

SONOSITE INC  
Form DEF 14A  
March 26, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**SONOSITE, INC.**

(Name of Registrant as Specified in Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Edgar Filing: SONOSITE INC - Form DEF 14A

Payment of Filing Fee (check the appropriate box):

No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials:

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

Edgar Filing: SONOSITE INC - Form DEF 14A

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

March 26, 2010

Dear Shareholder:

You are cordially invited to attend the 2010 Annual Meeting of Shareholders of SonoSite, Inc., which will be held on Tuesday, April 20, 2010, at 8:00 a.m., local time, at the Woodmark Hotel, 1200 Carillon Point, Kirkland, WA 98033.

At the annual meeting, you will be asked to consider and vote to elect nine directors to SonoSite's board of directors, to ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2010 and to approve the amendment and restatement of SonoSite's Restated Articles of Incorporation.

**SONOSITE'S BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEES TO THE BOARD OF DIRECTORS, FOR RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND FOR THE AMENDMENT AND RESTATEMENT OF SONOSITE'S RESTATED ARTICLES OF INCORPORATION.**

You should read carefully the accompanying notice of annual meeting of shareholders and the proxy statement for additional related information.

To be sure that your shares are properly represented at the meeting, whether or not you plan to attend the annual meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed postage-prepaid envelope, or vote using the telephone or Internet voting procedures described on the proxy card. Your stock will be voted in accordance with the instructions you have given in your proxy. If you attend the annual meeting, you may vote in person if you wish, even though you previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

Sincerely,  
KEVIN M. GOODWIN  
*President and Chief Executive Officer*

**YOUR VOTE IS IMPORTANT.**

**WE URGE YOU TO VOTE USING TELEPHONE OR INTERNET VOTING IF AVAILABLE TO YOU, OR BY SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD.**

**SONOSITE, INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD TUESDAY, APRIL 20, 2010**

We will hold the 2010 Annual Meeting of Shareholders of SonoSite, Inc. at 8:00 a.m., local time, on Tuesday, April 20, 2010, at the Woodmark Hotel, 1200 Carillon Point, Kirkland, WA 98033:

To elect nine directors to SonoSite's board of directors to serve until the 2011 annual meeting of shareholders;

To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2010;

To consider and approve the proposal to amend and restate SonoSite's Restated Articles of Incorporation to (1) delete Article IX Corporation's Acquisition of its Own Shares and (2) to amend Article VI Indemnification of Directors, Officers, Employees and Agents; and

To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof. The board of directors has fixed the close of business on February 26, 2010 as the record date for determining shareholders entitled to notice of and to vote at the annual meeting.

The directors elected will be the nine candidates receiving the greatest number of votes cast, in person or by proxy, at the annual meeting. The affirmative vote of the holders of shares representing a majority of the votes cast at the annual meeting, in person or by proxy, is required to ratify appointment of the independent registered public accounting firm. The affirmative vote of a majority of the shares outstanding is required to approve the amendment and restatement of SonoSite's Restated Articles of Incorporation.

You are cordially invited to attend the annual meeting. To ensure your representation at the annual meeting, you are urged to complete, sign and date the enclosed proxy card and return it promptly in the enclosed postage-prepaid envelope, or vote using the telephone or Internet voting procedures described on the proxy card, even if you plan to attend the annual meeting. The shares will be voted in accordance with the instructions you give in your proxy. You may revoke your proxy at any time before it is voted, either by returning a proxy for the same shares bearing a later date, filing with the corporate secretary of SonoSite a written revocation bearing a later date or attending the annual meeting and voting in person. Submitting a proxy or voting instructions will not prevent you from attending the Annual Meeting and voting in person, if you so desire, but will help us secure a quorum and reduce the expense of additional proxy solicitation.

By Order of the Board of Directors,  
KATHRYN SURACE-SMITH  
*Vice President, General Counsel and*

Edgar Filing: SONOSITE INC - Form DEF 14A

*Corporate Secretary*

Bothell, Washington

March 26, 2010

---

**SONOSITE, INC.**

**PROXY STATEMENT**

**2010 ANNUAL MEETING OF SHAREHOLDERS**

This proxy statement is being furnished to holders of shares of common stock of SonoSite in connection with the solicitation of proxies by our board of directors for use at our 2010 annual meeting of shareholders to be held at the Woodmark Hotel, 1200 Carillon Point, Kirkland, WA 98033, at 8:00 a.m., local time, on Tuesday, April 20, 2010. Matters to be considered at the annual meeting are set forth in the accompanying notice of annual meeting of shareholders. It is expected that the notice of annual meeting of shareholders, proxy statement and accompanying form of proxy will be mailed to shareholders on March 30, 2010.

**RECORD DATE; SHARES ENTITLED TO VOTE; VOTE REQUIRED**

Only our shareholders of record at the close of business on February 26, 2010, are entitled to notice of and to vote at the annual meeting. On that date, there were 14,532,508 shares of common stock outstanding. The number of shareholders of record of our common stock on February 26, 2010 was 11,708. This figure does not include the number of shareholders whose shares are held by a broker or clearing agency, but does include each such brokerage house or clearing agency as one holder of record.

**REVOCABILITY OF PROXIES**

Shares represented at the annual meeting by properly executed proxies will be voted at the annual meeting and, where the shareholder giving the proxy specifies a choice, the proxy will be voted in accordance with the specification so made. A proxy may be revoked by a shareholder at any time either by:

filing with the corporate secretary of SonoSite, prior to the annual meeting, either a written revocation or a duly executed proxy bearing a later date; or

attending the annual meeting and voting in person, regardless of whether a proxy has previously been given. Presence at the annual meeting will not revoke the shareholder's proxy unless such shareholder votes in person.

