BIOMET INC
Form DEFM14A
August 08, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a)

OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x

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))**
x	Definitive Proxy Statement		
¨	Definitive Additional Materials		
¨	Soliciting Material Under Rule 14a-12		

BIOMET, INC.

(Name of Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x 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:

Biomet, Inc. common shares, no par value (*Common Shares*)

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

43,235,222 Common Shares

(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):

The proposed maximum aggregate value of the transaction for purposes of calculating the filing fee is $1,988,820,212. The filing fee was based upon 43,235,222 Common Shares owned by persons other than LVB Acquisition, Inc. or LVB Acquisition Merger Sub, Inc. and outstanding on July 20, 2007, multiplied by $46.00 per share (the *Total Consideration*). The filing fee equals the product of 0.0000307 multiplied by the Total Consideration.

(4) Proposed maximum aggregate value of transaction:

$1,988,820,212

(5) Total fee paid:

$61,056.78

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

$1,166,700.74

(2) Form, Schedule or Registration Statement No:

Preliminary Schedule 14A

(3) Filing party:

Biomet, Inc.

(4) Date Filed:

January 31, 2007

Table of Contents

August 8, 2007

To the Shareholders of Biomet, Inc.:

You are cordially invited to attend a special meeting of shareholders of Biomet, Inc. to be held on September 5, 2007 at 9:00 a.m., local time, at Biomet s headquarters at 56 East Bell Drive, Warsaw, Indiana 46582.

On December 18, 2006, we entered into a merger agreement (which was amended and restated on June 7, 2007) with LVB Acquisition, Inc. (formerly LVB Acquisition, LLC), an entity currently controlled by private equity funds sponsored by each of The Blackstone Group L.P., Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co. L.P. and TPG Capital, L.P. At the special meeting, we will ask you to, among other things, consider and vote on the approval of the merger agreement. The merger is the second and final step of the acquisition of Biomet by LVB Acquisition. The first step was a tender offer by a wholly owned subsidiary of LVB Acquisition for all of the outstanding common shares of Biomet at a price of $46.00 per share, net to the seller in cash without interest, which was completed on July 12, 2007. The second step of LVB Acquisition s purchase of Biomet consists of the merger of LVB Acquisition s subsidiary with and into Biomet pursuant to the merger agreement.

If the merger is completed, you will receive $46.00 in cash, without interest, for each Biomet share you own.

After careful consideration, the board of directors unanimously adopted and declared advisable the merger agreement and the merger and related transactions and unanimously determined that the merger is in the best interests of Biomet and its shareholders. **Our board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement**.

The merger cannot be completed unless shareholders holding at least 75% of the outstanding common shares on the record date approve the merger agreement. As a result of the tender offer and a voting agreement with certain of our shareholders, LVB Acquisition beneficially owns or may be deemed to have voting control over a total of approximately 84.74% of the outstanding common shares, which is sufficient to assure approval of the merger agreement at the special meeting. As a result, the affirmative vote of other Biomet shareholders is not required to approve the merger agreement. The completion of the merger is also subject to the satisfaction or waiver of other conditions. More information about the merger is contained in the accompanying proxy statement.

We encourage you to read the accompanying proxy statement in its entirety because it explains the proposed merger, the documents related to the merger and other related matters.

Whether or not you plan to attend the special meeting, please take the time to submit a proxy by following the instructions on your proxy card as soon as possible. If your common shares are held in an account at a brokerage firm, bank or other nominee, you should instruct your broker, bank or other nominee how to vote in accordance with the voting instruction form furnished by your broker, bank or other nominee.

We appreciate your continued support of our company and recommend that you vote for the approval of the merger agreement.

Sincerely,

Jeffrey R. Binder

President and Chief Executive Officer

This transaction has not been approved or disapproved by the Securities and Exchange Commission or any state securities commission. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the merits or fairness of this transaction or upon the adequacy or accuracy of the information contained in this proxy statement. Any representation to the contrary is a criminal offense.

This proxy statement is dated August 8, 2007 and is first being mailed to shareholders on or about August 9, 2007.

Table of Contents

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held September 5, 2007

Date, Time, Place	September 5, 2007, at 9:00 a.m., local time, at Biomet s headquarters at 56 East Bell Drive, Warsaw, Indiana 46582.
Purposes	1. To approve the Agreement and Plan of Merger, dated as of December 18, 2006 (amended and restated as of June 7, 2007), by and among Biomet, Inc., an Indiana corporation, LVB Acquisition, Inc. (formerly LVB Acquisition, LLC), a Delaware corporation, and LVB Acquisition Merger Sub, Inc., an Indiana corporation and a wholly-owned subsidiary of LVB Acquisition, Inc.; and
	2. To transact any other business as may properly come before the special meeting.
Who Can Vote	Only shareholders of record at the close of business on July 20, 2007, the record date for the special meeting, may vote at the special meeting and any adjournments or postponements of the special meeting.
	A shareholders list will be available at our executive offices at 56 East Bell Drive, Warsaw, Indiana 46582 for inspection by any shareholder entitled to vote at the special meeting beginning no later than five business days before the date of the special meeting and continuing through the special meeting.
How Can You Vote	Please submit your proxy or voting instructions as soon as possible to make sure that your shares are represented and voted at the special meeting, whether or not you plan to attend the special meeting. Whether you attend the special meeting or not, you may revoke a proxy at any time before it is voted by filing with our corporate secretary a duly executed revocation of proxy, by properly submitting a proxy either by mail, the Internet or telephone with a later date or by appearing at the special meeting and voting in person. You may revoke a proxy by any of these methods, regardless of the method used to deliver your previous proxy. Attendance at the special meeting without voting will not itself revoke a proxy. If your shares are held in an account at a brokerage firm, bank or other nominee, you must contact your broker, bank or other nominee to revoke your proxy.
Dissenters Rights	Biomet shareholders have no dissenters rights under Indiana law in connection with the merger.
Additional Information	For more information about the merger and the other transactions contemplated by the merger agreement, please review the accompanying proxy statement and the merger agreement attached to it as Annex A.

By Order of the Board of Directors,

Bradley J. Tandy

Senior Vice President, General Counsel and Secretary

Warsaw, Indiana

August 8, 2007

Table of Contents

SUMMARY VOTING INSTRUCTIONS

Ensure that your Biomet common shares can be voted at the special meeting by submitting your proxy or contacting your broker, bank or other nominee.

If your Biomet common shares are registered in the name of a broker, bank or other nominee: check the voting instruction card forwarded by your broker, bank or other nominee to see which voting options are available or contact your broker, bank or other nominee in order to obtain directions as to how to ensure that your common shares are voted in favor of the proposals at the special meeting.

If your Biomet common shares are registered in your name: submit your proxy as soon as possible by telephone, via the Internet or by signing, dating and returning the enclosed proxy card in the enclosed postage-paid envelope, so that your common shares can be voted in favor of the proposals at the special meeting.

Instructions regarding telephone and Internet voting are included on the proxy card.

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact Biomet at (574) 372-1514.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

BIOMET, INC.

56 East Bell Drive

Warsaw, Indiana 46582

PROXY STATEMENT

This proxy statement contains information related to our special meeting of shareholders to be held on September 5, 2007, at 9:00 a.m., local time, at Biomet s headquarters at 56 East Bell Drive, Warsaw, Indiana 46582, and at any adjournments or postponements thereof. We are furnishing this proxy statement to shareholders of Biomet, Inc. as part of the solicitation of proxies by Biomet s board of directors for use at the special meeting.

SUMMARY TERM SHEET

This summary highlights selected information in this proxy statement and may not contain all the information about the merger that is important to you. We have included page references in parentheses to direct you to more complete descriptions of the topics presented in this summary term sheet. You should carefully read this proxy statement in its entirety, including the annexes and the other documents to which we have referred you, for a more complete understanding of the matters being considered at the special meeting. Each item in this term sheet includes a page reference directing you to a more complete description of that item in the proxy statement.

The Companies

(page 15)

Biomet, Inc.

56 East Bell Drive

Warsaw, Indiana 46582

(574) 267-6639

We are an Indiana corporation and we design, manufacture and market products used primarily by musculoskeletal medical specialists in both surgical and non-surgical therapy. Our product portfolio encompasses reconstructive products, fixation devices, spinal products and other products. Our corporate headquarters are located in Warsaw, Indiana and we have manufacturing facilities and/or offices in more than fifty locations worldwide. Our common shares are currently listed on the NASDAQ Global Select Market under the symbol BMET.

LVB Acquisition, Inc.

LVB Acquisition, Inc., which we refer to as Parent, is a Delaware corporation that was originally formed as a limited liability company solely for the purpose of acquiring Biomet. Parent is controlled by a consortium of private equity funds sponsored by each of The Blackstone Group L.P., Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co. L.P. and TPG Capital, L.P. The equity investors of Parent have re-formed Parent as a Delaware corporation prior to the date hereof.

LVB Acquisition Merger Sub, Inc.

LVB Acquisition Merger Sub, Inc., which we refer to as Merger Sub, is an Indiana corporation and a wholly-owned subsidiary of Parent that was formed solely for the purpose of facilitating Parent s acquisition of

Table of Contents

Biomet. Merger Sub currently owns 202,601,130 Biomet common shares, representing approximately 82.41% of our outstanding common shares. Upon consummation of the proposed merger, Merger Sub will merge with and into Biomet and will cease to exist with Biomet continuing as the surviving corporation and a wholly-owned subsidiary of Parent.

Overview of the Transaction

(page 15)

Biomet, Parent and Merger Sub entered into a merger agreement on December 18, 2006, which was amended and restated on June 7, 2007. In the merger agreement, Parent agreed to acquire Biomet through a two-step process. The first step was a tender offer by Merger Sub for all of the outstanding common shares of Biomet at a price of $46.00 per share, net to the seller in cash without interest, which was completed on July 12, 2007. The second step is a merger of Merger Sub with and into Biomet, with Biomet surviving as a wholly-owned subsidiary of Parent. The following will occur in connection with the merger:

- each outstanding common share (other than those shares owned by Parent, Merger Sub or any other direct or indirect wholly-owned subsidiary of Parent and shares owned by us or any of our wholly-owned subsidiaries and except for those shares as otherwise agreed by the holder and Biomet) will be converted into the right to receive $46.00 per share in cash, less any required withholding taxes and without interest;

- all common shares so converted will, by virtue of the merger be cancelled and cease to exist, and each certificate formerly representing any of the common shares will thereafter represent only the right to receive the per share merger consideration, without interest;

- each outstanding common share of Merger Sub will be converted into one common share, without par value, of the surviving corporation;

- Biomet shareholders (other than Parent and its affiliates and any other person, including any current or former members of management of Biomet, who becomes a direct or indirect investor in Parent) will no longer have any interest in, and no longer be shareholders of, Biomet, and will not participate in any of our future earnings or growth;

- our common shares will no longer be listed on the NASDAQ Global Select Market and price quotations with respect to our common shares in the public market will no longer be available; and

- the registration of our common shares under the Securities Exchange Act of 1934 (*Exchange Act*) will be terminated.

The Special Meeting

(page 12)

The special meeting of our shareholders will be held at 56 East Bell Drive, Warsaw, Indiana 46582 at 9:00 a.m., local time, on September 5, 2007. At the special meeting, you will be asked to, among other things, consider and vote on the approval of the merger agreement. Please see the section of this proxy statement captioned Questions and Answers About the Special Meeting and the Merger for additional information on the special meeting, including how to vote your Biomet common shares.

Shareholders Entitled to Vote; Vote Required to Approve the Merger Agreement

(page 12)

You may vote at the special meeting if you owned Biomet common shares at the close of business on July 20, 2007, the record date for the special meeting. On that date, there were 245,836,352 Biomet common shares outstanding and entitled to vote. You may cast one vote for each Biomet common share that you owned on that date. Approval of the merger agreement requires the affirmative vote of the holders of at least 75% of Biomet s common shares outstanding entitled to vote at the special meeting. Merger Sub owns 82.41% of Biomet s common shares as a result of the tender offer made pursuant to the merger agreement. In addition, certain shareholders have agreed with Parent to vote approximately 2.3% of the outstanding shares in favor of the merger agreement. Thus, the approval of the merger agreement is assured without the vote of any other shareholder.

Table of Contents

Payment for Shares

(page 62)

American Stock Transfer & Trust Company has been appointed as the paying agent to coordinate the payment of the merger consideration to our shareholders. The paying agent will send written instructions for surrendering your Biomet common share certificates, if your common shares are certificated, and obtaining the merger consideration after we have completed the merger. Do not return your stock certificates with your proxy card and do not forward your stock certificates to the paying agent prior to receipt of the written instructions. If you hold your uncertificated Biomet common shares (i.e., you hold your shares in book entry), you will automatically receive your cash consideration as soon as practicable after the effective time of the merger without any further action required on your part.

Our Share Price

(page 75)

Our common shares are currently traded on the NASDAQ Global Select Market under the symbol BMET. On April 3, 2006, the trading day prior to public speculation about Biomet executing a significant transaction, the closing price per common share was $34.78. On June 6, 2007, the last trading day before the amended and restated merger agreement was announced, the closing price per common share was $44.20. The $46.00 per share to be paid for each Biomet common share in the merger represents a premium of approximately 32% to the closing price on April 3, 2006; and a premium of approximately 4% to the closing price on June 6, 2007, the last trading day prior to the announcement of the amended and restated merger agreement. On August 7, 2007, the last trading day before the printing of this proxy statement, the closing price per share was $45.51.

Recommendation of Our Board of Directors; Reasons for Recommending the Approval of the Merger Agreement

(page 31)

On June 6, 2007, our board of directors (all of whom were unaffiliated with Parent at the time) unanimously adopted and declared advisable the merger agreement and the merger and related transactions, and unanimously determined that the merger is in the best interests of Biomet and its shareholders. Accordingly, our board of directors recommends that our shareholders vote **FOR** approval of the merger agreement.

In adopting the merger agreement and making the determination to recommend that the merger agreement be approved, our board of directors considered, among other factors:

- the current and historical market prices of Biomet s common shares, and the fact that the $46.00 per share to be paid for each Biomet common share in the merger represents a substantial premium to those historical trading prices;

- the possible alternatives to the sale of Biomet, including continuing to operate Biomet on a stand-alone basis, and the risks associated with such alternatives, each of which the board of directors determined not to pursue in light of its belief, and the belief of Biomet s management, that the merger was in the best interests of Biomet and its shareholders;

- the presentation of Morgan Stanley, including its opinion dated June 6, 2007 that, as of such date and based upon and subject to the various considerations, assumptions and limitations set forth in its written opinion, the consideration of $46.00 per share to be received by holders of Biomet common shares in accordance with the merger agreement was fair from a financial point of view to such shareholders (see Approval of the Merger Agreement Opinion of our Financial Advisor and Annex B to this proxy statement); and

- the additional factors described in detail under Approval of the Merger Agreement Recommendation of Our Board of Directors; Reasons for Recommending the Approval of the Merger Agreement beginning on page 31.

Table of Contents

Due to the variety of factors considered, our board of directors did not assign relative weight to these factors or determine that any factor was of particular importance. Our board of directors reached its conclusion based upon the totality of the information presented and considered during its evaluation of the merger. In considering the recommendation of our board of directors with respect to the merger, you should be aware that some of our directors and executive officers have interests that may be different from, or in addition to, our shareholders generally.

