our access to or use of such raw materials or components.

We derive a significant portion of our sales from operations in international markets that are subject to political, economic and social instability.

We derive a significant portion of our sales from operations in international markets. Our international distribution system consists of nine direct sales offices and approximately 115 stocking distribution partners, which combined employ approximately 480 sales representatives who sell in over 60 countries. Most of these countries are, to some degree, subject to political, social and economic instability. For the nine months ended September 30, 2007 and the year ended

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December 31, 2006, 39% and 38%, respectively, of our net sales were derived from our international operations. Our international sales operations expose us and our representatives, agents and distributors to risks inherent in operating in foreign jurisdictions. These risks include:

- the imposition of additional foreign governmental controls or regulations on orthopedic implants and biologics products;
- new export license requirements, particularly related to our biologics products;
- economic instability, including currency risk between the U.S. dollar and foreign currencies, in our target markets;
- a shortage of high-quality international salespeople and distributors;
- loss of any key personnel who possess proprietary knowledge or are otherwise important to our success in international markets;
- changes in third-party reimbursement policy that may require some of the patients who receive our implant products to directly absorb medical costs or that may necessitate our reducing selling prices for our products;
- changes in tariffs and other trade restrictions, particularly related to the exportation of our biologics products;
- work stoppages or strikes in the health care industry, such as those that have previously affected our operations in France, Canada, Korea and Finland in the past;
- a shortage of nurses in some of our target markets, particularly affecting our operations in France; and
- exposure to different legal and political standards due to our conducting business in over 60 countries.

As a U.S. based company doing business in foreign jurisdictions, not only are we subject to the laws of other jurisdictions, we are also subject to U.S. laws governing our activities in foreign countries, such as the Foreign Corrupt Practices Act, as well as various import-export laws, regulations, and embargoes. If our business activities were determined to violate these laws, regulations, or rules, we could suffer serious consequences.

Any material decrease in our foreign sales would negatively impact our profitability. Our international sales are predominantly generated in Europe. In Europe, health care regulation and reimbursement for medical devices vary significantly from country to country. This changing environment could adversely affect our ability to sell our products in some European countries.

Recent acquisitions and efforts to acquire and integrate other companies or product lines could adversely affect our operations and financial results.

In April 2007, we announced the completion of the acquisition of the foot and ankle reconstruction assets of Darco and the external fixation assets of R&R Medical. Additionally, in October 2007, we announced the acquisition of the subtalar implant product assets of MetaSurg. We may pursue acquisitions of other companies or product lines. Our ability to grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable

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acquisitions and to obtain any necessary financing. With respect to the acquisitions completed or other future acquisitions, we may also experience:

- difficulties in integrating any acquired companies, personnel and products into our existing business;
- delays in realizing the benefits of the acquired company or products;
- diversion of our management s time and attention from other business concerns;
- limited or no direct prior experience in new markets or countries we may enter;
- higher costs of integration than we anticipated; or
- difficulties in retaining key employees of the acquired business who are necessary to manage these acquisitions.

In addition, any future acquisitions could materially impair our operating results by causing us to incur debt or requiring us to amortize acquisition expenses and acquired assets.

Recent restructuring efforts could adversely affect our operations and financial results.

In June 2007, we announced plans to close our manufacturing, distribution, and administrative facility located in Toulon, France. The facility s closure will affect approximately 130 Toulon-based employees. We expect the facility closure to be substantially complete by the end of 2007, with Toulon s production being transferred to our existing manufacturing facility in Arlington, Tennessee and its distribution activities being transferred to our European headquarters in Amsterdam, The Netherlands. With respect to the restructuring activities in process, we may experience:

- higher costs of restructuring than we anticipated;
- difficulties in transferring Toulon s production to Arlington, including receiving all required regulatory approvals;
- difficulties in completing all restructuring activities within the budgeted time;
- diversion of our management s time and attention from other business concerns; or
- supply chain difficulties during the transition of the distribution activities from the Toulon facility to our Amsterdam facilities.

If our patents and other intellectual property rights do not adequately protect our products, we may lose market share to our competitors and be unable to operate our business profitably.

We rely on patents, trade secrets, copyrights, know-how, trademarks, license agreements and contractual provisions to establish our intellectual property rights and protect our products. See Business Intellectual Property in our annual report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference. These legal means, however, afford only limited protection and may not adequately protect our rights. In addition, we cannot be assured that any of our pending patent applications will issue. The United States Patent and Trademark Office (USPTO) may deny or require a significant narrowing of the claims in our pending patent applications and the patents issuing from such applications. Any patents issuing from the pending patent applications may not provide us with significant

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commercial protection. We could incur substantial costs in proceedings before the USPTO. These proceedings could result in adverse decisions as to the priority of our inventions and the narrowing or invalidation of claims in issued patents. In addition, the laws of some of the countries in which our products are or may be sold may not protect our intellectual property to the same extent as U.S. laws or at all. We also may be unable to protect our rights in trade secrets and unpatented proprietary technology in these countries.