**QUORUM AND VOTING**

You will be entitled to one vote per share of common stock that you hold. Action may be taken on a matter submitted to shareholders at the annual meeting only if a quorum exists. The presence, in person or by proxy, of one-third of the outstanding shares of common stock entitled to vote as of the close of business on the record date constitutes a quorum. Abstentions and broker non-votes will count toward establishing a quorum. Broker non-votes occur when brokers holding shares in street name for beneficial owners do not receive instructions from the beneficial owners about how to vote the shares. An abstention occurs when a shareholder withholds such shareholder's vote by checking the abstain box on the proxy card, or when a shareholder present at the meeting does not cast a ballot.

For Proposal No. 1: Under applicable law and SonoSite's restated articles of incorporation and amended and restated bylaws, if a quorum is present at the annual meeting, the nine nominees for election of directors who receive the greatest number of votes cast for the election of directors by shares present in person or represented by proxy and entitled to vote shall be elected directors. You are not entitled to cumulative voting rights in the

election of directors. Brokerage firms and nominees do not have the authority to vote their customers' unvoted shares on Proposal No. 1 or to vote the customers' shares if the customers have not furnished voting instructions to their brokers within a specified period of time prior to the Annual Meeting of Shareholders. Abstentions and broker non-votes will not affect the outcome of the vote on Proposal No. 1.

For Proposal No. 2: The affirmative vote of the holders of shares representing a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting is required to ratify the appointment of the independent registered public accounting firm. Brokerage firms and nominees do have the authority to vote their customers' unvoted shares on Proposal No. 2 or to vote the customers' shares if the customers have not furnished voting instructions within a specified period of time prior to the Annual Meeting of Shareholders. Abstentions will have the effect of a vote against Proposal No. 2. Broker non-votes will not affect the outcome of the vote on Proposal No. 2.

For Proposal No. 3: The affirmative vote of the holders of a majority of SonoSite's outstanding common stock is required to approve the amendment and restatement of SonoSite's Restated Articles of Incorporation. Brokerage firms and nominees do have the authority to vote their customers' unvoted shares on Proposal No. 3 or to vote the customers' shares if the customers have not furnished voting instructions within a specified period of time prior to the Annual Meeting of Shareholders. Abstentions will have the effect of a vote against Proposal No. 3. Broker non-votes will not affect the outcome of the vote on Proposal No. 3.

#### **Voting by Mail**

By signing and returning the enclosed proxy card according to the instructions provided, you are enabling the individuals named on the proxy card, known as proxies, to vote your shares at the meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting.

#### **Voting by Telephone**

You may be able to vote by telephone. If so, instructions are included with your proxy card. If you vote by telephone, you do not need to complete and mail your proxy card.

#### **Voting on the Internet**

You may be able to vote on the Internet. If so, instructions are included with your proxy card. If you vote on the Internet, you do not need to complete and mail your proxy card.

#### **Voting in Person at the Meeting**

If you plan to attend the annual meeting and vote in person, we will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the shareholder of record, and you have the right to vote in person at the meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in your name. In that case, and if you wish to vote at the meeting, you will need to bring with you to the meeting a legal proxy from your broker or other nominee authorizing you to vote these shares.

#### **ELECTRONIC DELIVERY OF PROXY STATEMENT AND ANNUAL REPORT**

This proxy statement and the 2009 annual report are available on our Internet site by going to [www.sonosite.com](http://www.sonosite.com) and clicking on "Company", then "Investors". Most shareholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. You can choose this option and save SonoSite the cost of producing and mailing these documents by following the instructions provided on your proxy card or following the instructions provided when you vote over the Internet.



If you choose to view future proxy statements and annual reports over the Internet, you will receive an e-mail message next year containing the Internet address to use to access SonoSite's proxy statement and annual report. The e-mail also will include instructions for voting over the Internet. You will have the opportunity to opt out at any time. You do not have to elect Internet access each year.

## **HOUSEHOLDING**

We have adopted a procedure called householding, which has been approved by the Securities and Exchange Commission, or SEC. Under this procedure, a single copy of the annual report and proxy statement will be sent to any household at which two or more shareholders reside. Any one of the shareholders at a shared address may notify Broadridge Financial Solutions, Inc. (Broadridge), either by calling toll free at (800) 542-1061 or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, New York 11717, if such shareholder wishes to receive additional copies of this proxy statement, and Broadridge will deliver the additional copy promptly after the request. This procedure reduces our printing costs and fees. Shareholders who participate in householding will continue to receive separate proxy cards.

If you are a shareholder of record and share an address with one or more other shareholders of record, and you wish to continue to receive separate annual reports, proxy statements and other disclosure documents, or you wish to request delivery of a single copy of our annual reports, proxy statements and other disclosure documents, you can do so by contacting Broadridge, either by calling toll free at (800) 542-1061 or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, New York 11717. You will be removed from or added to the householding program within 30 days of receipt of your request.

A number of brokerage firms have instituted householding. If you hold your shares in street name, please contact your bank, broker or other holder of record to request information about householding.

## **SOLICITATION OF PROXIES**

Proxies may be solicited by our directors, officers and regular employees, without payment of any additional compensation to them. Proxies may be solicited in person, by mail or telephone. Any costs relating to such solicitation will be borne by us. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of common stock for their expenses in forwarding solicitation materials to beneficial owners. We have engaged The Proxy Advisory Group, LLC to assist in the solicitation of proxies and provide related advice and informational support, for a services fee, plus customary disbursements, which are not expected to exceed \$12,000 in the aggregate.