Background of the Merger

(pages 16 and 31)

For a description of the events leading to the adoption of the merger agreement by our board of directors, you should refer to Approval of the Merger Agreement Background of the Merger and Recommendation of Our Board of Directors; Reasons for Recommending the Approval of the Merger Agreement.

Opinion of Our Financial Advisor

(page 36)

On June 6, 2007, Morgan Stanley & Co. Incorporated, our financial advisor (*Morgan Stanley*), rendered its oral opinion to our board of directors and subsequently confirmed in writing, that, as of that date, and based upon and subject to the various considerations, assumptions and limitations set forth in its written opinion, the consideration of $46.00 per share to be received by holders of Biomet common shares in accordance with the merger agreement was fair from a financial point of view to our shareholders.

The full text of the written opinion of Morgan Stanley is attached to this proxy statement as Annex B. We encourage you to read this opinion carefully in its entirety for a complete description of the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. The opinion is directed to our board of directors and does not constitute a recommendation by Morgan Stanley to any shareholder as to any matter relating to the merger.

Financing of the Offer and Merger

(page 44)

Biomet, Parent and Merger Sub estimate that the total amount of funds necessary to consummate the transactions contemplated by the merger agreement will be approximately $11.4 billion, which will be funded by debt financing, equity financing provided by the current equity investors in Parent and other co-investors that it may identify (which may include one or more existing holders of Biomet common shares) and, to the extent available, cash of Biomet. Funding of the debt financing required for the merger is subject to the satisfaction of the conditions set forth in the commitment letters under which the financing will be provided. See Approval of the Merger Agreement Financing of the Offer and Merger beginning on page 44.

Interests of Biomet Directors and Executive Officers in the Merger

(page 49)

Members of our board of directors and our executive officers may have interests in the transactions contemplated by the merger agreement that differ from, or are in addition to, those of our other shareholders. For example:

- immediately prior to the consummation of the tender offer, our executive officers and directors held 12,570,046 common shares;

- our current and former executive officers and members of our board of directors held stock options that pursuant to the merger agreement were cancelled after the tender offer in exchange for a payment equal to the excess, if any, of $46.00 per share over the option exercise price for each share subject to the stock option, less any applicable withholding taxes and without interest;

4

Table of Contents

as a result of the tender offer, certain of our executive officers may be entitled to severance benefits (including tax gross-up payments) if one of these executives dies, we terminate one of these executives employment for any reason other than for cause or disability, or one of these executives terminates his or her employment for good reason;

our current and former directors and officers will continue to be indemnified and will have the benefit of liability insurance until July 2013, which is six years after completion of the tender offer;

subsequent to signing the original merger agreement on December 18, 2006, Biomet entered into employment arrangements with Mr. Jeffrey R. Binder, our President and Chief Executive Officer, Mr. J. Pat Richardson, our Vice President Finance and Interim Chief Financial Officer and Treasurer, Mr. Glen A. Kashuba, our Senior Vice President and President of Biomet Trauma and Biomet Spine, and we understand that Parent intends to continue to employ Messrs. Binder, Richardson and Kashuba pursuant to terms similar to the terms of their current arrangements and to provide Messrs. Binder, Richardson and Kashuba with equity compensation commensurate with their respective positions at Biomet;

although no agreements have been entered into as of the date of this proxy statement, Parent informed us of its intention to cause the surviving corporation to enter into agreements with other members of our existing management team (which agreements will not become effective until the merger is completed), and we believe that these persons are likely to enter into such agreements, although such matters are subject to further negotiation and discussion and no terms or conditions have been finalized;

although no agreements have been entered into as of the date of this proxy statement, Parent has informed us that it intends to offer certain current and former members of management the opportunity to convert all or a portion of their current equity interests in Biomet into, or otherwise invest on terms that are no more favorable than other investors in, equity in Parent (or a subsidiary thereof);

Parent expects to offer Mr. Binder the opportunity to continue to serve on the board of directors the surviving corporation following the merger, which boards are expected to include at least ten other members; and

if the merger is consummated, any shareholder derivative claims that are currently pending or that could be brought against the directors and officers of Biomet by current shareholders would likely be extinguished.

Conditions to the Merger

(page 68)

We are working to complete the merger as soon as possible. Although we expect to complete the merger before the end of September 2007, the merger is subject to the satisfaction of several conditions, including the conditions described immediately below. As such, we cannot predict the exact time of the merger s completion.

The completion of the merger depends on a number of conditions being satisfied, including but not limited to:

the merger agreement must have been approved by the affirmative vote of at least 75% of the votes entitled to be cast by the holders of the outstanding common shares (as a result of the tender offer and a voting agreement with certain of our shareholders, LVB Acquisition beneficially owns or may be deemed to have voting control over a total of approximately 84.74% of the outstanding common shares, which is sufficient to assure approval of the merger agreement at the special meeting);

no temporary restraining order, preliminary or permanent injunction or other judgment or order issued by any court or agency of competent jurisdiction or other law, rule, legal restraint or prohibition shall be in effect preventing, restraining or rendering illegal the consummation of the merger; and

Table of Contents

the expiration of a 20 consecutive day marketing period that Parent may use to complete its financing for the merger. The marketing period begins to run after we have obtained shareholder approval and satisfied other conditions under the merger agreement, including the delivery of certain financial information required by Parent to complete its contemplated financing of the merger.

Where legally permissible, a party may waive a condition to its obligation to complete the merger even though that condition has not been satisfied. None of Biomet, Parent or Merger Sub, however, has any intention to waive any condition as of the date of this proxy statement.

Certain Material United States Federal Income Tax Consequences

(page 57)

The receipt of $46.00 in cash for each common share pursuant to the merger will be a taxable transaction for United States federal income tax purposes. A U.S. Holder, as defined on page 58, generally will recognize gain or loss as a result of the merger on each share measured by the difference, if any, between $46.00 and such holder s adjusted tax basis in that share. However, subject to certain exceptions, a Non-U.S. Holder, as defined on page 58, will generally not be subject to United States federal income tax on any gain or loss recognized as a result of the merger.

You should read Approval of the Merger Agreement Certain Material United States Federal Income Tax Consequences beginning on page 57 for a more complete discussion of the federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor regarding the tax consequences of the merger to you.

Dissenters Rights

(pages 14 and 57)

Under Indiana law, Biomet shareholders do not have dissenters rights in connection with the merger.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

Q: What matters will be voted on at the special meeting?

A: You will vote on a proposal to approve the merger agreement. The merger is the second and final step of the acquisition of Biomet by Parent. The first step was a tender offer by Merger Sub for all of the outstanding common shares of Biomet at a price of $46.00 per share, net to the seller in cash without interest, which was completed on July 12, 2007.

Q: As a shareholder, what will I receive in the merger?

A: You will be entitled to receive $46.00 in cash, without interest, for each Biomet common share that you own immediately prior to the effective time of the merger as described in the merger agreement.

Q: When and where is the special meeting of our shareholders?

A: The special meeting of shareholders will take place on September 5, 2007, at 9:00 a.m., local time, at Biomet s headquarters at 56 East Bell Drive, Warsaw, Indiana 46582.

Q: What vote of our shareholders is required to approve the merger agreement?

A: For us to complete the merger, shareholders holding at least 75% of Biomet s common shares outstanding at the close of business on the record date must vote FOR the proposal to approve the merger agreement. As a result of the tender offer and a voting agreement with certain of our shareholders, Parent beneficially owns or may be deemed to have voting control over a total of approximately 84.74% of our outstanding common shares, which is sufficient to assure approval of the merger agreement at the special meeting. Accordingly, the affirmative vote of other Biomet shareholders is not required to approve the merger agreement.

At the close of business on the record date, 245,836,352 common shares were outstanding, 208,324,725 of which were indirectly beneficially owned by Parent, including 202,601,130 shares acquired by Merger Sub pursuant to the offer and 5,723,595 shares owned by certain shareholders who, pursuant to a voting agreement, have agreed with Parent to vote those shares in favor of the merger.

Q: Who can attend and vote at the special meeting?

A: All shareholders of record as of the close of business on July 20, 2007, the record date for the special meeting, are entitled to receive notice of and to attend and vote at the special meeting, or any postponement or adjournment thereof. If you wish to attend the special meeting and your shares are held in an account at a brokerage firm, bank or other nominee (i.e., in street name), you will need to bring a copy of your voting instruction card or brokerage statement reflecting your share ownership as of the record date. Street name holders who wish to vote at the special meeting will need to obtain a proxy from the broker, bank or other nominee that holds their common shares. Seating will be limited at the special meeting. Admission to the special meeting will be on a first-come, first-served basis.

Q: How does our board of directors recommend that I vote?

A: Our board of directors unanimously recommends that our shareholders vote **FOR** the proposal to approve the merger agreement.

Q: Am I entitled to exercise dissenters rights instead of receiving the merger consideration for my shares?

A: No. Biomet shareholders have no dissenters rights under Indiana law in connection with the merger.

Table of Contents

Q: How do I cast my vote if I am a holder of record?

A: If you were a holder of record on July 20, 2007, you may vote in person at the special meeting or by submitting a proxy for the special meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage paid envelope. Holders of record may also vote by telephone or the Internet by following the instructions on the proxy card.

If you properly transmit your proxy, but do not indicate how you want to vote, your proxy will be voted FOR the approval of the merger agreement.

Q: How do I cast my vote if my Biomet shares are held in street name by my broker, bank or other nominee?

A: If you hold your shares in street name, which means your common shares are held of record on July 20, 2007 by a broker, bank or other nominee, you must provide the record holder of your common shares with instructions on how to vote your common shares in accordance with the voting directions provided by your broker, bank or other nominee. **If you do not provide your broker, banker or other nominee with instructions on how to vote your shares, your common shares will not be voted, which will have the same effect as voting AGAINST the approval of the merger agreement.** Broker non-votes will have no effect on the other proposals. Please refer to the voting instruction card used by your broker, bank or nominee to see if you may submit voting instructions using the Internet or telephone.

Q: How do I vote my shares in Biomet s 401(k) Savings and Retirement Plan?

A: If you are one of Biomet s team members (Biomet refers to its employees as team members) who participates in Biomet s 401(k) Savings and Retirement Plan, you will receive a notice requesting that you provide voting instructions with respect to the shares allocated to your account in the 401(k) Plan. You are entitled to direct the 401(k) Plan trustee how to vote your 401(k) Plan shares. If you do not provide voting instructions within the time prescribed in the notice, the shares allocated to your account in the 401(k) Plan will be voted by the 401(k) Plan trustee in the same proportion as the shares held by the 401(k) Plan trustee for which voting instructions have been received from other participants in the 401(k) Plan. You may revoke your previously provided voting instructions by providing written notice of revocation or a properly executed proxy bearing a later date in accordance with the procedures described in the notice.

Q: What will happen if I abstain from voting or fail to vote on the proposal to approve the merger agreement?

A: If you abstain from voting, fail to cast your vote in person or by proxy or fail to give voting instructions to your broker, bank or other nominee (except with respect to the 401(k) Plan trustee), it will have the same effect as a vote against approval of the merger agreement. However, since Parent and its subsidiary own a sufficient number of shares to approve the merger agreement and are required to vote those shares to approve the merger agreement, we expect the proposal to be approved regardless of your vote.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. If you are a record holder, you can change your vote at any time before your proxy is voted at the special meeting by properly delivering a later-dated proxy either by mail, the Internet or telephone or attending the special meeting in person and voting. You also may revoke your proxy by delivering a notice of revocation to Biomet s corporate secretary prior to the vote at the special meeting. If your shares are held in street name, you must contact your broker, bank or other nominee to revoke your proxy.

Q: What should I do if I receive more than one set of voting materials?

A. You may receive more than one set of voting materials, including multiple copies of this proxy statement or multiple proxy or voting instruction cards. For example, if you hold your common shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold common shares. If you are a holder of record and your common shares are registered in more than one name, you will receive more than one proxy card. **Please vote each proxy and voting instruction card that you receive**.

Q: Is the merger expected to be taxable to me?

A: Generally yes, if you are a U.S. Holder, as defined on page 58. The receipt of $46.00 in cash for each common share pursuant to the merger will be a taxable transaction for United States federal income tax purposes. For United States federal income tax purposes, a United States shareholder generally will recognize gain or loss on each share as a result of the merger measured by the difference, if any, between $46.00 and such holder s adjusted tax basis in that common share. However, subject to certain exceptions, a Non-U.S. Holder, as defined on page 58, will generally not be subject to United States federal income tax on any gain or loss recognized as a result of the merger.

You should read Approval of the Merger Agreement Certain Material United States Federal Income Tax Consequences beginning on page 57 for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. **We urge you to consult your tax advisor regarding the tax consequences of the merger to you**.

Q: If I am a holder of certificated Biomet common shares, should I send in my share certificates now?

A: No. Promptly after the merger is completed, each holder of record as of the time of the merger will be sent written instructions for exchanging their share certificates for the merger consideration. These instructions will tell you how and where to send in your certificates for your cash consideration. You will receive your cash payment after the paying agent receives your share certificates and any other documents requested in the instructions. Please do not send certificates with your proxy.

Holders of uncertificated Biomet common shares (i.e., holders whose shares are held in book entry) will automatically receive their cash consideration as soon as practicable after the effective time of the merger without any further action required on the part of such holders.

Q: When is the merger expected to be completed? What is the marketing period ?

A: We are working to complete the merger as quickly as possible. We cannot, however, predict the exact timing of the merger. In order to complete the merger, we must obtain shareholder approval and the other closing conditions under the merger agreement must be satisfied or waived.

In addition, Parent is not obligated to complete the merger until the expiration of a 20 consecutive day marketing period that Parent may use to complete its financing for the merger. The marketing period begins to run after we have obtained shareholder approval and satisfied other conditions under the merger agreement, including the delivery of certain financial information required by Parent to complete its contemplated financing of the merger. The marketing period may be required to re-commence under certain circumstances. See The Merger Agreement Conditions to the Merger beginning on page 68.

Q: Who can help answer my questions?

A: If you have any questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact Biomet at (574) 372-1514.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements with respect to our financial condition, results of operations, plans, objectives, intentions, future performance and business and other statements that are not statements of historical facts, as well as certain information relating to the merger, including, without limitation:

- statements about the benefits of the proposed merger involving Biomet and Parent;
- the financial targets set forth in the section entitled Approval of the Merger Agreement Strategic Plan Financial Targets;
- statements with respect to our plans, objectives, expectations and intentions and other statements that are not historical facts; and
- other statements identified by words such as will, would, likely, thinks, may, believes, expects, anticipates, estimates, targets, projects and similar expressions.