In addition, we hold licenses from third parties that are necessary to utilize certain technologies used in the design and manufacturing of some of our products. The loss of such licenses would prevent us from manufacturing, marketing and selling these products, which could harm our business.

We seek to protect our trade secrets, know-how and other unpatented proprietary technology, in part, with confidentiality agreements with our employees, independent distributors and consultants. We cannot be assured, however, that the agreements will not be breached, adequate remedies for any breach would be available or our trade secrets, know-how, and other unpatented proprietary technology will not otherwise become known to or independently developed by our competitors.

If we lose any existing or future intellectual property lawsuits, a court could require us to pay significant damages or prevent us from selling our products.

The medical device industry is litigious with respect to patents and other intellectual property rights. Companies in the medical device industry have used intellectual property litigation to gain a competitive advantage. We are currently involved in an intellectual property lawsuit with Howmedica Osteonics Corp., a subsidiary of Stryker Corporation, where it is alleged that our ADVANCE® Knee product line infringes one of Howmedica s patents. For more information regarding this lawsuit, see Note 12 to our condensed consolidated financial statements in our quarterly report on Form 10-Q for the quarter ended September 30, 2007, which is incorporated herein by reference. If Howmedica were to succeed in obtaining the relief it claims, the court could award damages to Howmedica and impose an injunction against further sales of our product. If a monetary judgment is rendered against us, we may be forced to raise or borrow funds, as a supplement to any available insurance claim proceeds, to pay the damages award.

In the future, we may become a party to other lawsuits involving patents or other intellectual property. A legal proceeding, regardless of the outcome, could drain our financial resources and divert the time and effort of our management. If we lose one of these proceedings, a court, or a similar foreign governing body, could require us to pay significant damages to third parties, require us to seek licenses from third parties and pay ongoing royalties, require us to redesign our products, or prevent us from manufacturing, using or selling our products. In addition to being costly, protracted litigation to defend or prosecute our intellectual property rights could result in our customers or potential customers deferring or limiting their purchase or use of the affected products until resolution of the litigation.

If product liability lawsuits are brought against us, our business may be harmed.

The manufacture and sale of medical devices exposes us to significant risk of product liability claims. In the past, we have had a number of product liability claims relating to our products, none of which either individually, or in the aggregate, have resulted in a material negative impact on our business. In the future, we may be subject to additional product liability claims,

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some of which may have a negative impact on our business. Additionally, we could experience a material design or manufacturing failure in our products, a quality system failure, other safety issues, or heightened regulatory scrutiny that would warrant a recall of some of our products. Our existing product liability insurance coverage may be inadequate to protect us from any liabilities we might incur. If a product liability claim or series of claims is brought against us for uninsured liabilities or in excess of our insurance coverage, our business could suffer. In addition, a recall of some of our products, whether or not the result of a product liability claim, could result in significant costs and loss of customers.

Further, in 1993, our predecessor company, Wright Medical Technology, Inc., which we refer to as our predecessor company , acquired substantially all of the assets of the large joint orthopedic implant business from Dow Corning Corporation, or DCC, DCC retains liability for matters arising from certain conduct of DCC prior to June 30, 1993. As such, DCC agreed to indemnify the predecessor company against all liability for all products manufactured prior to the acquisition except for products provided under the predecessor company s 1993 agreement with DCC pursuant to which the predecessor company purchased certain small joint orthopedic implants for worldwide distribution (the DCC Indemnity Obligation). DCC filed for reorganization under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan, Northern Division on May 15, 1995. As part of the Joint Plan of Reorganization of DCC that was confirmed on November 30, 1999 and which became effective on June 1, 2004, or the Plan, claims which arise out of the DCC Indemnity Obligation are to be paid out of a finite settlement facility set aside in the Plan. There can be no assurance that there will be sufficient funds available in the settlement facility to indemnify the predecessor company or Wright from any DCC Indemnity Obligation that may arise. Further, neither the predecessor company nor Wright maintains insurance for claims arising on products sold by DCC.

If we are unable to continue to develop and market new products and technologies, we may experience a decrease in demand for our products or our products could become obsolete, and our business would suffer.

We are continually engaged in product development and improvement programs, and new products represent a significant component of our growth rate. We may be unable to compete effectively with our competitors unless we can keep up with existing or new products and technologies in the orthopedic implant market. If we do not continue to introduce new products and technologies, or if those products and technologies are not accepted, we may not be successful. Additionally, our competitors new products and technologies may beat our products to market, may be more effective or less expensive than our products or may render our products obsolete. See Business Competition in our annual report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference.

Our business could suffer if the medical community does not continue to accept allograft technology.