## **PROPOSAL NO. 1**

### **ELECTION OF DIRECTORS**

At the annual meeting, nine directors are to be elected to hold office for a term of one year and, in each case, until his or her successor shall be elected and shall qualify. The board of directors has no reason to believe that any of the nominees listed below will be unable to serve as a director. If, however, any nominee becomes unavailable, the proxies will have discretionary authority to vote for a substitute nominee.

The following table sets forth the name and age of each member of the board of directors, the positions and offices held by each director with SonoSite and the period during which the director has served as a director of SonoSite.

At the annual meeting, the nine directors are to be elected to hold office for a term of one year and, in each case, until his or her successor shall be elected and shall qualify. There are no family relationships among any of the Company's directors or executive officers. Jacques Souquet, Ph.D., who served as a director since 1998, is not standing for re-election.

## Director Qualifications

The following provides information as of the date of this proxy statement about each nominee. The information presented includes information each director has given us about his or her age, previous and current positions held, principal occupation and business experience for the past five years, and the names of other publicly-held companies of which he or she currently serves as a director or has served as a director during the past five years. In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our board to the conclusion that he or she should serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated business acumen and an ability to exercise sound judgment, as well as a commitment of service to SonoSite and our board. Finally, we value their significant experience on other public company boards of directors and board committees.

Name	Age	Positions and Offices With SonoSite	Director Since
Kirby L. Cramer	73	Chairman of the Board of Directors (non-executive)	1998
Kevin M. Goodwin	52	President, Chief Executive Officer and Director	1998
Carmen L. Diersen	49	Director	2005
Steven R. Goldstein, M.D.	59	Director	1998
Paul V. Haack	59	Director	2006
Rodney F. Hochman, M.D.	54	Director	2009
Robert G. Hauser, M.D.	70	Director	2004
Richard O. Martin, Ph.D.	70	Director	2008
William G. Parzybok, Jr.	68	Director	1998

*Kirby L. Cramer* has served as our non-executive Chairman of the Board since 1998. From 1968 to 1987, Mr. Cramer served as Chief Executive Officer of Hazleton Laboratories Corporation, now called Covance, Inc., and is currently its Chairman Emeritus. Mr. Cramer holds a B.A. degree from Northwestern University and an M.B.A. degree from the University of Washington and is a graduate of the Harvard Business School's Advanced Management Program. We believe Mr. Cramer's qualifications as a director include his experience in the diagnostics, medical device and pharmaceutical/biotechnical industries.

*Kevin M. Goodwin* has served as our President, Chief Executive Officer and a director since 1998. From 1997 to 1998, Mr. Goodwin served as Vice President and General Manager of ATL Ultrasound, Inc.'s (ATL) handheld systems business group. From 1991 to 1997, Mr. Goodwin served as Vice President and General Manager of ATL Ultrasound's businesses in Asia, the Pacific and Latin America. From 1987 to August 1991, Mr. Goodwin served in a variety of sales and management positions at ATL Ultrasound. From 1980 to 1987, Mr. Goodwin served in various management positions with American Hospital Supply, Picker International and Baxter Healthcare Corporation, all medical equipment and supply distributors. Mr. Goodwin holds a B.A. degree from Monmouth College, with an emphasis on hospital management, and attended the Executive Program at the Stanford Graduate School of Business. We believe Mr. Goodwin's qualifications as a director include his sales and marketing experience in the medical device industry, including twelve years as our president and chief executive officer.

*Carmen L. Diersen* has served as a director of SonoSite since 2005. Since September 2006, Ms. Diersen has served as the Chief Financial Officer of Spine Wave, Inc., a developer of advanced materials, techniques, and implant systems for spinal surgery. From 2004 to 2006, Ms. Diersen served as Executive Vice President and Chief Financial Officer of American Medical Systems. From 1992 to 2004, she held positions of increasing domestic and international responsibility in finance and general management at Medtronic Inc., including Vice President, General Manager, Musculoskeletal Tissue Services and Vice President of Finance and Administration. From 1982 to 1992, she was at Honeywell Inc. Ms. Diersen has served on the board of directors of Wright Medical since December 2009 and previously served on the board of directors of Memry Corporation from December 2004 through September 2008 when the company was sold. Ms. Diersen has been a Certified Public

Accountant since 1983. Ms. Diersen received a B.S. Accounting Degree from the University of North Dakota and an MBA from the University of Minnesota, Carlson School of Management. We believe Ms. Diersen's qualifications as a director include her financial, operations and transactional experience in the medical device industry.

*Steven R. Goldstein, M.D.* has served as a director of SonoSite since 1998. Since 1995, he has served as Professor of Obstetrics and Gynecology at New York University School of Medicine. Since 1980, Dr. Goldstein has held various positions as a doctor of Obstetrics and Gynecology at New York University Medical Center, serving as Director of Gynecological Ultrasound since 1994, and as Co-Director of Bone Densitometry for the Department of Obstetrics and Gynecology since 1997. Dr. Goldstein holds an M.D. degree from New York University School of Medicine and completed his residency in Obstetrics and Gynecology at New York University-affiliated hospitals in 1980. We believe Dr. Goldstein's qualifications as a director include his 30 years of medical practice, teaching and ultrasound experience as a doctor of obstetrics and gynecology.

*Paul V. Haack* has served as a director of SonoSite since 2006. From 1972 until his retirement in 2005, Mr. Haack practiced as a Certified Public Accountant, and held positions of increasing responsibility at Deloitte and Touche. Most recently Mr. Haack was a senior partner in Chicago serving the United Airlines and Boeing accounts. During his career he also served as lead technical partner in Deloitte's Northwest and Milwaukee Practices. Mr. Haack has also served on the board of directors of Esterline Technologies since 2006. Mr. Haack received a B.S. Degree in business from the University of Montana. We believe Mr. Haack's qualifications as a director include his 33 years of experience as a certified public accountant.