These forward-looking statements involve certain risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the following factors:

- the results of ongoing investigations by the United States Department of Justice;
- the ability to successfully implement new technologies;
- Biomet s ability to sustain sales and earnings growth;
- Biomet s success in achieving timely approval or clearance of its products with domestic and foreign regulatory entities;
- the stability of certain foreign economic markets;
- the ability of Biomet to successfully implement its desired organizational changes;
- the impact of Biomet s managerial changes;
- developments related to Biomet s internal controls over financial reporting disclosure controls and procedures; and other factors set forth in Biomet s filings with the SEC, including Biomet s most recent annual report on Form 10-K and quarterly reports on Form 10-Q;
- Biomet s inability to satisfy the conditions to closing the merger with Parent and the costs and consequences of not closing the merger;

the effect of the pending merger with Parent on Biomet s business and its relationship with customers, distributors, employees and suppliers;

the results and related outcomes of the review by a special committee of our board of directors of Biomet s historical stock option granting practices, including: the impact of any restatement of financial statements of Biomet or other actions that may be taken or required as a result of the special committee s review, including the restatement of Biomet s financial statements announced on March 30, 2007; the impact of any inability of Biomet to timely file reports with the Securities and Exchange Commission (*SEC*) and distribute such reports or statements to its shareholders; the impact of any tax consequences, including any determination that Biomet s filed tax returns were not true, correct and complete; the impact of any determination that some of the options may not have been validly issued under the stock option plans; the impact of the determination that certain of Biomet s financial statements were not prepared in accordance with GAAP and/or the required reporting standards under applicable securities rules and regulations; the impact of any determination of the existence of any significant deficiencies and/or material weaknesses in Biomet s internal controls and/or of the need to reevaluate certain of the findings and conclusions in Management s Report on Internal

Table of Contents

Controls; the consequences of any determination that Biomet s disclosure controls and procedures required by the Exchange Act were not effective; the impact of any determination that some of Biomet s insurance policies may not be in full force and effect and/or that Biomet may not be in compliance with the terms and conditions of those policies; and litigation and governmental investigations or proceedings which may arise out of Biomet s stock option granting practices or any restatement of its financial statements;

the inability to meet the NASDAQ requirements for continued listing;

the timing and number of planned new product introductions;

the effect of anticipated changes in the size, health and activities of population on demand for our products;

assumptions and estimates regarding the size and growth of certain market segments;

the timing and anticipated outcome of clinical studies;

assumptions concerning anticipated product developments and emerging technologies;

the future availability of raw materials; and

the impact of anticipated changes in the musculoskeletal industry and our ability to react to and capitalize on those changes.

The inclusion of a forward-looking statement herein should not be regarded as a representation by Biomet that Biomet s objectives will be achieved.

Forward-looking statements speak only as of the date of this proxy statement. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Moreover, although we believe the expectations reflected in the forward-looking statements are based upon reasonable assumptions, we give no assurance that we will attain these expectations or that any deviations will not be material. Except to the extent required by applicable law or regulation, we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of this proxy statement or to reflect the occurrence of unanticipated events.

Table of Contents

THE BIOMET SPECIAL MEETING

We are furnishing this proxy statement to Biomet shareholders as part of the solicitation of proxies by the Biomet board of directors for use at the special meeting.

Date, Time and Place

We will hold the special meeting on September 5, 2007 at 9:00 am, local time, at 56 East Bell Drive, Warsaw, Indiana 46582. Seating will be limited to shareholders. Admission to the special meeting will be on a first-come, first-served basis.

Purpose of the Special Meeting

The special meeting is being held for the following purposes:

- To approve the merger agreement (see Approval of the Merger Agreement beginning on page 15); and

- To transact any other business that is properly brought before the special meeting or any reconvened meeting after any adjournment or postponement of the meeting.

Recommendation of Our Board of Directors

Our board of directors unanimously recommends that our shareholders vote **FOR** the approval of the merger agreement.

Record Date; Shareholders Entitled to Vote; Quorum

Only holders of record of Biomet common shares at the close of business on July 20, 2007, the record date, are entitled to notice of and to vote at the special meeting. On the record date, 245,836,352 Biomet common shares were issued and outstanding and held by 3,087 holders of record. Holders of record of Biomet common shares on the record date are entitled to one vote per common share at the special meeting on each proposal. Biomet s shareholders list will be available at our executive offices for inspection by any shareholder entitled to vote at the special meeting beginning no later than five days before and continuing through the special meeting.

A quorum is necessary to hold a valid special meeting. A quorum will be present at the special meeting if the holders of a majority of Biomet s common shares outstanding and entitled to vote on the record date are present, in person or by proxy. Because Merger Sub currently owns in excess of 75% of the outstanding Biomet common shares, Merger Sub s presence at the special meeting, in person or by proxy, is sufficient to constitute a quorum.

Vote Required

Approval of the Merger Agreement

The approval of the merger agreement by our shareholders requires the affirmative vote of the holders of at least 75% of Biomet s common shares outstanding and entitled to vote at the special meeting as of the record date, either in person or by proxy. Merger Sub already owns in excess of 75% of Biomet s common shares as a result of the tender offer made pursuant to the merger agreement. In addition, Parent has entered into a voting agreement with Dane A. Miller, Ph.D and his wife, Mary Louise Miller, pursuant to which Dr. and Mrs. Miller agreed to vote approximately 2.3% of our outstanding shares in favor of the merger. Accordingly, the approval of the merger agreement is assured regardless of the vote of any other Biomet shareholder.

Table of Contents

Other Proposals

The approval of any other items properly brought before the special meeting requires that holders of more of Biomet s common shares vote in favor of the proposal than vote against the proposal. Abstentions and broker non-votes will have no effect on the outcome of such proposals. Since Merger Sub owns a majority of Biomet s common shares, it will have the ability to approve other items properly brought before the special meeting regardless of the vote of any other Biomet shareholder.

Voting Procedures

Voting by Proxy or in Person at the Special Meeting

Holders of record can ensure that their common shares are voted at the special meeting by completing, signing, dating and delivering the enclosed proxy card in the enclosed postage-paid envelope. Submitting by this method or voting by telephone or the Internet as described below will not affect your right to attend the special meeting and to vote in person. If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your common shares are held in street name by a broker, bank or other nominee and you wish to vote at the special meeting, you must bring to the special meeting a proxy from the record holder of the common shares authorizing you to vote at the special meeting.

Electronic Voting

Our holders of record and many shareholders who hold their common shares through a broker, bank or other nominee will have the option to submit their proxy cards or voting instruction cards electronically by telephone or the Internet. Please note that there are separate arrangements for using the telephone depending on whether your common shares are registered in our records in your name or in the name of a broker, bank or other nominee. Some brokers, banks or other nominees may also allow voting through the Internet. If you hold your common shares through a broker, bank or other nominee, you should check your voting instruction card forwarded by your broker, bank or other nominee to see which voting options are available.

Please read and follow the instructions on your proxy or voting instruction card carefully.

Voting Shares Held in Biomet s 401(k) Savings and Retirement Plan

Biomet s team members (Biomet refers to its employees as team members) eligible to participate in Biomet s 401(k) Savings and Retirement Plan will receive a request for voting instructions from the 401(k) Plan trustee with respect to the shares allocated to its team members accounts in the 401(k) Plan. Biomet team members are entitled to direct the 401(k) Plan trustee how to vote their 401(k) Plan shares. If a team member does not provide voting instructions to the 401(k) Plan trustee within the prescribed time, the shares allocated to such team member s account in the 401(k) Plan will be voted by the 401(k) Plan trustee in the same proportion as the shares held by the 401(k) Plan trustee for which voting instructions have been received from other participants in the 401(k) Plan. A team member may revoke his or her previously provided voting instructions by filing with the 401(k) Plan trustee either a written notice of revocation or a properly executed proxy bearing a later date.

Adjournments; Other Business

Adjournments may be made for the purpose of, among other things, providing additional information to shareholders. An adjournment requires that holders of more of Biomet s common shares vote in favor of adjournment than vote against adjournment, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting of the date, time and place at which the meeting will be reconvened. If the adjournment is for more than 120 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting will be given to each shareholder of record entitled to vote at the meeting. Since Merger Sub owns a majority of Biomet s common shares, it will have the ability to approve an adjournment of the special meeting regardless of the vote of any other Biomet shareholder. We are not soliciting proxies for any proposal to adjourn the special meeting and do not currently intend to seek an adjournment of the special meeting.

We do not expect that any matter other than the proposal to approve the merger agreement will be brought before the special meeting. If, however, other matters are properly presented at the special meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

Revocation of Proxies

Submitting a proxy on the enclosed form does not preclude a shareholder from voting in person at the special meeting. A shareholder of record may revoke a proxy at any time before it is voted by filing with our corporate secretary a duly executed revocation of proxy, by properly submitting a proxy by mail, the Internet or telephone with a later date or by appearing at the special meeting and voting in person. A shareholder of record may revoke a proxy by any of these methods, regardless of the method used to deliver the shareholder s previous proxy. Attendance at the special meeting without voting will not itself revoke a proxy. If your common shares are held in street name, you must contact your broker, bank or other nominee to revoke your proxy.

Solicitation of Proxies

We are soliciting proxies for the proposal to approve the merger agreement from our shareholders. We will bear the entire cost of soliciting proxies from our shareholders. In addition to the solicitation of proxies by mail, we will request that banks, brokers and other record holders send proxies and proxy materials to the beneficial owners of Biomet common shares held by them and secure their voting instructions if necessary. We will reimburse those record holders for their reasonable expenses in so doing. We may use several of our regular employees, who will not be specially compensated, to solicit proxies from our shareholders, either personally or by telephone, Internet, telegram, facsimile or special delivery letter.

Dissenters Rights

Biomet shareholders are not entitled to dissenters rights under Indiana law in connection with the merger.

Assistance

If you need assistance in completing your proxy card or have questions regarding the Biomet special meeting, please contact Biomet at (574) 372-1514.

Table of Contents

APPROVAL OF THE MERGER AGREEMENT

The following is a description of the material aspects of the merger. While we believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire document, including the merger agreement attached to this proxy statement as Annex A, for a more complete understanding of the merger. The following description is subject to, and is qualified in its entirety by reference to, the merger agreement.

The Companies

Biomet, Inc.

56 East Bell Drive

Warsaw, Indiana 46582

(574) 267-6639

We are an Indiana corporation and we design, manufacture and market products used primarily by musculoskeletal medical specialists in both surgical and non-surgical therapy. Our product portfolio encompasses reconstructive products, fixation devices, spinal products and other products. Our corporate headquarters are located in Warsaw, Indiana and we have manufacturing facilities and/or offices in more than fifty locations worldwide. Our common shares are currently listed on the NASDAQ Global Select Market under the symbol BMET.

LVB Acquisition, Inc.

c/o Corporation Trust Center

1209 Orange Street

Wilmington, Delaware 19801

LVB Acquisition, Inc., which we refer to as Parent, is a Delaware corporation that was originally formed as a limited liability company solely for the purpose of acquiring Biomet. Parent is controlled by a consortium of private equity funds sponsored by each of The Blackstone Group L.P., Goldman, Sachs & Co., Kohlberg Kravis Roberts & Co. L.P. and TPG Capital, L.P. The equity investors of Parent have re-formed Parent as a Delaware corporation prior to the date hereof.

LVB Acquisition Merger Sub, Inc.

c/o CT Corporation System

251 E. Ohio Street, Suite 1100

Indianapolis, Indiana 46204

LVB Acquisition Merger Sub, Inc., which we refer to as Merger Sub, is an Indiana corporation and a wholly-owned subsidiary of Parent, that was formed solely for the purpose of facilitating Parent s acquisition of Biomet. Merger Sub currently owns 202,601,130 Biomet common shares, representing approximately 82.41% of our outstanding common shares, and its designees hold nine seats on our thirteen-member board of directors. Upon consummation of the proposed merger, Merger Sub will merge with and into Biomet and will cease to exist with Biomet continuing as the surviving corporation.

Overview of the Transaction

Biomet, Parent and Merger Sub entered into a merger agreement on December 18, 2006, which was amended and restated on June 7, 2007. In the merger agreement, Parent agreed to acquire Biomet through a two-step process. The first step was a tender offer by Merger Sub for all of the outstanding common shares of Biomet at a price of $46.00 per share, net to the seller in cash without interest, which was completed on July 12,

2007. The second step of Parent s acquisition is a merger of Merger Sub with and into Biomet, with Biomet surviving the merger as a wholly-owned subsidiary of Parent. The following will occur in connection with the merger:

each common share issued and outstanding immediately before the effective time of the merger (other than those shares owned by Parent, Merger Sub or any other direct or indirect wholly-owned subsidiary

Table of Contents

of Parent and shares owned by us or any of our direct or indirect wholly-owned subsidiaries and except for those shares as otherwise agreed by the holder and Biomet) will be converted into the right to receive $46.00 per share in cash, less any required withholding taxes and without interest;

all common shares so converted will, by virtue of the merger and without any action on the part of the holder, cease to be outstanding, be cancelled and cease to exist, and each certificate formerly representing any of the common shares will thereafter represent only the right to receive the per share merger consideration, without interest;

each common share owned by Parent, Merger Sub or any other direct or indirect wholly-owned subsidiary of Parent and common shares owned by us or any of our direct or indirect wholly-owned subsidiaries, will automatically cease to be outstanding, will be cancelled without payment of any consideration and will cease to exist; and

each common share, without par value, of Merger Sub issued and outstanding immediately prior to the effective time of the merger, will be converted into one common share, without par value, of the surviving corporation.

Following and as a result of the merger:

Biomet shareholders (other than Parent and its affiliates and any other person, including any current or former members of management of Biomet, who becomes a direct or indirect investor in Parent) will no longer have any interest in, and no longer be shareholders of, Biomet, and will not participate in any of our future earnings or growth;

our common shares will no longer be listed on the NASDAQ Global Select Market and price quotations with respect to our common shares in the public market will no longer be available; and

the registration of our common shares under the Exchange Act will be terminated.

Management and Board of Directors of the Surviving Corporation

The board of directors of Merger Sub will be the board of directors of the surviving corporation after the completion of the merger. The officers of Biomet will be the officers of the surviving corporation after the completion of the merger.

Background of the Merger

During the course of 2005, members of Biomet s board of directors became increasingly concerned about lagging performance in certain of Biomet s operations, including EBI, L.P. (doing business as Biomet Trauma & Biomet Spine). At the board s September 2005 annual meeting, the independent members of the board of directors recommended that Biomet identify and hire a chief operating officer in order to address these concerns. The board determined to consider this recommendation at its next regularly scheduled board meeting in December 2005.

During the intervening months, the senior management of Biomet conducted an internal review of management and operations and developed recommendations for the board to consider. Separately, independent members of the board continued their discussions regarding Biomet s performance and direction. Commencing in the Fall of 2005, members of the board had periodic and informal meetings and discussions with representatives of Morgan Stanley regarding Biomet s strategic alternatives in light of the operational, managerial, board, market and industry dynamics confronting Biomet.

At the regularly scheduled December 2005 board meeting, senior management provided the board with its evaluation of the issues and opportunities facing Biomet and senior management s recommendations regarding those matters. At the meeting, the board appointed two chief operating officers, one for Biomet s domestic

Table of Contents

operations and one for Biomet s international operations. Both individuals came from within Biomet s senior management. In addition, the board discussed the need for more formal succession planning and also continued informal discussions regarding strategic alternatives.

In early 2006, Dane A. Miller, Ph.D, our then President and CEO, was contacted by the Chairman and CEO of a potential strategic bidder, which we refer to as *Strategic Bidder 1.* Thereafter, Dr. Miller met with representatives of Strategic Bidder 1 to explore whether there was a basis for entering into a dialogue regarding a strategic transaction between the two companies. During the meeting, the parties did not reach agreement on a basis for entering into a dialogue regarding a strategic transaction between the two companies.

On March 21, 2006, Biomet announced third quarter results for fiscal 2006, which reflected continued underperformance in certain of Biomet s operational divisions relative to both management and board expectations. Also on March 21, 2006, Dr. Miller and Mr. Noblitt met with the CEO of Smith & Nephew plc (*Smith & Nephew*) during the 2006 American Academy of Orthopaedic Surgeons conference in Chicago to discuss whether there was a basis for entering into a dialogue regarding a strategic combination between the two companies. Smith & Nephew indicated that it was not currently in a position to entertain such discussions. On March 21, 2006, given the preliminary nature of the discussions, neither Dr. Miller nor Mr. Noblitt had formed an opinion as to whether there was a basis for entering into a dialogue regarding a strategic combination between Biomet and Smith & Nephew.