Allograft products, technologies and enhancements may never achieve broad market acceptance due to numerous factors, including:

- lack of clinical acceptance of allograft products and related technologies;
- the introduction of competitive tissue repair treatment options that render allograft products and technologies too expensive and obsolete;
- lack of available third-party reimbursement;

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the inability to train surgeons in the use of allograft products and technologies;

the risk of disease transmission; and

ethical concerns about the commercial aspects of harvesting cadaveric tissue.

Market acceptance will also depend on the ability to demonstrate that existing and new allografts and technologies are attractive alternatives to existing tissue repair treatment options. To demonstrate this, we rely upon surgeon evaluations of the clinical safety, efficacy, ease of use, reliability and cost effectiveness of our tissue repair options and technologies. Recommendations and endorsements by influential surgeons are important to the commercial success of allograft products and technologies. In addition, several countries, notably Japan, prohibit the use of allografts. If allograft products and technologies are not broadly accepted in the marketplace, we may not achieve a competitive position in the market.

If adequate levels of reimbursement from third-party payors for our products are not obtained, surgeons and patients may be reluctant to use our products and our sales may decline.

In the United States, health care providers that purchase our products generally rely on third-party payors, principally federal Medicare, state Medicaid and private health insurance plans, to pay for all or a portion of the cost of joint reconstructive procedures and products utilized in those procedures. We may be unable to sell our products on a profitable basis if third-party payors deny coverage or reduce their current levels of reimbursement. Our sales depend largely on governmental health care programs and private health insurers reimbursing patients medical expenses. Surgeons, hospitals and other health care providers may not purchase our products if they do not receive satisfactory reimbursement from these third-party payors for the cost of the procedures using our products. Payors continue to review their coverage policies carefully for existing and new therapies and can, without notice, deny coverage for treatments that include the use of our products.

In addition, some health care providers in the United States have adopted or are considering a managed care system in which the providers contract to provide comprehensive heath care for a fixed cost per person. Health care providers may attempt to control costs by authorizing fewer elective surgical procedures, including joint reconstructive surgeries, or by requiring the use of the least expensive implant available.

If adequate levels of reimbursement from third-party payors outside of the United States are not obtained, international sales of our products may decline. Outside of the United States, reimbursement systems vary significantly by country. Many foreign markets have government-managed health care systems that govern reimbursement for medical devices and procedures. Canada, and some European and Asian countries, in particular France, Japan, Taiwan and Korea, have tightened reimbursement rates. Additionally, some foreign reimbursement systems provide for limited payments in a given period and therefore result in extended payment periods. For more information regarding reimbursement in the United States and abroad, see Business Third-Party Reimbursement in our annual report on Form 10-K for the year ended December 31, 2006, which is incorporated herein by reference.

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If surgeons do not recommend and endorse our products, our sales may decline or we may be unable to increase our sales and profits.

In order for us to sell our products, surgeons must recommend and endorse them. We may not obtain the necessary recommendations or endorsements from surgeons. Acceptance of our products depends on educating the medical community as to the distinctive characteristics, perceived benefits, clinical efficacy and cost-effectiveness of our products compared to products of our competitors and on training surgeons in the proper application of our products.

We rely on our independent sales distributors and sales representatives to market and sell our products.

Our success depends largely upon marketing arrangements with independent sales distributors and sales representatives, in particular their sales and service expertise and relationships with the customers in the marketplace. Independent distributors and sales representatives may terminate their relationships with us or devote insufficient sales efforts to our products. We do not control our independent distributors and they may not be successful in implementing our marketing plans. Our failure to maintain our existing relationships with our independent distributors and sales representatives could have an adverse effect on our operations. Similarly, our failure to recruit and retain additional skilled independent sales distributors and sales representatives could have an adverse effect on our operations. We have experienced turnover with some of our independent distributors in the past which adversely affected short-term financial results while we transitioned to new independent distributors. While we believe these transitions have been managed effectively, similar occurrences could happen in the future with different results which could have a greater adverse effect on our operations than we have previously experienced.

Fluctuations in insurance cost and availability could adversely affect our profitability or our risk management profile.

We hold a number of insurance policies, including product liability insurance, directors and officers liability insurance, property insurance and workers compensation insurance. If the costs of maintaining adequate insurance coverage should increase significantly in the future, our operating results could be materially adversely impacted. Likewise, if the availability of any of our current insurance coverage should become unavailable to us or economically impractical, we would be required to operate our business without indemnity from commercial insurance providers.

If we cannot retain our key personnel, we will not be able to manage and operate successfully and we may not be able to meet our strategic objectives.

Our success depends, in part, upon key managerial, scientific, sales and technical personnel, as well as our ability to continue to attract and retain additional highly qualified personnel. We compete for such personnel with other companies, academic institutions, governmental entities and other organizations. There can be no assurance that we will be successful in retaining our current personnel or in hiring or retaining qualified personnel in the future. Loss of key personnel or the inability to hire or retain qualified personnel in the future could have a material adverse effect on our ability to operate successfully. Further, any inability on our part to enforce non-compete arrangements related to key personnel who have left the business coul