*Robert G. Hauser, M.D.*, has served as a director of SonoSite since 2004. Dr. Hauser has been a Senior Consulting Cardiologist at the Minneapolis Heart Institute since 1992. In 2003-2004 and in 1995-1996, he served as President of the Cardiovascular Services Division of Abbott Northwestern Hospital. From 1987 to 2003, he was the director of Pacemaker Surveillance Clinic, Minneapolis Heart Institute. From 1988 to 1992, Dr. Hauser served as President and Chief Executive Officer of Cardiac Pacemakers, Inc., a division of Eli Lilly and Company, prior to its merger with Guidant, Inc. Dr. Hauser is a fellow of the American College of Cardiology and a Founder, Past-President and Fellow of the Heart Rhythm Society (NASPE). He received a B.S. degree from the University of Cincinnati and graduated with honors from College of Medicine at University of Cincinnati in 1968. We believe Dr. Hauser's qualifications as a director include his operational experience in the medical device industry and 36 years as a cardiologist.

*Rodney F. Hochman, M.D.*, joined SonoSite's board in July 2009. Since April 2007, Dr. Hochman has served as the chief executive officer of Swedish Medical Center, the largest non-profit health provider in the greater Seattle area. From 2004 to 2007, Dr. Hochman served as executive vice president at Sentara Norfolk General Hospital in Virginia, where he was responsible for the operation of five hospitals, as well as the organization's medical group, legal and corporate compliance divisions. From 1998 to 2004, Dr. Hochman was chief medical officer for Sentara. Dr. Hochman has also held management positions at Health Alliance of Greater Cincinnati and Guthrie Healthcare System in Sayre, PA. Dr. Hochman earned his medical degree from Boston University School of Medicine and his bachelor's degree from Boston University. He has a medical background in rheumatology and internal medicine, and served as a clinical fellow in internal medicine at Harvard Medical School and Dartmouth Medical School. We believe Dr. Hochman's qualifications as a director include his operational experience as a hospital executive and 31 years of medical experience.

*Richard O. Martin, Ph.D.* joined SonoSite's Board in May 2008. Dr. Martin served as President of Medtronic Physio Control Corporation from 1998 until his retirement in 2001. Prior to its acquisition by Medtronic in 1998, he was Chairman and Chief Executive Officer of Physio Control Corporation. He also held several senior executive positions in engineering, marketing and sales with Intermedics, Inc before being named President and COO of that company in 1985. From 1989 to 1990, Dr. Martin served as Director, President and COO of Positron Corporation. From 1998 to 2009, when it was acquired by SonoSite, Dr. Martin also served on the board of CardioDynamics International Corporation. Dr. Martin also currently serves on the board of Pet

DRx Corporation. Dr. Martin received his bachelor's degree from Christian Brothers College, a master's from the University of Notre Dame, and a doctorate from Duke University. We believe Dr. Martin's qualifications as a director include his financial and operations experience in the diagnostics manufacturing field.

*William G. Parzybok, Jr.* has served as a director of SonoSite since 1998. From 1991 to 1998, Mr. Parzybok was Chairman of the Board and Chief Executive Officer of Fluke Corporation, a manufacturer of electronic test and measurement instruments. From 1984 to 1991, he served as Vice President and General Manager of various groups at Hewlett-Packard Company, a computer hardware and instrument manufacturer. Mr. Parzybok holds B.S. and M.S. degrees from Colorado State University. We believe Mr. Parzybok's qualifications as a director include his operational, financial and executive experience in the high technology manufacturing industry.

**The Board of Directors Unanimously Recommends a Vote FOR this Proposal No 1.**

## **CORPORATE GOVERNANCE**

### **DIRECTOR INDEPENDENCE**

The board of directors has determined that the following directors are independent under the rules of the Nasdaq Stock Market: Kirby L. Cramer, Carmen L. Diersen, Steven R. Goldstein, M.D., Paul V. Haack, Robert G. Hauser, M.D., Rodney F. Hochman, M.D., Richard O. Martin, Ph.D. and William G. Parzybok, Jr. The board of directors has also determined that each of the members of the audit and compensation committees meets the independence requirements applicable to committees under the Nasdaq and the Securities and Exchange Commission rules and regulations.

### **BOARD LEADERSHIP STRUCTURE**

SonoSite separates the chief executive officer and board chair positions and believes this board leadership structure, with a non-executive independent chair, is the most appropriate structure for the company in recognition of the differences between the two roles. The chief executive officer is responsible for setting the strategic direction of the company and the day to day leadership and performance of the company, while the chair of the board provides guidance to the chief executive officer, and acts as a liaison between the chief executive officer and the independent directors. SonoSite has had this leadership structure since its founding in 1998.

### **COMMITTEE MEMBERSHIP AND FUNCTION**

The board of directors has established an audit committee, a compensation committee, a nominating and corporate governance committee, a quality and technology committee and a financing and mergers & acquisitions committee. Each of these committees is responsible to the board of directors and, except to the extent that sole authority over a particular matter has been granted to such committee, its activities are subject to approval of the board. The functions performed by the audit, compensation and nominating and corporate governance committees are summarized below.