At the board s regularly scheduled quarterly meeting on March 23 through March 25, 2006, members of the board expressed continued dissatisfaction with the pace of improvement with respect to Biomet s performance issues and opportunities. These discussions led to the resignation of Dr. Miller as President and CEO (although Dr. Miller maintained his seat on the board of directors until the annual meeting of shareholders in September 2006), the appointment of Daniel P. Hann as interim President and CEO and the engagement of Morgan Stanley to assist the board and Biomet in a strategic review of Biomet s business and alternatives for enhancing shareholder value. The board also established a review committee of the board to monitor the progress of the strategic review, including setting milestones for completing the review.

On or about April 4, 2006, news began to publicly leak that Biomet had engaged Morgan Stanley to assist Biomet in exploring strategic alternatives to enhance shareholder value. On April 3, 2006, the trading day prior to this information being leaked, the closing price per common share was $34.78. Biomet confirmed by way of a press release on April 6, 2006, that Morgan Stanley was assisting Biomet in exploring its strategic alternatives.

On May 3, 2006, after having previously discussed the matter with the review committee, Morgan Stanley reviewed strategic alternatives (and likely potential bidders as a part of an exploratory sale process) for Biomet with the board at a special meeting, including (1) a recapitalization analysis, (2) a leveraged buyout analysis, (3) an analysis of Biomet as a stand-alone company and (4) an analysis of potential combinations of Biomet with various strategic parties.

During this meeting, the board authorized representatives of the board to accept an outstanding invitation to meet again with representatives of Strategic Bidder 1 to determine whether Strategic Bidder 1 was interested in a potential strategic transaction between the two companies. In addition, the board authorized a management proposal to develop a five-year strategic business plan to be presented at the board s annual meeting in September 2006.

On May 15, 2006, Niles Noblitt and Dr. Scott Harrison, our lead director, met with representatives of Strategic Bidder 1, but Strategic Bidder 1 did not advance a proposal regarding a potential transaction.

In May 2006, Dr. Miller discussed with one or more representatives of Kohlberg Kravis Roberts, TPG and a third private equity sponsor a potential transaction involving Biomet in which Dr. Miller would participate as an equity investor. Dr. Miller and these private equity sponsors entered into confidentiality agreements with respect to those discussions.

By late May 2006, Kohlberg Kravis Roberts, TPG and the third private equity sponsor had joined together to form a consortium that we refer to as the *Sponsor Group*. We refer to the third private equity sponsor, which was no longer part of the Sponsor Group at the time the merger agreement was signed, as *Financial Sponsor 1*.

In early June 2006, a representative of the Sponsor Group contacted a representative of Morgan Stanley to express an interest in engaging in discussions regarding a possible leveraged buyout of Biomet. During June 2006, Dr. Harrison engaged in follow-up discussions with the Sponsor Group to assess its level of interest.

On June 29, 2006, at the board s regularly scheduled quarterly meeting, the board discussed the contacts between the Sponsor Group and Dr. Miller. Dr. Miller did not attend this meeting or any subsequent meeting of the board of directors. The board determined to continue to evaluate the possibility of engaging in further discussions with the Sponsor Group on an ongoing basis.

On July 5, 2006, at a special telephonic meeting of the board, Dr. Harrison reported that Strategic Bidder 1 indicated it would not make an offer for the acquisition of Biomet at that time. Dr. Harrison also reported that the Sponsor Group was interested in reviewing preliminary due diligence materials. The board then adjourned the meeting until the next day.

On July 6, 2006, the board reconvened its special telephonic meeting. A representative of Morgan Stanley reported that (1) the Sponsor Group had submitted a preliminary indication of interest that was in the $38 to $39 per share price range, (2) as directed by the board, Morgan Stanley responded to the Sponsor Group that the offer was not within an acceptable range and (3) the Sponsor Group responded by indicating that it could get to a higher price, but that it required access to due diligence materials. After receiving a presentation from financial and legal advisors, and after thoroughly discussing various options with respect to responding to any potential bidders, the board determined that it would not provide financial or any other due diligence information to the Sponsor Group or any other third parties until senior management completed its five-year strategic business plan and the board completed a thorough and careful review of that plan.

On July 17, 2006, the board of directors received a letter from the Sponsor Group expressing disappointment that the board did not want to move forward with a potential transaction until after the board concluded its process with respect to its strategic business plan. This letter also confirmed the Sponsor Group s interest in acquiring Biomet at a price in excess of $40 per share, subject to the Sponsor Group being given access to non-public information and successfully completing a due diligence investigation of Biomet. From and after this date through the middle of September, representatives of the Sponsor Group periodically contacted Biomet and its advisors to reiterate the Sponsor Group s interest in pursuing a transaction and seeking to commence a diligence review.

On July 19, 2006, the board convened a special telephonic meeting. Among other things, the board approved the recommendation of the Nominating and Corporate Governance Committee to not include Dr. Miller in the slate of directors nominated for reelection at Biomet s 2006 annual meeting of shareholders. The board also discussed the July 17 letter from the Sponsor Group regarding its continued interest in acquiring Biomet.

On July 28, 2006, the board convened a special telephonic meeting. Among other things, the board approved the creation of an ad hoc committee of the board to oversee the search for a permanent President and CEO.

In mid-September 2006, Morgan Stanley received confirmation from the Sponsor Group of its ongoing interest in putting forward an offer of greater than $40 per share for Biomet, subject to a successful completion of its due diligence review.

Table of Contents

On September 21, 2006, our board of directors convened its annual meeting. During the meeting, management presented its five-year strategic business plan, which the board discussed and analyzed with the assistance of Morgan Stanley. In addition to authorizing the implementation of the five-year strategic business plan and receiving an update on the search for a permanent President and CEO, the board authorized Biomet to enter into (1) confidentiality agreements with the Sponsor Group and to provide it with preliminary financial due diligence information and (2) change in control agreements with its executive officers to provide for continuity of management in the event of a change in control of Biomet. Morgan Stanley also informed the board that funds sponsored by The Blackstone Group and Goldman, Sachs & Co. had joined the other private equity firms in the Sponsor Group.

On September 21, 2006 two shareholder derivative complaints were filed against Biomet s current and former directors and officers related to Biomet s stock-option grants. They assert a variety of claims including claims of unjust enrichment, breach of fiduciary duty, violations of Indiana Code § 23-1-35-1, abuse of control, gross mismanagement, waste of corporate assets, constructive fraud, and violation of the federal securities laws. They seek a variety of remedies, including an accounting, rescission, imposition of a constructive trust, and order directing Biomet to take necessary actions to reform and improve its corporate governance, equitable and injunctive relief impounding the proceeds of defendants trading activities, disgorgement of all profits and benefits from improper backdating of stock options grants, costs and disbursements of the action, punitive damages, and other equitable and injunctive relief as permitted by law. Pursuant to Indiana law, if the transaction is consummated, and Biomet s current shareholders lose their status as shareholders, Biomet believes they would likely lose any ability to prosecute or partake of any recovery with regard to these suits.

On October 3, 2006, Mr. Hann, Charles E. Niemier (one of our executive officers and directors at the time) and representatives of Morgan Stanley held an introductory meeting with representatives of the Sponsor Group. On October 5 and October 6, 2006, representatives of Biomet s management team held due diligence meetings with representatives of the Sponsor Group. Thereafter, and continuing through December 17, 2006, management and Morgan Stanley held numerous additional due diligence meetings and follow-up sessions with representatives of the Sponsor Group.

In early October, Smith & Nephew contacted Morgan Stanley indicating it would be prepared to put forward an offer of $42 per share for Biomet, subject to the successful completion of its due diligence review. At that time, representatives of Morgan Stanley also contacted previously identified likely bidders to indicate that Biomet was conducting a due diligence process with potential buyers. One of the likely bidders, a strategic bidder which we refer to as *Strategic Bidder 2*, indicated an interest in participating in the process.

On October 9, 2006, the board held a special telephonic meeting to discuss the contacts with other potential bidders and their expressions of interest. The board also received a report that two shareholder derivative lawsuits had been filed in Kosciusko County Superior Court relating to Biomet s historical stock option granting practices. Biomet disclosed these lawsuits in its Quarterly Report on Form 10-Q filed with the SEC on October 10, 2006.

On October 17, 2006, Mr. Hann, Mr. Noblitt and Dr. Harrison held separate meetings with both Strategic Bidder 2 and Smith & Nephew. Thereafter, Biomet entered into confidentiality agreements with each of Strategic Bidder 2 and Smith & Nephew. In early November, Biomet separately hosted an all-day management meeting with each of Strategic Bidder 2 and Smith & Nephew and in November and December, held numerous due diligence meetings and follow-up sessions with representatives of Smith & Nephew.

On October 18, 2006, the board held a special telephonic meeting to review the status of discussions with each of the potential bidders for Biomet.

On November 2, 2006, the board held a special telephonic meeting to discuss the strategic alternative review process with representatives of Morgan Stanley. The board requested that Morgan Stanley provide a process timeline for the development of the various alternatives.

Table of Contents

Also on November 2, 2006, Smith & Nephew, in response to market rumors, issued a press release confirming that Smith & Nephew had held very preliminary talks with Biomet, but that no agreement had been reached. In response to Smith & Nephew s press release, Biomet announced in a press release also on November 2, 2006, that while Biomet had held a preliminary discussion with Smith & Nephew, as Smith & Nephew had stated in its press release, Biomet had not at that time made a determination that it was in Biomet s best interests for it to engage in a transaction with any third party.

On November 7, 2006, the board held a special telephonic meeting. Representatives of Morgan Stanley presented a process timeline for the board s review and discussion. The board also established a committee called the Strategic Alternatives Committee to facilitate development of the strategic alternatives. The members of the Strategic Alternatives Committee were Niles Noblitt, Marilyn Tucker Quayle and C. Scott Harrison, M.D. The Strategic Alternatives Committee subsequently retained Simpson Thacher & Bartlett LLP (*Simpson Thacher*) to advise it in connection with its review.

The board then received a briefing regarding the claims advanced in the two shareholder derivative lawsuits. The board established a committee called the Special Litigation Committee charged with investigating the allegations and determining whether it was in the best interest of Biomet to pursue a remedy or to dismiss the lawsuits. The members of the Special Litigation Committee were Marilyn Tucker Quayle, Sandra A. Lamb and Jonathan Hiler. The board decided that on balance it was in the best interests of Biomet to proceed with the bid process timeline, notwithstanding the commencement of the investigation into Biomet s historical stock option granting practices by the Special Litigation Committee.

On November 10, 2006, on behalf of Biomet, Morgan Stanley sent to the three bidders a letter outlining the procedures for submitting a final bid for the acquisition of Biomet and establishing a due date of December 4, 2006. Pursuant to the bidding instructions, each bidder was asked to submit final comments to a draft merger agreement (to be provided at a later date), along with information regarding their plans for financing an acquisition of Biomet. Potential bidders were instructed not to contact management or discuss compensation or the terms of management s equity participation in a potential transaction. Shortly thereafter, Strategic Bidder 2 informed Morgan Stanley that it was not in a position to proceed further.

On November 21, 2006, the Strategic Alternatives Committee held a telephonic meeting. The committee discussed different potential features of a transaction. The committee reviewed the status of the process with representatives of Morgan Stanley relative to the desired process timeline and reviewed the form of the proposed merger agreement to be distributed to potential bidders.

On November 22, 2006, Morgan Stanley circulated to the Sponsor Group and to Smith & Nephew an initial draft of the merger agreement. Each bidder was invited to contact Kirkland & Ellis LLP (*Kirkland & Ellis*), counsel to Biomet, in advance of the bid due date in order to discuss the non-financial terms of the merger agreement. The draft merger agreement reflected Biomet s perspective that, among other things, (1) the transaction should not be contingent upon the receipt of financing, (2) the closing conditions and representations and warranties should be customary, (3) the board must have the right to change its recommendation to its shareholders with respect to the transaction if failure to do so would be inconsistent with their fiduciary duties under applicable law, (4) the board must be able to terminate the agreement if it received a superior proposal following execution of a definitive agreement and (5) the bidders should accept risk with respect to potential adverse developments which might arise from our ongoing investigation into Biomet s historical stock option granting practices (which was then at a preliminary stage).

On November 27, 2006, the Strategic Alternatives Committee held a telephonic meeting to review the status and timing of the process and the availability and timing of Biomet s production of due diligence information. The committee also discussed with legal counsel various considerations, focusing on timing and certainty with respect to the sale process and the issues uniquely presented by a Smith & Nephew bid, including London Stock Exchange and UK regulatory issues, potential antitrust issues and the requirement of Smith & Nephew s shareholder approval. The committee determined that moving the bid due date to December 11, 2006 was in the best interests of Biomet. The following day, Morgan Stanley communicated the revised bid due date to the bidders.

On November 29, 2006, at the request of the Sponsor Group, the Strategic Alternatives Committee held a telephone conference with representatives of Morgan Stanley and members of the Sponsor Group in which the Sponsor Group described, among other things, the reasons for its interest in Biomet, areas of concern and its plan for the business. Separately, the Sponsor Group conveyed its disappointment in the timeline delay to Morgan Stanley.

On December 1, 2006, Cleary Gottlieb Steen Hamilton LLP (*Cleary Gottlieb*), counsel to the Sponsor Group, provided initial comments to the draft merger agreement to Kirkland & Ellis. On December 5, 2006, Kirkland & Ellis and Simpson Thacher contacted Cleary Gottlieb to discuss the Sponsor Group s initial comments to the draft merger agreement. Our counsel focused on those comments in the Sponsor Group mark-up to the merger agreement that increased conditionality or decreased the certainty of closing and on the circumstances under which the board could consider and accept superior offers and terminate the agreement, as well as other non-financial terms and conditions. Our counsel requested that the Sponsor Group improve a number of the non-financial terms and conditions of its proposed draft merger agreement in its bid.

On December 6, 2006, Morgan Stanley provided the initial draft of Biomet s disclosure schedules to the merger agreement to each of the bidders.

On December 7, 2006, the Strategic Alternatives Committee held a telephonic meeting to review the status of the process. The committee considered whether to further extend the bid due date because the Special Litigation Committee s investigation into Biomet s historical stock option granting practices was still at a preliminary stage. The committee determined that resolving as soon as practicable the uncertainty surrounding Biomet as a result of the publicly announced review of strategic alternatives was in Biomet s best interest, and that, on balance, a further postponement of the bid due date or halting of the bidding process pending completion of the recently launched investigation into Biomet s historical stock option granting practices was more likely to have an adverse impact on the potential bidders willingness to submit bids. The committee also recommended that Biomet provide information to the bidders regarding the investigation into Biomet s historical stock option granting practices as that investigation progressed and information became available.

On December 8, 2006, Kirkland & Ellis circulated a revised draft of the merger agreement to Cleary Gottlieb and discussed the disclosure schedules to the merger agreement and related diligence matters with Cleary Gottlieb.