#### **Audit Committee**

The audit committee is appointed by the board of directors to assist the board of directors in fulfilling its financial oversight responsibilities by overseeing the accounting and financial reporting processes of SonoSite and audits of its consolidated financial statements and internal controls over financial reporting. The audit committee is governed by an audit committee charter adopted by the board of directors that may be amended by the board of directors at any time, in which case the most current version will be available on our web site at <http://www.sonosite.com/company/committees/>. The audit committee's primary duties and responsibilities include:

Appointing and retaining our independent registered public accounting firm, approving all audit, review and other services to be provided by the independent registered public accounting firm and determining the compensation to be paid for such services;

Overseeing the integrity of our financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance;

Overseeing the qualifications, independence and performance of our independent registered public accounting firm and internal controls compliance department;

Reviewing and, if appropriate, approving any related party transactions;

Providing an avenue of communication among the independent registered public accounting firm, management, the internal controls compliance department, and the board of directors, including a meeting summary as part of regular board of directors meetings;

Providing a means for processing complaints and anonymous submissions by employees of concerns regarding accounting or auditing matters; and

Monitoring compliance with legal and regulatory requirements.

The members of the audit committee in 2009 were Mr. Haack (chairperson), Ms. Diersen, Mr. Edward Fritzky (until his retirement from the board in April 2009), Dr. Martin (commencing February 2009) and Mr. Parzybok (until February 2009). The board of directors has designated Mr. Haack as SonoSite's audit committee financial expert, as defined in Item 407(d)(5) of Regulation S-K promulgated by the SEC. The biographical summaries for Mr. Haack, Ms. Diersen and Dr. Martin are included under Proposal One: Election of Directors Nominees. The audit committee held nine meetings in 2009.

#### **Compensation Committee**

The compensation committee has been delegated by the board of directors to oversee and administer all significant aspects relating to SonoSite's compensation policies and programs, including director and officer compensation. The compensation committee is governed by a compensation committee charter, adopted by the board of directors, which gives the compensation committee the authority to make decisions on behalf of the board with respect to matters within its jurisdiction and any other duties assigned to it by the board. Under this charter, the compensation committee may also delegate any of its functions, duties and authority to a subcommittee of its members or to other board members. To date, the compensation committee has not established a subcommittee although it has delegated to our chief executive officer authority to grant, on an annual basis, stock awards up to a total of 25,000 stock options per person and up to a total of 8,000 restricted stock units per person to non-executive officers and employees. In addition, our chief administration officer has been charged with responsibility for day-to-day administration of our stock, 401(k) and certain other benefits plans.

The current version of the compensation committee charter is available on our web site at <http://www.sonosite.com/company/committees/>. The compensation committee's responsibilities include:

Reviewing and approving compensation and benefits for directors and our executive officers;

Administering our incentive compensation and benefits plans including our 401(k) Plan;

Administering all equity compensation plans, including our 1998 Stock Option Plan (the 1998 Plan), our Amended and Restated 2005 Stock Incentive Plan (the 2005 Plan) and our Employee Stock Purchase Plan (ESPP), under which stock option grants, restricted stock unit grants, and other types of incentive compensation may be made to directors, executive officers and other employees;

Reviewing and approving corporate and individual goals and objectives relevant to the compensation of our officers;

Evaluating the performance of our chief executive officer on an annual basis, in light of individual and corporate goals and objectives; and

Retaining the services of compensation consultants and other advisors it determines necessary to assist it in carrying out its duties.

The committee meets quarterly in conjunction with regularly scheduled board meetings, and also holds meetings via conference call when deemed necessary by the committee or its chairperson. The agendas are determined through a collaborative process involving the committee chairperson, our chief administration officer and our chief executive officer, who typically attend all meetings. These officers are typically excused from the meeting when the committee discusses their individual compensation or performance and during other executive sessions held by the committee (typically at the end of each regularly scheduled quarterly meeting). Our chief executive officer, with the assistance of our chief administration officer, annually reviews the performance of each named executive officer (other than the chief executive officer, whose performance is reviewed by the committee). Their conclusions and recommendations based on those reviews are presented to the committee for consideration.

Since 2006, the compensation committee has retained Compensia Inc. (Compensia), a compensation consulting firm, for advice and assistance on executive compensation matters and severance arrangements. Compensia provides the committee with relevant market data and alternatives to consider when making decisions for the named executive officers as well as other key officers. The committee has the sole authority to hire and fire Compensia. Although our chief administration officer interacts with and provides support and historical and current compensation information to Compensia for use in the firm's analyses provided to the compensation committee, it is the committee that receives Compensia's final work product. Management does not currently have its own compensation consultant. Except for the work it does for our compensation committee, Compensia does not provide other services to SonoSite. Since 2007, the committee has retained Aon Consulting from time to time to provide education to the committee members on compensation topics.

The members of the compensation committee in 2009 were Dr. Hauser (chairperson), Mr. Cramer, Dr. Goldstein and Mr. Parzybok (who joined the committee in February 2009). As required by the committee charter, all compensation committee members have been and currently are independent nonemployee directors as defined under Rule 16b-3 of the Securities Exchange Act of 1934 and the director independence requirements of the NASDAQ. In addition, each director satisfies the definition of "outside director" under Section 162(m) of the Internal Revenue Code. No special expertise in compensation matters is required for appointment to the compensation committee. The compensation committee held five meetings in 2009.

#### **Nominating and Corporate Governance Committee**

The nominating and corporate governance committee is appointed by the board of directors to help ensure that the board of directors is appropriately constituted to meet its fiduciary obligations to SonoSite and its shareholders related to monitoring and safeguarding the independence of the board and providing a leadership role in shaping the corporate governance of SonoSite.

A complete description of the nominating and corporate governance committee's functions is provided in its written charter, which is accessible via our website at <http://www.sonosite.com/company/committees/>. The nominating and corporate governance committee's primary duties and responsibilities include:

Establishing director qualifications and the selection criteria for new directors;

Identifying individuals qualified to become directors and recommending director nominees to the board of directors;

Overseeing the annual self-assessment of the board;

Annually reviewing the board of directors committee membership and structure;

Monitoring the independence of directors under Nasdaq Stock Market listing requirements; and

Reviewing and assessing the board's corporate governance principles and the company's code of conduct applicable to all directors, officers and employees, and monitoring and approving any modifications or waivers of such code of business conduct and ethics.

The members of the nominating and corporate governance committee in 2009 were Ms. Diersen (chairperson) and Messrs. Cramer, Fritzky (until his retirement from the board of directors in April 2009) and Haack, all of whom are independent directors within the meaning of the Nasdaq Marketplace Rules. The nominating and corporate governance committee held four meetings in 2009.

#### **BOARD, COMMITTEE AND ANNUAL MEETING ATTENDANCE**

In 2009, there were seven meetings of the board of directors. Overall attendance at board and committee meetings was approximately 92%. Each board member, other than Dr. Souquet, attended at least 75% of the aggregate of the meetings of the board and of the committees on which he or she served. SonoSite has no formal policy regarding annual meeting attendance by its directors, but it strongly encourages attendance and all directors attended our 2009 annual meeting of shareholders.

#### **EXECUTIVE SESSIONS**

Our corporate governance principles require that at each board of directors meeting, and at such other times as determined by the chairperson or as required by applicable law, the independent directors shall meet separately in executive session without management present.

#### **DIRECTOR NOMINATIONS**

##### **Criteria for Board Membership**

The nominating and corporate governance committee reviews the skills, characteristics and experience of potential candidates for election to the board and recommends nominees for directors to the full board for approval. As stated in our corporate governance principles, posted on our website at <http://www.sonosite.com/company/corporate-governance/>, among the characteristics to be considered by the nominating and corporate governance committee in evaluating director candidates are professional background, business experience, judgment and integrity, familiarity with the healthcare industry, and technical expertise (especially candidates with operational experience in medical device companies). The board has focused on diversity and depth of experience in the healthcare industry as important criteria. As a result, the board has directors who practice medicine, manage healthcare systems and have held management positions in the industry.

To the extent practicable, candidates for open director seats are selected on the principle that relevant business and industry experience is beneficial to the board of directors as a whole. In determining whether to recommend a director for re-election, the nominating and corporate governance committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the board of directors and its committees, as well as the nature and time involved in a director's service on other boards.

##### **Process for Identifying and Evaluating Nominees**

The nominating and corporate governance committee identifies nominees by first evaluating the current members of the board of directors willing to continue in service. Current members of the board of directors with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If there is a vacancy on the board of directors as a result of a resignation or otherwise, or if the board of directors decides not to re-nominate a member for re-election, the nominating and corporate governance committee then identifies the desired skills and experience of a new nominee in light of the criteria above.

##### **Shareholder Nominee**

In accordance with our bylaws and applicable law, recommendations for nominations for directors may be made by any shareholder of record entitled to vote for the election of directors at shareholder meetings held for such purpose. The requirements a shareholder must follow for recommending persons for election as directors



are set forth in our bylaws and the section of this proxy statement titled "Deadline for Receipt of Shareholder Proposals for 2011 Annual Meeting." If a shareholder complies with these procedures for recommending persons for election as directors, the committee will conduct the appropriate and necessary inquiries into the backgrounds, qualifications and skills of the recommended candidates and, in the exercise of the committee's independent judgment in accordance with the policies and procedures adopted in the committee's charter, and based upon the same criteria used with respect to candidates selected by the board, will determine whether to recommend the candidates recommended by the shareholders to the board of directors for inclusion in the list of candidates for election as directors at the next shareholder meeting held to elect directors.

#### **Board Nominees for the 2010 Annual Meeting**

Each of the nominees listed in this proxy statement are current directors standing for re-election.

#### **RISK CONSIDERATIONS IN OUR COMPENSATION POLICIES AND PRACTICES**

We have reviewed our compensation policies and practices for all employees and have determined that the associated risks are not reasonably likely to have a material adverse effect on the company.

#### **THE BOARD'S ROLE IN RISK OVERSIGHT**

In 2009, the audit committee directed the formation of a management risk committee to provide oversight of SonoSite's risk assessment responsibilities, specifically (a) the risks inherent in the business of the company and the control processes with respect to such risks, (b) the assessment and review of strategic, operational, compliance, and financial risks, and (c) the risk management activities of the company and its subsidiaries. The risk committee consists of members of management and meets as frequently as necessary to fulfill its duties and responsibilities, but not less frequently than quarterly. The risk committee reports on risk analysis and mitigation to the audit committee on a regular basis and makes such recommendations as it deems necessary or appropriate. The risk committee has developed a framework of identification of potential risks and a consolidated risk plan based on the framework.

#### **SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The board of directors maintains a process for shareholders to communicate with the board of directors. Shareholders wishing to communicate with the board of directors should send any communication to Corporate Secretary, SonoSite, Inc., 21919 30th Drive S.E., Bothell, Washington 98021. Any such communication must state the number of shares beneficially owned by the shareholder making the communication. The corporate secretary will forward such communication to the full board of directors or to any individual director or directors to whom the communication is directed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the corporate secretary has the authority to discard the communication or take appropriate legal action regarding the communication.

#### **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

All members of the compensation committee are independent directors, and none of them serve as a member of a compensation committee (or equivalent) or board of directors of any entity that has one or more executive officer serving as a member of our compensation committee or board of directors.