Also on December 8, 2006, Kirkland & Ellis and Simpson Thacher contacted Smith & Nephew s legal counsel to discuss the merger agreement sent to Smith & Nephew by Morgan Stanley on November 22, 2006 and to answer any questions that Smith & Nephew or its counsel had regarding the merger agreement in advance of the bid due date on the following Monday. Counsel to Smith & Nephew emphasized that it would not provide a heavy mark-up of the merger agreement, that it would address Biomet s desire for certainty, that it would seek to significantly limit Biomet s ability to consider or accept other offers and terminate the agreement and that Smith & Nephew would expect to be paid a high termination fee. Counsel discussed potential high-level issues with the agreement, including allocation of risk, antitrust issues and certain UK regulatory and London Stock Exchange requirements for the merger, including the need for a vote of the shareholders of Smith & Nephew. However, Smith & Nephew s legal counsel did not avail itself of the opportunity to provide a mark-up of the merger agreement in advance of the bid deadline for discussion with our counsel.

On December 9, 2006, 42 of Biomet s 54 distributors sent a letter to Biomet s board of directors, with a copy to Smith & Nephew, stating their opposition to an acquisition of Biomet by Smith & Nephew. According to

Table of Contents

the December 9, 2006 letter sent by certain Biomet distributors to the board of directors of Biomet stating their opposition to an acquisition of Biomet by Smith & Nephew, the basis for such distributors opposition was that Biomet had a unique business culture and model and such distributors feared that Biomet s unique business culture and model would not be reproduced in a new combined environment. Biomet did not respond to the letter.

On December 10, 2006, our counsel, on behalf of Biomet, held a telephone conference with Cleary Gottlieb to respond to questions from Cleary Gottlieb regarding the revised draft of the merger agreement sent back to them on December 8, 2006. Again, our counsel asked the Sponsor Group to improve a number of the non-financial terms and reduce conditionality, narrow the scope of representations and warranties, expand the exceptions to the material adverse effect definition and provide more latitude for the board to respond to offers regarding alternative transactions, among other provisions.

On December 11, 2006, the bid deadline, Biomet received a written bid proposal, including final comments to the merger agreement and debt and equity commitment letters, from the Sponsor Group. Biomet also received initial comments to the merger agreement from Smith & Nephew, but did not receive a bid proposal or debt commitment letter. The Sponsor Group s proposal for the acquisition of Biomet was $43 per share.

On December 13, 2006, Biomet received a written bid proposal, including a highly confident letter from four financing sources describing its debt financing proposal (but not a debt commitment letter), from Smith & Nephew. Smith & Nephew s bid proposal requested a termination fee equal to 4.0% of the deal value (i.e., approximately $435 million) and offered a reverse termination fee payable to Biomet equal to 1.0% of Smith & Nephew s market capitalization (i.e., approximately $89 million). The bid proposal also contained redacted unsigned drafts of financing agreements which, when considered in combination with the highly confident letter, Biomet determined to represent a more conditional commitment than the debt commitments provided by the Sponsor Group. Smith & Nephew s per share consideration proposed for the acquisition of Biomet was $45 per share.

On December 13, 2006, Kirkland & Ellis and Simpson Thacher contacted the Sponsor Group s legal counsel and Smith & Nephew s legal counsel to clarify their respective comments to the draft merger agreement. Both indicated a desire to complete and sign the merger agreement by the following week.

On the evening of December 13, 2006, a telephonic meeting of the Strategic Alternatives Committee was convened to discuss the two bid proposals received by Biomet. Representatives of Morgan Stanley, Kirkland & Ellis and Simpson Thacher participated in the meeting and reviewed for the Strategic Alternatives Committee the risks associated with a potential transaction with each bidder, including the respective outside dates proposed for termination of the merger agreement in the event a transaction had not yet been completed. The committee considered the potential impact on Biomet s operations of announcing a transaction with a competitor and certain additional risks associated with completing a transaction with Smith & Nephew, including interloper risk (the risk that a competitor would emerge seeking to acquire Smith & Nephew and interfere with a transaction between Smith & Nephew and Biomet), Smith & Nephew s need for its own shareholder approval, the antitrust risk associated with combining with a competitor and certain London Stock Exchange reporting and re-listing requirements. The interloper risk associated with agreeing to a transaction with Smith & Nephew was the result of public speculation that a particular strategic investor might seek to acquire Smith & Nephew. With respect to the potential impact on Biomet s operations from announcing a transaction with Smith & Nephew, the committee discussed the receipt of the letters from certain distributors opposing a transaction with Smith & Nephew. Next, the legal advisors participating in the meeting reviewed the draft contracts submitted by the two bidders. It was noted that Smith & Nephew s contract was significantly less favorable to Biomet than that submitted by the Sponsor Group. During discussions regarding the Sponsor Group proposal, it was also noted that the Sponsor Group agreed, subject to certain conditions, to draw down on bridge financing to close a transaction if certain financial statements of Biomet customarily required for high yield financing were unavailable by a certain date.

Table of Contents

The Strategic Alternatives Committee requested that Morgan Stanley ascertain whether the Sponsor Group would be willing to increase the per share merger consideration of its offer, and requested that legal counsel continue to seek an improvement in the non-financial terms and conditions offered by both bidders. With respect to Smith & Nephew, in particular, the committee requested more information regarding the proposed financing and asked legal counsel to seek confirmation of the manner in which Smith & Nephew would be willing to assume any antitrust risk, as well as improvement in the other non-financial terms and conditions to provide more certainty, less conditionality and greater flexibility for the board to respond to offers for alternative transactions.

On the morning of December 14, 2006, the Sponsor Group indicated to Morgan Stanley that it was prepared to increase its offer to $44.00 per share, but that $44 per share was its best and final offer.

Later that day, our board of directors convened a meeting to discuss, among other things, the preliminary report of the Special Litigation Committee and a report from the Strategic Alternatives Committee. After receiving a briefing from the Special Litigation Committee, the board asked the Special Litigation Committee to make its advisors available to each of the bidders to provide a briefing on the status of their work and findings no later than December 15, 2006.

Next, the Strategic Alternatives Committee provided a report to the board in which representatives of Morgan Stanley reviewed the two bid proposals, including the proposed financing for each. Kirkland & Ellis and Simpson Thacher then reviewed certain terms proposed in the merger agreement by each bidder and discussed the relative advantages and disadvantages of these terms. Throughout the discussion the board engaged in an in-depth discussion with representatives of Morgan Stanley, Kirkland & Ellis and Simpson Thacher concerning, among other things, the price offered by each bidder, the merger agreement terms offered by each bidder and the potential probability of successfully closing a transaction with each bidder, as well as the relative risks associated with completing any transaction or continuing as a stand-alone company. Representatives of Morgan Stanley made a formal presentation to our board and discussed in detail its preliminary views and analysis of the consideration to be received by holders of Biomet s common shares. The members of the board each received a copy of the presentation by Morgan Stanley. In addition, Mr. Hann confirmed to the board that members of management had not negotiated with or agreed to any arrangements regarding future employment with either bidder or the terms of management s equity participation in a potential transaction with the Sponsor Group. The board agreed to reconvene the meeting on December 15, 2006 to further discuss and deliberate on the bids and to receive any further updates from its advisors regarding the two bids. Following the Strategic Alternatives Committee report, the board discussed the relative advantages and disadvantages of remaining a stand-alone company and each of the two bids.

Later on December 14, 2006, at the request of Biomet, Morgan Stanley requested in a discussion with Smith & Nephew s financial advisors that Smith & Nephew increase the per share merger consideration of its offer. In response, Morgan Stanley was advised that Smith & Nephew s $45 per share offer was its best and final offer.

In the morning of December 15, 2006, the Strategic Alternatives Committee convened a meeting at the offices of Kirkland & Ellis where it continued to discuss with legal counsel certain differences between the bids submitted by the Sponsor Group and Smith & Nephew, including the requirement that the transaction be approved by Smith & Nephew s shareholders, the difficulty of entering into a binding agreement acceptable to the parties pursuant to which Smith & Nephew would bear the risk of gaining antitrust clearance, the fact that Smith & Nephew had the right to change its recommendation that its shareholders vote in favor of the transaction if it would be inconsistent with its directors fiduciary duties while Biomet did not have the flexibility to do so without giving rise to a termination right of Smith & Nephew, the disparity between the termination fee being requested of Biomet by Smith & Nephew and what it was willing to offer in the event its board no longer supported the transaction, the increased conditionality of the financing papers provided by Smith & Nephew and other non-financial terms and conditions that were less favorable to Biomet than those being offered by the Sponsor Group. After further discussion, the committee recommended that negotiations continue with both bidders, but with a focus on developing the Sponsor Group bid.

Later on December 15, 2006, our board of directors convened a meeting to, among other things, continue its discussion and review of the two bids. Kirkland & Ellis and Simpson Thacher reviewed with the board a presentation comparing various details of each of the bids submitted by the two bidders. The board noted that, while Smith & Nephew s proposed purchase price of $45 per share exceeded the $44 per share purchase price proposed by the Sponsor Group, there were several risks, uncertainties and other disadvantages associated with Smith & Nephew s bid that were not present in the Sponsor Group s bid. The board s discussion included, among other things, a discussion regarding (1) whether to postpone the process in light of potential uncertainty or delay arising from the preliminary state of the investigation into Biomet s historical stock option granting practices, (2) the risk that antitrust or other competition laws could delay or prevent successful completion of a transaction with Smith & Nephew, (3) Smith & Nephew s proposed financing for the transaction and the relative uncertainty of this financing compared to the more certain financing commitments provided by the Sponsor Group (including the Sponsor Group s commitment to close into bridge financing under certain specified circumstances), (4) the risk that the shareholder vote required by Smith & Nephew would delay or prevent the successful completion of a transaction, (5) the potential that Smith & Nephew s bid for Biomet would make Smith & Nephew an acquisition target of a third party, (6) the potential impact on Biomet s operations of announcing a transaction with Smith & Nephew, as evidenced by the letters from certain Biomet distributors opposing a transaction with Smith & Nephew, (7) the more onerous merger agreement terms proposed by Smith & Nephew compared to the terms proposed by the Sponsor Group, including certain additional representations and warranties, closing conditions, covenants and termination provisions and the large termination fee required by Smith & Nephew, (8) the financial analysis and presentations delivered by Morgan Stanley with respect to each bid, and (9) the likelihood and value of other potential alternatives to Biomet. The board also discussed the fact that some of these and other additional risks and uncertainties contained in Smith & Nephew s bid were inherent to Smith & Nephew s operations, identity and corporate structure, while others were a product of the terms of Smith & Nephew s proposal.

On December 15, 2006, counsel to the Special Litigation Committee held separate telephone conferences and webcasts for both bidders reviewing the information presented to the board of directors the previous day regarding the status of the investigation into Biomet s historical stock option granting practices.

Also on December 15, 2006, Morgan Stanley, Kirkland & Ellis and Simpson Thacher held telephone conferences with Smith & Nephew and its advisors to further understand the requirements of Smith & Nephew s shareholder approval process, financing arrangements and proposal regarding antitrust matters.

On the evening of December 15, 2006, Morgan Stanley called both bidders to confirm the bases under which the bidders would move forward with a transaction. Both bidders confirmed their continued interest and desire to announce a deal the next week. In addition, Smith & Nephew requested a number of additional due diligence materials.

On the night of December 15, 2006, Kirkland & Ellis circulated comments to the Sponsor Group s counsel relating to the financing sections of the merger agreement.

On December 16, 2006, Kirkland & Ellis also circulated a revised draft of the merger agreement to Smith & Nephew s counsel responding to the contract provided by Smith & Nephew with its bid.

Beginning on the morning of December 16, 2006 and ending on the morning of December 18, 2006, Kirkland & Ellis, Simpson Thacher and the Sponsor Group s counsel, along with Biomet management, engaged in negotiations with the Sponsor Group and its counsel in an attempt to reach an agreement on the terms of the merger agreement, equity and debt commitment letters and limited guarantee.

On December 16, 2006, our board of directors convened a special telephonic meeting. Morgan Stanley reported to the board that Financial Sponsor 1 had dropped out of the Sponsor Group, but that the remaining members of the Sponsor Group reaffirmed their desire to move forward without Financial Sponsor 1. Morgan

Stanley also reported that Smith & Nephew continued to make due diligence inquiries. Kirkland & Ellis discussed with the board the current status of negotiations with the Sponsor Group, including the Sponsor Group s request to extend by one month the deadline for when it would be required to close the potential transaction using bridge financing. Kirkland & Ellis and Simpson Thacher also reviewed with the board other potential advantages and disadvantages of the Sponsor Group s bid compared to Smith & Nephew s bid.

On the morning of December 17, 2006, Morgan Stanley spoke to Smith & Nephew and its advisors to clarify the terms of Smith & Nephew s intended financing and to request again that Smith & Nephew provide greater financing certainty.

On the evening of December 17, 2006, the Strategic Alternatives Committee convened a telephonic meeting during which the members of the committee discussed with Simpson Thacher and Kirkland & Ellis the status of the negotiations with the Sponsor Group and Smith & Nephew. Morgan Stanley reported that Smith & Nephew continued to make due diligence inquiries and had asked to schedule a meeting with Mr. Hann in the upcoming week, but had not otherwise advanced negotiations on the proposed merger agreement. Kirkland & Ellis then reported that negotiations with the Sponsor Group were nearly complete and summarized the changes in the non-financial terms and conditions arising from the negotiations over the course of the last day. The committee then discussed the advantages and disadvantages of the Sponsor Group s proposal, and noted that the fairness opinion of Morgan Stanley was anticipated to be delivered at the special meeting of the board immediately to follow. After further discussion, the committee unanimously resolved to recommend to the board the approval and adoption of the merger agreement with the Sponsor Group.

Beginning late in the evening on December 17, 2006 and ending in the early morning on December 18, 2006, Biomet s board of directors convened a special meeting to consider whether to approve the transaction being proposed by the Sponsor Group. During the meeting, Morgan Stanley reported that Smith & Nephew continued to make due diligence inquiries and had asked to schedule a meeting with Mr. Hann in the upcoming week, but had not otherwise advanced negotiations on the proposed merger agreement. In contrast, Kirkland & Ellis and Morgan Stanley reported that negotiations with the Sponsor Group had continued and were near completion. Kirkland & Ellis and Simpson Thacher then led a discussion with the board regarding certain provisions of the proposed merger agreement with the Sponsor Group, including the financing commitments, the closing conditions (including the requirement that certain financial information be delivered to the Sponsor Group and publicly disclosed prior to the Sponsor Group drawing down on the bridge financing), the no-shop covenants precluding Biomet and its representatives from soliciting alternative transaction proposals, the termination rights, the termination fee provisions, the scope of the representations and warranties, the definition of material adverse effect and the covenants (including Biomet s financial reporting requirements). These provisions were then compared to the initial bid draft of the merger agreement and to the draft of the merger agreement submitted by Smith & Nephew. The board then asked about and discussed the process, filings, information deliveries, approvals, risks and timing under different scenarios required for closing. Kirkland & Ellis asked the directors to reconfirm to the board whether or not they had any conflicts of interest. Mr. Noblitt noted that his wife held a small portion of her overall investments through Goldman Sachs & Co. and its affiliated funds. The board discussed the disclosure, deemed the investments financially immaterial to Mr. Noblitt, and approved the transaction.

Morgan Stanley reviewed for the board its financial analysis of the Sponsor Group s proposed transaction. Morgan Stanley then orally delivered the opinion of Morgan Stanley, subsequently confirmed in writing, that as of December 17, 2006, and based on and subject to the various considerations, assumptions and limitations set forth in its written opinion, the consideration of $44.00 per share to be received by holders of Biomet common shares in accordance with the merger agreement was fair from a financial point of view to such shareholders. For more information on Morgan Stanley s opinion see Biomet s Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 24, 2007. The Strategic Alternatives Committee also delivered its recommendation to the board that the Sponsor Group proposal be approved and adopted. Following these presentations, the board discussed at length the proposed transaction with the Sponsor Group, the timing and risks under different

Table of Contents

scenarios as well as the alternatives to a transaction, including continuing to operate Biomet on a stand-alone basis and the risks associated with such alternatives. The board then provided guidance to its legal counsel on the resolution of the remaining open issues on the merger agreement. Thereafter, the board determined that a transaction with the Sponsor Group was in the best interests of Biomet and its shareholders and voted unanimously to approve the transaction with the Sponsor Group. Finally, the disinterested directors of Biomet (i.e., all directors other than the two employees of Biomet) also voted unanimously to approve the transaction with the Sponsor Group.

On the morning of December 18, 2006, Biomet, Parent and Merger Sub executed the original merger agreement. Shortly thereafter, Morgan Stanley, on behalf of Biomet, contacted Smith & Nephew to inform them that Biomet had executed the original merger agreement with Parent and the process with respect to Smith & Nephew s bid would be terminated pursuant to the terms of the original merger agreement. Prior to the opening of trading on NASDAQ on December 18, 2006, Biomet and the Sponsor Group issued a joint press release announcing commencement of the transaction.

Following December 18, 2006, the Sponsor Group, Biomet and their respective advisors began to prepare for the anticipated closing of the transaction pursuant to the original merger agreement, including by working on the proxy statement relating to the special meeting of Biomet shareholders to approve the transaction, drafting disclosure and definitive documentation for the debt financing for the merger contemplated by the original merger agreement and coordinating with respect to, and making required filings under, the Hart-Scott-Rodino Antitrust Improvement Act of 1976, or the HSR Act. Also following December 18, 2006, representatives of Biomet, the Sponsor Group and their respective legal counsels were in frequent and extensive contact concerning a wide variety of matters and ongoing developments with respect to Biomet s business and operations, including the preliminary and final publicly-disclosed reports by the Special Litigation Committee, the decision by Biomet to restate its historical financial statements and the expected timing anticipated to complete such restatements, developments with respect to the various commercial arrangements involving Biomet, including Biomet s distributors, litigation developments with respect to Biomet and various management changes at Biomet.

On January 17, 2007, the parties filed the required notifications and reports under the HSR Act with the Federal Trade Commission. Following this filing Biomet, the Sponsor Group and Cleary Gottlieb worked together to facilitate early termination of the waiting period under the HSR Act which was granted by Department of Justice on February 15, 2007.

On January 31, 2007, Biomet filed its preliminary proxy statement relating to the original merger agreement. Thereafter, legal counsel to each of Biomet and the Sponsor Group were consulted regarding the responses to comments received from staff of the SEC.

On February 15, 2007, the parties were granted early termination of the waiting period under the HSR Act for the proposed merger contemplated by the original merger agreement and related transactions.

On February 20, 2007, March 21, 2007 and April 13, 2007, Biomet responded to comments from staff of the SEC relating to the preliminary proxy statement.

On February 26, 2007, Biomet announced the appointment of Jef: times new roman">(80,606) 59,685

Net Income/(Loss) - attributable to CEU and Subsidiaries
$1,919,308 $4,257,040 $1,420,664 $7,919,912
Basic Earnings Per Share
$0.06 $0.14 $0.05 $0.25
Diluted Earnings Per Share
$0.06 $0.14 $0.05 $0.25
Basic Weighted Average Shares Outstanding
31,324,823 31,323,734 31,273,519 31,323,734
Diluted Weighted Average Shares Outstanding
31,324,823 31,363,255 31,273,519 31,377,877
The Components of Other Comprehensive Income

Net income/(Loss)
$1,919,308 $4,257,040 $1,420,664 $7,919,912
Foreign currency translation adjustment

	1,028,559	242,100	1,550,619	169,665
Comprehensive income	$2,947,867	$4,499,140	$2,971,282	$8,089,577

The accompanying notes are an integral part of these consolidated financial statements.

5

China Education Alliance, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2011	2010
Cash flows from operating activities		
Net Income/(Loss)	$1,501,270	$7,860,227
Adjustments to reconcile net income to net cash provided by Operating activities		
Depreciation and amortization	722,969	497,474
Depreciation and amortization-Cost of goods sold	915,447	416,180
Loss on disposal of fixed assets	641,444	-
Stock based compensation	1,158,965	157,730
Loss on equity investment	-	8,174
Deferred tax assets	(441,464)	-
Net change in assets and liabilities		
Account receivables	(120,542)	(272,210)
Prepaid expenses and other	701,043	713,278
Accounts payable and accrued liabilities	(297,760)	919,764
Other payable/receivable	97,732	-
Deferred revenue	1,378,346	(165,976)
Net cash provided by (used in) operating activities	6,257,450	10,134,641
Cash flows from investing activities		
Proceeds from disposal of fixed assets	1,772,265	(110,111)
Cash used for acquisitions	(7,788,424)	(876,395)
Net cash used in investing activities	(6,016,159)	(986,506)
Cash flows from financing activities		
Warrants exercised	-	298,749
Options exercised	-	38,657
Net cash provided by financing activities	-	337,406
Effect of exchange rate changes on cash	1,296,311	169,665
Net increase (decrease) in cash	1,537,602	9,655,206
Cash and cash equivalents at beginning of period	71,105,415	65,035,332
Cash and cash equivalents at end of period	$72,643,017	$74,690,538
Supplemental disclosure of cash flow information		

Comparable Company Analysis

Morgan Stanley, using publicly available information, compared certain financial and operating information of a group of selected orthopedic companies comparable to Biomet. The companies used in this comparison included the following companies:

Based on share prices as of June 5, 2007 unless otherwise stated	Aggregate Value /2007E EBITDA (x)	Aggregate Value /2008E EBITDA (x)	2007E P/E (x)	2008E P/E (x)	2008E P/E to Long Term EPS Growth(x/%)
Smith & Nephew plc	12.2	10.2	23.8	20.3	1.5
Stryker Corporation	15.5	13.7	27.8	23.2	1.2
Synthes, Inc.	12.5	10.9	22.7	19.4	NA
Wright Medical Group, Inc.	13.4	12.3	NM	NM	2.2
Zimmer Holdings, Inc.	13.2	11.8	21.7	19.0	1.4
Median	13.2	11.8	23.8	20.3	1.4
Biomet (As of October 20, 2006)	10.7	9.4	18.7	16.6	1.1
Biomet (Offer Price)	14.0	12.3	24.6	21.7	1.4

For purposes of this analysis, Morgan Stanley analyzed the following statistics of each of these companies for comparison purposes:

- the ratio of aggregate value, defined as market capitalization plus total debt less cash and cash equivalents, to estimated calendar year 2007 and 2008 EBITDA, defined as earnings before interest, taxation, depreciation and amortization (based on publicly available estimates);

- the ratio of price to estimated EPS for calendar year 2007 and 2008 (based on publicly available estimates);

Table of Contents

the relationship between the ratio of stock price to estimated calendar year 2008 EPS divided by the estimated long-term EPS growth rate (based on publicly available estimates) as of June 5, 2007 and October 20, 2006, the last trading day prior to speculation around a potential transaction between Biomet and Smith & Nephew plc. The long-term EPS growth rate is based on equity research analyst estimates of the projected five-year compounded EPS growth rate.

Based on the analysis of the relevant metrics for each of the comparable companies, Morgan Stanley selected a representative range of financial multiples of the comparable companies and applied this range of multiples to the relevant financial statistic. Morgan Stanley calculated a range of estimates by utilizing publicly available equity research projections. Based on Biomet s current outstanding shares and options, Morgan Stanley estimated the implied value per Biomet share as of June 5, 2007 as follows:

Calendar Year Financial Statistic	Financial Statistic (Based on Research)	Comparable Company Multiple Statistic	Implied Value Per Share Range for Biomet
Aggregate Value / 2007E EBITDA	$ 799MM	12.0-13.5x	$ 39-$44
Aggregate Value / 2008E EBITDA	$ 911MM	10.0-12.5x	$ 37-$46
Price to 2007E Earnings	$ 1.87	22.0-24.0x	$ 41-$45
Price to 2008E Earnings	$ 2.12	19.0-22.0x	$ 40-$47
Price to 2008E Earnings vs. Long-Term Growth	15.0%	1.2-1.5x	$ 38-$48

Morgan Stanley noted that the consideration in the merger agreement was $46 per Biomet common share.

No company selected for the comparable company analysis is identical to Biomet. In evaluating comparable companies, Morgan Stanley made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Biomet, such as the impact of competition on the businesses of Biomet and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of Biomet or the industry or in the financial markets in general. Mathematical analysis (such as determining the average or median) is not in itself a meaningful method of using comparable company data.

Discounted Cash Flow Analysis

Morgan Stanley calculated a range of equity values per share for Biomet based on a discounted cash flow analysis. Morgan Stanley relied on financial projections provided by the management of Biomet for fiscal years 2007 through 2011 and extrapolations from those projections for fiscal years 2007 through 2011 and publicly available equity research analyst estimates for fiscal years 2007 through 2011 for four cases that were developed as part of the analysis. The four cases described in this proxy statement are: (1) Management Case, (2) Market Growth Case, (3) Discount to Market Case and (4) Street Case.

Projections for the Management Case were based on Biomet s internal strategic plan. Morgan Stanley noted that (1) the projected revenue growth in the Management Case was in line with both street projections and expected market growth and (2) operating margins in the Management Case were expected to expand relative to current margins and were in line with street projections. The Market Growth Case is defined as top-line market growth rates based on publicly available equity research analyst estimates of orthopedic industry revenues with constant EBIT (operating) margins based on Biomet s fiscal year 2007 margin. The Discount to Market Case is based on top-line market growth rates adjusted for 2% discount to market due to the fact that historically, Biomet s sales growth trailed the aggregate market growth of Biomet s primary markets by approximately 2%. Constant EBIT margins were assumed based on Biomet s fiscal year 2007 margin. The Street Case is based on consensus publicly available equity research analyst estimates. Cash flow assumptions were based on management projections.

Table of Contents

Morgan Stanley performed a discounted cash flow analysis for the (1) Management Case, (2) Market Growth Case, (3) Discount to Market Case and (4) Street Case. Morgan Stanley discounted the unlevered free cash flows of Biomet for fiscal years 2007 through 2011 to present values using an 8.0% estimated weighted average cost of capital calculated using the Capital Asset Pricing Model. The analysis also assumed terminal values based on a range of multiples of 19.0x to 21.0x estimated net income to arrive at a range of present values for Biomet. Such multiple range was derived, based on Morgan Stanley s judgment, after considering trading multiples of selected orthopedic companies comparable to Biomet and the perpetual growth rates implied by such multiples. The present values as of June 1, 2007 were adjusted for Biomet s debt as of February 2007 (net of cash) and estimated proceeds from the exercise of outstanding options to arrive at an implied equity value per share. Based on this analysis, Morgan Stanley calculated values representing an implied equity value per Biomet common share. These ranges of value per case are represented below:

Equity Value per Share ($)	Range		
Management Case	$	47	51
Market Growth Case	$	41	44
Discount to Market Case	$	38	42
Street Case	$	43	46

Morgan Stanley noted that the consideration provided for by the merger agreement was $46.00 per Biomet common share.

Precedent Transactions Analysis

Morgan Stanley also analyzed the offer and merger as compared to other publicly announced transactions. In connection with this analysis, Morgan Stanley reviewed a number of transactions in the orthopedic industry with a value greater than $100 million, which consisted of the following transactions:

Acquired Company	Acquiror	Aggregate Value /LTM Sales (x)	Aggregate Value / LTM EBITDA (x)
Spine-Tech, Inc.	Sulzer Medica, Ltd.	13.2	47.9
Depuy, Inc.	Johnson & Johnson	4.4	15.3
Howmedica Osteonics Corporation	Stryker Corp.	2.0	7.6
Sofamor Danek Group, Inc.	Medtronic, Inc.	9.5	28.6
STRATEC Holding	Synthes, Inc.	5.1	17.6
Centerpulse Ltd.	Zimmer Holdings, Inc.	3.6	15.7
Mathys Medizinaltechnik AG	Synthes-Stratec AG	3.9	NA
Interpore Cross International	Biomet, Inc.	3.8	30.7
Midland Medical Technologies Ltd.	Smith & Nephew plc	5.0	75.3
EMPI, Inc.	Encore Medical Corp.	2.4	NA
Implex Corp.	Zimmer Holdings, Inc.	NA	NA
Royce Medical Company	Ossur Hf.	3.2	NA
Aircast, Inc.	DJ Orthopedics, Inc.	3.0	11.9
Diagnostic Products Corp.	Siemens Ltd.	3.9	12.7
Encore Medical Corp.	The Blackstone Group	2.6	14.7
Blackstone Medical, Inc.	Orthofix International	5.6	NA
Kyphon, Inc.	St. Francis Medical Technologies, Inc.	13.6	41.7
Plus Orthopedics Holdings AG	Smith & Nephew plc	3.0	14.3
Median		3.9	15.7

Table of Contents

Based on this analysis, Morgan Stanley calculated values representing an implied equity value per Biomet common share of $30-43 based on Biomet s last-twelve-months revenue and $35-46 based on Biomet s last-twelve-months EBITDA.

Morgan Stanley compared the premia paid in U.S. public company transactions during the period 2001 to June 1, 2007, with a transaction value greater than $5 billion. Morgan Stanley selected a representative range of premia paid of 15.0%-25.0% for the selected transactions, representing an implied value per share of $40-$44 per Biomet common share, calculated based on a share price of $35.05 as of October 20, 2006, which was the last trading day prior to speculation arising as to a potential transaction involving Biomet and Smith & Nephew plc. Morgan Stanley selected a representative range of premia paid of 15.0%-25.0% for the selected transactions, representing an implied value per share of $47-$51 per Biomet common share, calculated based on an indexed unaffected premium paid based on appreciation of peers subsequent to October 20, 2006 assuming Biomet s shares would have increased comparably notwithstanding its inferior financial results.

No company or transaction utilized in the precedent transaction analyses is identical to Biomet or the tender offer and merger. In evaluating the precedent transactions, Morgan Stanley made judgments and assumptions with regard to general business, market and financial conditions and other matters for the purposes of their analysis.

Morgan Stanley noted that the consideration provided for by the merger agreement was $46.00 per Biomet common share.

Trading Range Analysis

Morgan Stanley reviewed the range of closing prices of Biomet s common shares for the period between June 5, 2006 and June 5, 2007. Morgan Stanley observed the range of closing prices of $30-$44, and noted that the consideration provided for in the merger agreement was $46.00 per Biomet common share.

Securities Research Analysts Price Targets

Morgan Stanley reviewed and analyzed future public market trading price targets for Biomet s common shares prepared and published by equity research analysts. These targets reflect each analyst s estimate of the future public market trading price of Biomet s common shares. The range of equity analyst price targets for Biomet, discounted to the present value using a discount rate of 8.0%, was $32 to $44. Morgan Stanley noted that the consideration in the merger agreement was $46 per Biomet common share.

The public market trading price targets published by securities research analysts do not necessarily reflect current market trading prices for Biomet s common shares and these estimates are subject to uncertainties, including the future financial performance of Biomet and future financial market conditions.