**CODE OF CONDUCT**

SonoSite has adopted a code of conduct to guide our officers, directors and employees, including our principal executive officer, principal financial officer and controller, in complying with the law and maintaining the highest standards of ethical conduct. All of our employees and directors must carry out their duties in accordance with the policies set forth in the code of conduct and with applicable laws and regulations. The code of conduct also sets forth our procedures for reporting possible wrongdoing to executive management and establishes a confidential procedure for reporting to the audit committee. A copy of the code of conduct can be accessed on the Internet via our website at [www.sonosite.com/company/corporate-governance/](http://www.sonosite.com/company/corporate-governance/).

---

**EXECUTIVE OFFICERS**

Our executive officers and their ages as of December 31, 2009, are as follows:

<b>Name</b>	<b>Age</b>	<b>Positions</b>	<b>Officer Since</b>
Kevin Goodwin	52	President, Chief Executive Officer and Director	1998
Michael Schuh	49	Vice President, Chief Financial Officer and Treasurer	2000
James Branman	47	Vice President, Cardiovascular Disease Management	2008
Graham Cox	51	Senior Vice President, International Sales	2005
James Gilmore	45	Senior Vice President, Product Innovation and Customer Delivery	2008

*Kevin Goodwin*'s biographical summary is included under Proposal One: Election of Directors Nominees .

*Michael Schuh* has served as Vice President, Finance and Chief Financial Officer since 2000 and as Treasurer since 2003. From 2000 to 2002, Mr. Schuh also served as Secretary. Previously, Mr. Schuh was with Leasetec Corporation in Boulder, Colorado for approximately 14 years in a variety of positions including vice president of finance, director of strategic planning and acquisitions, European finance director and corporate controller. He also acted as chief financial officer and chief operating officer of Capital Associates in Lakewood, Colorado. Prior to Leasetec, Mr. Schuh served for four years as senior consultant for Deloitte Haskins & Sells in Denver, Colorado. Mr. Schuh holds a bachelor's degree in business administration from the University of Wisconsin in Madison, Wisconsin.

*James Branman*, Vice President, Cardiovascular Disease Management, has held sales management positions at SonoSite since 2001 and was appointed to vice president of sales of the cardiovascular disease management division in August 2009. Prior to his promotion to his current position, he also served as Director, US Sales in 2008 and a business director for the Western region. Mr. Branman's career spans 18 years of increasing responsibility in sales and sales management in the medical technology industry, 16 of which are in ultrasound. He began his career as an ultrasound sales representative for Corometrics Medical Systems in 1991 and among other companies worked for GE Medical Systems and ATL Ultrasound, Inc. Mr. Branman holds a bachelor of science degree in history with a minor in political science from Illinois State University.

*Graham Cox*, Senior Vice President, International Sales, joined SonoSite in 1999. He was promoted from Vice President, Europe, Middle East and Africa to Vice President, International in 2005 and to Senior Vice President in 2008. Involved with the ultrasound industry since 1978, Mr. Cox worked for ATL Ultrasound and Acuson prior to joining SonoSite. Mr. Cox received an electronic engineer education and holds an Executive MBA from the International Management Centers Association.

*James Gilmore*, Senior Vice President, Product Innovation and Delivery, rejoined SonoSite in 2006. Previously, he served as global engineering manager for global ultrasound probes at GE Healthcare. Mr. Gilmore was one of the original engineers at SonoSite when the company was spun off from ATL Ultrasound in 1998. He served as director, transducer engineering for six years. He was honored as an ATL Technical Fellow for innovation and technical leadership and is named as an inventor on three patents for transducer technology. Mr. Gilmore received both his bachelor's degree in electrical engineering and his master's degree in biomedical engineering from Drexel University.

## COMPENSATION DISCUSSION AND ANALYSIS

### OVERSIGHT AND ADMINISTRATION OF EXECUTIVE COMPENSATION

The compensation committee of our board of directors is responsible for overseeing and administering all components of our executive compensation program. The responsibilities, composition and practices of the committee are discussed in detail in the Corporate Governance section.

### SUMMARY

The unfavorable global economic environment adversely affected our business in fiscal year 2009, as hospitals cut back or delayed capital spending. As a result, SonoSite's sales revenues, operating income and cash flow decreased from 2008. These factors affected our compensation programs during 2009 in the following manner. First, our compensation committee last took significant action with regard to base salaries and equity award grants for our named executive officers in October 2008, at which time it increased base salaries for our named executive officers and granted equity awards intended to be the only equity awards made during 2008 and 2009 for our officers. (These developments are also described in our proxy statement filed in March 2009). Second, the performance objectives specified under our annual cash incentive bonus arrangement for 2009 were not achieved, a situation directly impacted by the global economic situation of 2009, which caused a significant decrease in medical technology spending. In light of this, our compensation committee decided in February 2010 that it would not be appropriate to fail to pay our management any cash bonuses with respect to 2009, and so approved payment of discretionary cash bonuses to certain of our named executive officers, and also decided that it would not increase base salaries or grant additional equity awards at that time. These matters are discussed in greater detail below.

### COMPENSATION PHILOSOPHY

The committee's work is guided by the following three principles:

Attract and retain talented executive personnel by providing competitive compensation opportunities;

Directly link compensation to individual contribution and company performance; and

Tie meaningful compensation opportunities to the creation of additional shareholder value.

Our executive compensation philosophy is implemented through three key elements. The first element is to attract and retain talented executive personnel by paying them market or a premium-to-market base salary. Offering market or premium-to-market base salary is designed to provide executive personnel with the benefits of a stable base compensation that is comparable to what they would receive from most of our competitors. The second element is the annual variable incentive plan, which ties annual bonus payments to specified annual performance objectives. The third element is to provide executive personnel with meaningful equity compensation awards in order to align executives' incentives with those of our shareholders through a focus on long-term value creation.