Leveraged Buyout Analysis

Morgan Stanley also analyzed Biomet from the perspective of a potential purchaser that was not a strategic buyer, but rather primarily a financial buyer that would effect a leveraged buyout of Biomet. This analysis, calculated as of the last twelve months ended February 28, 2007, assumed a leveraged buyout of Biomet s consolidated businesses, based on the same financial forecasts described above. Morgan Stanley determined the implied valuation range for Biomet s common shares based on a five-year internal rate of return range of 17.5% to 22.5% and an exit multiple range of 11.5x to 13.5x, which was derived, based on Morgan Stanley s judgment, after considering trading multiples of selected orthopedic companies comparable to Biomet. Based on these projections and assumptions, Morgan Stanley calculated an implied valuation range of Biomet s common shares of $38 to $46 for the Management Case, $35 to $42 for the Market Growth Case, $34 to $40 for the Discount to Market Case and $35 to $42 for the Street Case. Morgan Stanley noted that the consideration in the merger agreement was $46 per Biomet common share.

In connection with the review of the offer and merger by Biomet s board of directors, Morgan Stanley performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a financial opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Morgan Stanley considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor it considered. Morgan Stanley believes that selecting any portion of its analyses, without considering all analyses as a whole, would create an incomplete view of the process underlying its analyses and opinion. In addition, Morgan Stanley may have given various analyses and factors more or less weight than other analyses and factors, and may have deemed various assumptions more or less probable than other assumptions. As a result, the ranges of valuations resulting from any particular analysis described above should not be taken to be Morgan Stanley s view of the actual value of Biomet. In performing its analyses, Morgan Stanley made numerous assumptions with respect to industry performance, general business and economic conditions and other matters. Many of these assumptions are beyond the control of Biomet. Any estimates contained in Morgan Stanley s analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates.

Morgan Stanley conducted the analyses described above solely as part of its analysis of the fairness of the offer and merger consideration in accordance with the merger agreement from a financial point of view to Biomet shareholders and in connection with the delivery of its opinion to Biomet s board.

The offer and merger consideration was determined through arm s-length negotiations between Biomet and Parent and was approved by Biomet s board of directors. Morgan Stanley provided advice to Biomet during these negotiations. Morgan Stanley did not, however, recommend any specific consideration to Biomet or that any specific consideration constituted the only appropriate consideration for the offer and merger.

Morgan Stanley s opinion and its presentation to Biomet s board of directors was one of many factors taken into consideration by Biomet s board of directors in deciding to adopt and declare advisable the merger agreement and the offer and merger and related transactions and to determine that the offer and merger is in the best interests of Biomet and its shareholders. Consequently, the analyses as described above should not be viewed as determinative of the opinion of Biomet s board with respect to the offer and merger consideration or of whether Biomet s board would have been willing to agree to different offer and merger consideration.

Biomet s board of directors retained Morgan Stanley based upon Morgan Stanley s qualifications, experience and expertise. Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of its trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may actively trade the equity securities of Biomet for its own accounts or for the accounts of its customers and, accordingly, may at any time hold long or short positions in such securities. In the past, Morgan Stanley and its affiliates have provided financial advisory services for Biomet and for the members of the Sponsor Group and Morgan Stanley has received fees for the rendering of these services. Based on information provided by the Sponsor Group, the aggregate amount of such fees estimated to have been paid by the Sponsor Group to Morgan Stanley (excluding any payments made by a portfolio company in connection with its acquisition by, or otherwise not on behalf of, a member of the Sponsor Group) during the 12-month period prior to the date of this proxy statement was in excess of $150 million. Morgan Stanley may also seek to provide such services to Biomet and to the investors in Parent in the future and will receive fees for the rendering of these services.

Table of Contents

Under the terms of its engagement letter, Morgan Stanley provided Biomet financial advisory services and a financial opinion in connection with the offer and merger, and Biomet agreed to pay Morgan Stanley a fee of approximately $34 million, $29 million of which was contingent upon completion of the offer. Biomet has also agreed to reimburse Morgan Stanley for its expenses incurred in performing its services. In addition, Biomet has agreed to indemnify Morgan Stanley and its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates, against certain liabilities and expenses, including certain liabilities under the federal securities laws, related to or arising out of Morgan Stanley s engagement.

Strategic Plan Financial Targets

Biomet s senior management does not as a matter of course make public projections as to future performance or earnings beyond the current fiscal year and is especially wary of making projections for extended periods due to the unpredictability of the underlying assumptions and estimates. However, certain financial targets prepared by senior management in connection with the five-year strategic plan discussed in Approval of the Merger Agreement Background of Merger were made available to the Sponsor Group and other bidders and their respective financial advisors, our board of directors and Morgan Stanley in connection with their consideration of the original merger agreement. We have included below the material financial targets (on a consolidated basis) from our strategic plan to provide our shareholders access to certain nonpublic information considered by the Sponsor Group and other bidders, our board of directors and Morgan Stanley for purposes of considering and evaluating the merger. The inclusion of this information should not be regarded as an indication that the Sponsor Group, the board of directors, Morgan Stanley or any other recipient of this information considered, or now considers, it to be a reliable prediction of future results, especially in light of Biomet s recent underperformance versus its peer group. Our board of directors considered the execution risks associated with the financial targets below in considering and evaluating the merger, including the fact that the market and earnings per share growth targets were not reflective of recent historical results for Biomet.

The financial targets reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions, as well as matters specific to Biomet s business, all of which are difficult to predict and many of which are beyond Biomet s control. As a result, there can be no assurance that the projected results will be realized or that actual results will not be significantly higher or lower than projected. The financial targets cover multiple years and such information by its nature becomes less reliable with each successive year. The financial targets were prepared solely for internal use and for the use of the bidders and their financial advisors, our board of directors and Morgan Stanley in connection with the potential transaction and not with a view toward public disclosure or toward complying with GAAP, the published guidelines of the SEC regarding projections or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. The financial targets included below were prepared by, and are the responsibility of, Biomet s management. Neither Biomet s independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information. The financial targets were prepared in 2006 and do not take into account any circumstances or events occurring after the date they were prepared. Accordingly, they do not reflect the Company s actual results of operations for the fiscal year ended May 31, 2007, nor do the targets necessarily reflect management s current projections as to future performance or earnings.

Readers of this proxy statement are cautioned not to place undue reliance on the financial targets set forth below. No one has made or makes any representation to any shareholder regarding the information included in these projections. The inclusion of financial targets in this proxy statement should not be regarded as an indication that such targets will be an accurate prediction of future events, and they should not be relied on as such. Except as required by applicable securities laws, Biomet does not intend to update, or otherwise revise the

Table of Contents

financial targets to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error. See Cautionary Statement Regarding Forward-Looking Statements.

	Fiscal Year Ended				
	Estimated 5/31/2007	Estimated 5/31/2008	Estimated 5/31/2009	Estimated 5/31/2010	Estimated 5/31/2011
Net Sales	$ 2,229,835,765	$ 2,492,248,843	$ 2,881,495,687	$ 3,337,252,177	$ 3,812,056,114
Cost of Sales	646,644,788	707,742,980	795,986,153	897,170,902	992,070,549
Gross Profit	1,583,190,977	1,784,505,863	2,085,509,534	2,440,081,275	2,819,985,565
Total SG&A	886,828,468	971,780,942	1,085,623,128	1,222,592,959	1,361,084,198
Income from Operations	696,362,509	812,724,921	999,886,406	1,217,488,316	1,458,901,367
Other Income	35,483,754	62,229,893	85,910,242	118,299,460	156,403,954
Income before taxes	731,846,263	874,954,814	1,085,796,648	1,335,787,776	1,615,305,321
Provision for taxes	244,437,000	292,235,000	362,618,000	446,149,000	539,556,000
Net Income	487,409,263	582,719,814	723,178,648	889,638,776	1,075,749,321
Diluted EPS	1.99	2.38	2.95	3.63	4.39
Capital Expenditures	(111,157,618)	(140,362,000)	(135,806,000)	(136,401,000)	(143,239,000)

Change of Control

On July 12, 2007, Merger Sub accepted for payment of all Biomet common shares validly tendered and not withdrawn in the offer at an aggregate purchase price of approximately $9.3 billion using funds provided to Merger Sub by Parent, as described below under Financing of the Offer and the Merger. As a result, Parent may be deemed to own beneficially an aggregate of 202,601,130 common shares, or approximately 82.41% of our outstanding common shares. Pursuant to the merger agreement, Parent was entitled, upon payment of shares tendered pursuant to the offer, to designate a number of directors of Biomet, rounded up to the next whole number, that is equal to the product of the total number of directors on the Biomet board and the percentage that the number of shares purchased bears to the total number of Biomet shares outstanding. Accordingly, upon such payment on July 17, 2007, Sandra A. Lamb, Niles L. Noblitt, Marilyn Tucker Quayle, Jerry L. Ferguson, Thomas F. Kearns, M. Ray Harroff, Jerry L. Miller and Charles E. Niemier resigned from our board and Parent s designees, Chinh Chu, Jonathan Coslet, Michael Dal Bello, Sean Fernandes, Adrian Jones, Michael Michelson, Dane Miller, John Saer and Todd Sisitsky, were appointed to our board.

The merger agreement provides that, until the effective time of the merger, our board of directors shall have at least three independent directors (as defined in the merger agreement) who were on the board on June 7, 2007, and certain actions of Biomet may only be authorized by a majority of these independent directors (and will not require any additional approval by our board).

Financing of the Offer and Merger

The total amount of funds necessary to purchase shares tendered pursuant to the offer, to complete the merger and to pay related fees and expenses is anticipated to be approximately $11.4 billion. These payments are expected to be funded by debt financing, equity financing provided by the current equity investors in Parent and other co-investors that it may identify (which may include one or more existing holders of Biomet common shares) and, to the extent available, cash of Biomet. Parent has obtained debt commitments described below in connection with the transactions contemplated by the merger agreement and, in connection with the consummation of the offer, received $5.2 billion in equity financing. In accordance with the merger agreement, Parent is obligated to use its reasonable best efforts to take, or cause to be taken, all actions reasonably necessary to arrange the debt financing described below as promptly as practicable on the terms of the debt financing commitments.

Equity Financing

The current equity investors in Parent have collectively contributed approximately $5.2 billion of cash to LVB Acquisition Holding, LLC, which constitutes the equity portion of the financing for the offer and the merger. The approximate contribution of each such investor to LVB Acquisition Holding, LLC was as follows:

Blackstone Capital Partners V L.P.	$1,299,140,311.66
GS Capital Partners VI Parallel, L.P., GS Capital Partners VI GmbH & Co. KG, GS Capital Partners VI Fund, L.P. and GS Capital Partners VI Offshore Fund, L.P.	$1,299,140,311.66
KKR 2006 Fund L.P.	$1,299,140,311.66
TPG Partners V, L.P.	$1,299,140,311.66

LVB Acquisition Holding, LLC, which owns 100% of the outstanding equity interests in Parent, contributed such funds to Parent in connection with the consummation of the offer.

Debt Financing

Parent has received a debt commitment letter, dated as of June 12, 2007, from Banc of America Securities LLC (*BAS*), Bank of America, N.A. (*BOA*), Banc of America Bridge LLC (*BAB*), Goldman Sachs Credit Partners L.P. (*GSCP*), Bear, Stearns & Co. Inc., Bear Stearns Corporate Lending Inc., Lehman Brothers Inc., Lehman Commercial Paper Inc., Lehman Brothers Commercial Bank, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch Capital Corporation, Wachovia Capital Markets, LLC, Wachovia Bank, National Association and Wachovia Investment Holdings, LLC (collectively, the *Debt Financing Sources*) to provide the following, subject to the conditions set forth in the debt commitment letter:

- to Merger Sub (the *Tender Facility Borrower*), up to $6.165 billion of a senior secured tender offer facility (the *Tender Facility*), a portion of which was made available to finance a portion of the offer and the remainder of which may, at the option of the Tender Facility Borrower, be used to finance the merger and pay related fees and expenses and to pay interest and fees on the Tender Facility as and when needed;

- to Merger Sub or the surviving corporation of the merger (the *Borrower*), up to $4.35 billion of senior secured credit facilities (not all of which is expected to be drawn at closing of such facilities) for the purpose of refinancing the Tender Facility, financing the merger, repaying or refinancing certain existing indebtedness of Biomet and its subsidiaries, paying fees and expenses incurred in connection with the merger and for providing ongoing working capital and for other general corporate purposes of the surviving corporation and its subsidiaries;

- to Borrower, up to $775.0 million of senior unsecured cash pay bridge loans for the purpose of refinancing the Tender Facility, financing the merger, repaying or refinancing certain existing indebtedness of Biomet and its subsidiaries and paying fees and expenses incurred in connection with the merger;

- to Borrower, up to $775.0 million of senior unsecured PIK option bridge loans for the purpose of refinancing the Tender Facility, financing the merger, repaying or refinancing certain existing indebtedness of Biomet and its subsidiaries and paying fees and expenses incurred in connection with the merger; and

- to Borrower, up to $1.015 billion of senior subordinated bridge loans for the purpose of refinancing the Tender Facility, financing the merger, repaying or refinancing certain existing indebtedness of Biomet and its subsidiaries and paying fees and expenses incurred in connection with the merger.

The commitment of the Debt Financing Sources with respect to the Cash Flow Facilities, the Asset-Based Credit Facility and the bridge facilities (each as described below) expires upon the earlier to occur of (a) the execution and delivery of the definitive documentation relating to such facilities by all of the parties thereto or

Table of Contents

(b) June 6, 2008. The documentation governing the debt financings other than the Tender Facility has not been finalized and, accordingly, their actual terms may differ from those described in this proxy statement. Parent has agreed to use its reasonable best efforts to arrange the debt financing on the terms and conditions described in the debt commitment letter. If any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the debt commitment letter, Parent must use its reasonable best efforts to arrange to obtain alternative financing from alternative sources in an amount sufficient to consummate the merger and other transactions contemplated by the merger agreement on terms that are not materially less favorable in the aggregate to Parent than as contemplated by the debt commitment letter as promptly as practicable following the occurrence of such event.

Although the debt financing described in this proxy statement is not subject to a due diligence or market out, such financing may not be considered assured. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event the debt financing described herein is not available as anticipated.

Tender Facility.

The Tender Facility consists of a $6.165 billion term loan facility maturing on June 6, 2008. The Tender Facility permits the Tender Facility Borrower to make additional drawings after the initial funding of the Tender Facility in order to finance the merger, pay related fees and expenses and to pay interest and fees on the Tender Facility. The availability of such additional drawings is subject to the accuracy of representation and warranties, absence of defaults, delivery of borrowing notices and compliance with margin regulations.

Roles. BAS and GSCP have been appointed as joint lead arrangers for the Tender Facility. BAS, GSCP, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated have been appointed as joint bookrunners and Wachovia Capital Markets, LLC has been appointed as co-manager for the Tender Facility. BOA has been appointed as administrative agent, GSCP has been appointed as syndication agent and Bear Stearns Corporate Lending Inc., Lehman Commercial Paper Inc. and Merrill Lynch Capital Corporation have been appointed as co-documentation agents for the Tender Facility.

Interest Rates. Amounts outstanding under the Tender Facility bear interest at a rate equal to, at our option (i) an alternate base rate plus a spread or (ii) an adjusted London interbank offer rate plus a spread. The spreads are 1.25% with respect to ABR loans and 2.25% with respect to LIBOR loans, provided that the spread will increase by 0.25% at the end of the first sixth-month period after the Tender Closing Date.