---

**MARKET DATA, BENCHMARKING AND OTHER TOOLS USED IN ANALYZING COMPENSATION**

In making compensation decisions for the named executive officers, the committee compares each element of total compensation against a peer group of publicly traded medical device companies (collectively, the Peer Group ). This Peer Group, which is periodically reviewed and updated by the committee, includes companies with revenues and market capitalization that differ from those of SonoSite; however, the committee concluded that this peer group was appropriate because the company is competing for talent with these organizations. In 2008, the companies comprising the Compensation Peer Group for the review to establish 2009 compensation levels (the 2009 Peer Group ) were:

Accuray Incorporated	Merit Medical Systems, Inc.
AngioDynamics, Inc.	Symmetry Medical, Inc.
ArthroCare Corporation	Thoratec Corporation
Cardiac Science Corporation	TomoTherapy Incorporated
Datascope Corp.	Vital Signs, Inc.
Exactech, Inc.	Volcano Corporation
ICU Medical, Inc.	Wright Medical Group, Inc.
Masimo Corporation	Zoll Medical Corporation
Mentor Corporation	

At the suggestion of Compensia, the compensation committee approved certain changes to the membership of the Compensation Peer Group for the 2010 compensation review undertaken in late 2009 (the 2010 Peer Group ). Specifically, the group was modified by removing Datascope Corp., Mentor Corporation and Vital Signs, Inc. and adding CONMED Corporation and Cyberonics, Inc., both of which are publicly traded medical device companies. Several of the companies included in the 2009 Peer Group were removed because, during 2009, they ceased to exist as a result of acquisitions or mergers.

The compensation committee uses the Peer Group data, together with Compensia's analysis of such data, as a reference to help it evaluate the levels of compensation for our named executive and other officers; meaning that, to the extent such data is available with respect to a particular position, it compares the current level of compensation for an executive officer against the relevant Peer Group data and then it may or may not adjust the officer's compensation, depending on a variety of external factors as well as its judgment as to what is appropriate in context. Peer Group data is generally available for evaluation of the compensation of our chief executive officer, chief financial officer, and certain other senior-level executive officers. When relevant data was not available from the Peer Group for other executive officers, the committee relied on data from the Radford July 2008 High-Tech Executive Survey updated by Compensia to July 2009.

In addition, in determining compensation levels for 2010, the committee also reviewed the WorldatWork 2009/2010 Salary Budget Survey, which includes compensation information for over 350 technology companies. The WorldatWork survey reported that most companies in the survey froze salaries company-wide, reduced or delayed merit increases, or limited increases to high-performing individuals. As a result, overall average salary increase budgets for executives at the WorldatWork respondents only increased by approximately 1.0-1.5% over the previous year. Consequently, the committee decided not to update the Radford High Tech Executive Survey beyond July 2009, and continued to use data from that survey to assess 2010 compensation levels for named executive officers. The Peer Group data, Radford Study data, and (with respect to 2010 compensation levels), the WorldatWork 2009/2010 survey are hereinafter collectively referred to as the Market Data.

The committee's decisions on compensation levels for its 2009 fiscal year were made in October and November of 2008. In setting 2009 compensation, the broad goal of the committee was to benchmark, relative to

the Market Data, our executive compensation to the 50<sup>th</sup> to 75<sup>th</sup> percentile with respect to both salary and total cash compensation, subject to adjustments below or in excess of the target levels based on the committee's evaluation of the executive's scope of responsibility, achievement of business results, the company's performance results, and length of time in position (collectively, the 2009 Individual Factors). In setting prior years' compensation (including 2008 compensation), the committee used the 50<sup>th</sup> percentile as an initial benchmark for determining base salaries (subject to adjustment for Individual Factors). As an initial reference for setting base salary levels for 2009, the committee decided to use a target band of 50<sup>th</sup> to 75<sup>th</sup> percentile (relative to Market Data) both to be consistent with its target benchmark for total cash compensation, and to allow more room to account for factors specific to each executive that may result in deviations from a single number percentile target.

With respect to equity awards, the compensation committee has used the Market Data only as a general reference point when making decisions about the size of awards to grant to individual executive officers. As mentioned above, the committee did not grant equity awards to any named executive officers during 2009. The equity awards granted to officers in November 2008 were intended to cover both 2008 and 2009. While the committee did refer to the Market Data in late 2008 when making its assessment of the level of equity grants (and in particular looked at the 50<sup>th</sup> percentile of the Market Data), the committee made significant adjustments when setting the size of the awards to account for the fact that those grants were intended to cover a two year period, as well as to take into consideration various factors, including the historical grant levels for individual executives, vesting schedules for previously issued equity, the amount of SonoSite stock already owned, the number of shares remaining in the company's equity plans, and each executive's performance record. Additional details about these equity awards are included in our proxy statement filed in March 2009.

In undertaking its review of our compensation programs in October 2009 for the purpose of 2010 compensation, the committee again had the broad goal of benchmarking base salaries and total cash compensation to the 50<sup>th</sup> to 75<sup>th</sup> percentile of the Market Data, while it also intended to make adjustments below or above the target levels based on the committee's evaluation of the executive's length of tenure and performance in the position, scope of responsibility and the company's historical performance results (collectively, the 2010 Individual Factors) (the 2009 Individual Factors and 2010 Individual Factors are referred to collectively as the Individual Factors). As discussed more fully in the Equity Grants section below, the 2010 Peer Group data regarding equity compensation had less reference value as the committee did not consider equity grant targets in setting 2010 compensation levels because it had determined not to grant any additional equity awards when setting 2010 compensation.

During 2009, actual compensation paid or awarded to individual named executive officers varied in a number of cases from the targets described above. As a result, two named executive officers had variances of 10% or more between actual base salary paid in 2009 and the 50