Prepayments and Amortization. The Tender Facility Borrower is permitted to make voluntary prepayments with respect to the Tender Facility at any time, without premium or penalty (other than LIBOR breakage costs, if applicable). There is no amortization of the Tender Facility.

Guarantors. The obligations of the Tender Facility Borrower under the Tender Facility are not guaranteed.

Security. The obligations of the Tender Facility Borrower under the Tender Facility are secured (on a first priority basis) by a perfected lien on, and pledge of, and security interest in the Biomet common shares owned by the Tender Facility Borrower.

Other Terms. The Tender Facility contains representations and warranties and affirmative covenants, in each case consistent with documentation for transactions of this type for companies owned by major private equity sponsors. In addition, prior to the consummation of the merger, the Tender Facility Borrower will limit the scope of its activities to activities related to the transactions described herein and will not hold material assets other than the common shares. Certain negative covenants will apply to Biomet and its subsidiaries, including restrictions on indebtedness, acquisitions, investments, sales of assets, mergers and consolidations, dividends and other distributions.

Table of Contents

Permanent Credit Facilities.

The availability of the Cash Flow Facilities, the Asset-Based Credit Facility and the bridge facilities is subject, among other things, to consummation of the merger in accordance with the merger agreement (without giving effect to any amendments or waivers by Parent that are material and adverse to the lenders under such facilities without the consent of the joint lead arrangers thereunder), payment of required fees and expenses, the funding of the equity financing, the refinancing of certain of our existing debt and the absence of certain types of other debt, delivery of certain historical and pro forma financial information, cooperation from Parent and its affiliates in marketing the notes, the execution of certain guarantees and the creation of security interests and the negotiation, execution and delivery of definitive documentation.

Senior Secured Term and Cash Flow Revolving Credit Facilities (the Cash Flow Facilities)

The borrower under the Cash Flow Facilities will be the surviving corporation upon consummation of the merger. The Cash Flow Facilities are expected to consist of (1) a $3.55 billion term loan facility with a term of seven and a half years and (2) a cash flow revolving credit facility with a term of six years equal to $750.0 million minus the estimated amount of the borrowing base availability on the closing date under the Asset-Based Credit Facility.

Roles. BAS and GSCP have been appointed as joint lead arrangers for the Cash Flow Facilities. BAS, GSCP, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated have been appointed as joint bookrunners and Wachovia Capital Markets, LLC has been appointed as co-manager for the Cash Flow Facilities. BOA has been appointed as administrative agent, GSCP has been appointed as syndication agent and Bear Stearns Corporate Lending Inc., Lehman Commercial Paper Inc. and Merrill Lynch Capital Corporation have been appointed as co-documentation agents for the Cash Flow Facilities.

Interest Rate. Loans under the Cash Flow Facilities are expected to bear interest, at the Borrower s option, at a rate equal to the adjusted London interbank offer rate or an alternate base rate, in each case plus a spread. After the Borrower s delivery of financial statements with respect to at least one full fiscal quarter ending after the effective date of the merger, interest rates under the Cash Flow Facilities shall be subject to decreases based on a senior secured leverage ratio (which means the ratio of the Borrower s total net senior secured debt to adjusted EBITDA) and shall be as agreed upon between the Borrower and the Debt Financing Sources.

Prepayments and Amortization. Borrower will be permitted to make voluntary prepayments with respect to the Cash Flow Facilities at any time, without premium or penalty (other than LIBOR breakage costs, if applicable). The term loans under the Cash Flow Facilities will amortize 1% per annum in equal quarterly installments until the final maturity date.

Guarantors. All obligations under the Cash Flow Facilities and under any interest rate protection or other hedging arrangement entered into with a lender or any of its affiliates will be unconditionally guaranteed jointly and severally by Parent and each of the existing and future direct and indirect, wholly-owned domestic subsidiaries of the Borrower (other than certain subsidiaries to be mutually agreed upon).

Security. The obligations of the Borrower and the guarantors under the Cash Flow Facilities and the guarantees, and under any interest rate protection or other hedging arrangement entered into with a lender or any of its affiliates, will be secured, subject to permitted liens and other agreed upon exceptions, (1) on a first-lien basis, by all the capital stock of the Borrower and its subsidiaries (limited, in the case of foreign subsidiaries, to 100% of the non-voting capital stock and 65% of the voting capital stock of such subsidiaries) directly held by the Borrower or any guarantor, (2) on a first-lien basis, by substantially all present and future assets of the Borrower and each guarantor (other than account receivables, inventory, cash, deposit accounts and the intangible assets and proceeds relating to such account receivables, inventory, cash and deposit accounts) and (3) on a second-lien basis, all account receivables, inventory, cash, deposit accounts and the intangible assets and proceeds relating to such account receivables, inventory, cash and deposit accounts. If certain security is not provided at closing despite the use of commercially reasonable efforts to do so, the delivery of such security will

Table of Contents

not be a condition precedent to the availability of the Cash Flow Facilities on the closing date, but instead will be required to be delivered following the closing date pursuant to arrangements to be agreed upon.

Other Terms. The Cash Flow Facilities will contain customary representations and warranties and customary affirmative and negative covenants, including, among other things, restrictions on indebtedness, investments, sales of assets, mergers and consolidations, prepayments of subordinated indebtedness, liens and dividends and other distributions. The Cash Flow Facilities will also include customary events of defaults including a change of control to be defined.

Senior Secured Asset-Based Revolving Credit Facility (the Asset-Based Credit Facility)

The borrower under the Asset-Based Credit Facility will also be the Borrower. The Asset-Based Credit Facility will have a term of six years and aggregate commitments equal to the estimated amount of the borrowing base availability on the closing date under the Asset-Based Credit Facility, such commitments not to exceed $750.0 million. Availability under the Asset-Based Credit Facility will be subject to a borrowing base.

Roles. BAS and GSCP have been appointed as joint lead arrangers for the Asset-Based Credit Facility. BAS, GSCP, Bear, Stearns & Co. Inc., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated have been appointed as joint bookrunners and Wachovia Capital Markets, LLC has been appointed as co-manager for the Asset-Based Credit Facility. BOA has been appointed as administrative agent, GSCP has been appointed as syndication agent and Bear Stearns Corporate Lending Inc., Lehman Commercial Paper Inc. and Merrill Lynch Capital Corporation have been appointed as co-documentation agents for the Asset-Based Credit Facility.

Interest Rate. Loans under the Asset-Based Credit Facility are expected to bear interest, at the Borrower s option, at a rate equal to the adjusted London interbank offer rate or an alternate base rate, in each case plus a spread. After the Borrower s delivery of financial statements with respect to at least one full fiscal quarter ending after the effective date of the merger, interest rates under the Asset-Based Credit Facility shall be subject to decreases based on a senior secured leverage ratio (which means the ratio of the Borrower s total net senior secured debt to adjusted EBITDA) and shall be as agreed upon between the Borrower and the administrative agent.

Guarantors. All obligations under the Asset-Based Credit Facility will be unconditionally guaranteed jointly and severally by Parent and each of the existing and future direct and indirect, wholly-owned domestic subsidiaries of the Borrower (other than certain subsidiaries to be mutually agreed upon).

Security. The obligations of the Borrower and the guarantors under the Asset-Based Credit Facility and the guarantees will be secured, subject to permitted liens and other agreed upon exceptions, on a first-lien basis, by all account receivables, inventory, cash, deposit accounts and the intangible assets and proceeds relating to such account receivables, inventory, cash and deposit accounts. If certain security is not provided at closing despite the use of commercially reasonable efforts to do so, the delivery of such security will not be a condition precedent to the availability of the Asset-Based Credit Facility on the closing date, but instead will be required to be delivered following the closing date.

Other Terms. The Asset-Based Credit Facility will contain customary representations and warranties and customary affirmative and negative covenants, including, among other things, restrictions on indebtedness, investments, sales of assets, mergers and consolidations, prepayments of subordinated indebtedness, liens and dividends and other distributions. The Asset-Based Credit Facility will also include customary events of defaults, including a change of control to be defined.

Bridge Facilities

The Borrower is expected to issue up to $2.565 billion aggregate principal amount of senior unsecured notes and/or senior subordinated unsecured notes. The notes will not be registered under the Securities Act of 1933

(*Securities Act*) and may not be offered in the United States absent registration or an applicable exemption from registration requirements.

If the offering of notes by the Borrower is not completed on or prior to the closing of the Cash Flow Facilities and the Asset-Based Credit Facility, the Debt Financing Sources have committed to provide up to $2.565 billion in loans comprised of (1) a senior unsecured cash pay bridge facility of up to $775.0 million, (2) a senior unsecured PIK option bridge facility of up to $775.0 million and (3) a senior subordinated bridge facility of up to $1.015 billion. The Borrower would be the borrower under each bridge facility. The bridge facilities will be guaranteed (on a senior subordinated basis, in the case of the senior subordinated bridge facility) by the domestic subsidiaries of the surviving corporation that guarantee the Asset-Based Credit Facility and the Cash Flow Facilities.

BAS and GSCP have been appointed as joint lead arrangers for each of the bridge facilities. BAS, GSCP, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wachovia Capital Markets, LLC have been appointed as joint bookrunners and Bear, Stearns & Co. Inc. has been appointed as co-manager for the bridge facilities. Banc of America Bridge LLC has been appointed as administrative agent, GSCP has been appointed as syndication agent and Lehman Commercial Paper Inc., Merrill Lynch Capital Corporation and Wachovia Capital Markets, LLC have been appointed as co-documentation agents for the bridge facilities.

Certain Effects of the Merger

The merger will terminate all equity interests in our company held by our current shareholders and Parent will be the sole owner of our company and our business. Biomet shareholders (other than Parent and its affiliates and any other person, including any current or former members of management of Biomet, who becomes a direct or indirect investor in Parent) will no longer have any interest in, and no longer be shareholders of, Biomet, and will not participate in any of our future earnings or growth. Our common shares will no longer be listed on the NASDAQ Global Select Market and price quotations with respect to our common shares in the public market will no longer be available. The registration of our common shares under the Exchange Act will be terminated.

Interests of Biomet Directors and Executive Officers in the Merger

In considering the recommendation of our board of directors to vote for the proposal to approve the merger agreement, you should be aware that our directors and executive officers may have agreements or arrangements that may provide them with interests that differ from, or are in addition to, those of other Biomet shareholders, as applicable. Our board of directors was aware of these agreements and arrangements as they relate to our directors and executive officers during its deliberations of the merits of the merger agreement and in determining the recommendation set forth in this proxy statement.

Sponsor Representatives

Pursuant to the Merger Agreement, following the purchase of shares in the tender offer, Merger Sub had the right to designate a number of directors to Biomet s board, rounded up to the next whole number, that is equal to the product of the total number of directors on Biomet s board and the percentage that the number of common shares beneficially owned by Parent and its affiliates (excluding Biomet common shares owned by Biomet and its subsidiaries) bears to the total number of Biomet common shares outstanding. On July 17, 2007, Merger Sub exercised this right and appointed Chin E. Chiu, Jonathan J. Coslet, Michael Dal Bello, Sean Fernandes, Adrian Jones, Michael Michelson, Dane A. Miller, John Saer and Todd Sisitsky as directors of Biomet. Each of Mssrs. Chiu, Coslet, Dal Bello, Fernandes, Jones, Michelson, Saer and Sisitsky is affiliated or associated with a member of the Sponsor Group.

Treatment of Stock Options

Biomet s directors and executive officers who participated in the offer received the $46.00 offer price for each shares tendered by them. In addition, pursuant to the terms of Biomet s options and the merger agreement,

Table of Contents

on July 17, 2007, all stock options outstanding (whether held by officers, directors, employees or distributors) were cancelled and the holders thereof became entitled to receive from Biomet an amount equal to the excess, if any, of the $46.00 offer price over the option exercise price for each share subject to the stock option, in each case, less any applicable withholding taxes and without interest. Furthermore if the merger is consummated, common shares owned by Biomet s directors and executive officers (and all other holders) will be converted as of the completion of the merger into the right to receive $46.00 per share, except in the case of those persons who are provided an opportunity to convert all or a portion of their existing equity interests in Biomet into LVB Acquisition Holding, LLC or Parent at the time of the merger.

The following table summarizes the interests of our executive officers and directors in the merger as of immediately prior to the purchase of shares tendered in the tender offer on July 17, 2007, including the amount of cash each individual received for shares tendered and the amount of cash each individual received upon the cash-out of outstanding stock options held by such individual following consummation of the offer, as well as the number of shares such individual had after the Share Purchase Date.

Name of Executive Officer or Director(1)(2)	Cash Received in Connection with the Share Purchase Date($)(3)	Biomet Common Shares Owned Following the Share Purchase Date(#)	Cash to Be Received in Connection with the Merger($)(9)
Thomas R. Allen	650,811	54,140	2,490,440
Jeffrey R. Binder(4)	0	0	0
Richard J. Borror	678,205	110,033	5,061,518
Jerry L. Ferguson(5)	134,514,304	0	0
Daniel P. Florin(6)	0	0	0
James W. Haller	1,672,858	18,070	831,220
C. Scott Harrison, M.D.	24,962,282	1,284	59,064
M. Ray Harroff(5)	2,348,406	2,999	137,954
Glen A. Kashuba(7)	0	0	0
Thomas F. Kearns, Jr.	446,904	1,288	59,248
William C. Kolter	1,012,155	37,456	1,722,976
Sandra A. Lamb	27,660	676	31,096
Jerry L. Miller	159,823,564	1,282	58,972
Kenneth V. Miller	648,706	1,282	58,972
Charles E. Niemier	31,848,354	66,646	3,065,716
Niles L. Noblitt(5)	177,955,278	0	0
Marilyn Tucker Quayle	1,565,118	1,282	58,972
J. Pat Richardson(8)	0	0	0
Gregory W. Sasso	711,918	69,497	3,196,862
Stephen F. Schiess	818,832	19,568	900,128
Bradley J. Tandy	722,694	39,680	1,825,280
L. Gene Tanner	4,658,250	2,558	117,668
Roger P. Van Broeck	997,721	66,076	3,039,496
Darlene Whaley	711,918	36,482	1,678,172

(1) On March 30, 2007, Gregory D. Hartman retired as Senior Vice President Finance, Chief Financial Officer and Treasurer, and Daniel P. Hann retired as Executive Vice President of Administration and as a Biomet director and, therefore, Messrs. Hartman and Hann are not included in this table. If the offer had been consummated prior to their resignations and the forfeiture of and adjustments to certain stock options described below, and Messrs. Hartman and Hann tendered their common shares in the offer, they would have received in the offer in respect of such shares (including stock options) an aggregate of approximately $11 million and $7 million, respectively. Pursuant to their severance and consulting agreements, Messrs. Hartman and Hann have, among other things, (a) terminated and forfeited unvested stock option awards to purchase approximately 164,000 and 89,000 common shares, respectively, (b) agreed that with respect to

misdated or mispriced stock option awards granted to Messrs. Hartman or Hann which had vested, but not been exercised, we would increase the exercise price of such unexercised stock option awards to the fair market value of the common shares on the Measurement Date applicable to such award and (c) agreed that with respect to misdated or mispriced stock option awards which had previously been exercised, Messrs. Hartman and Hann would, at a future date, remit to Biomet an amount equal to the excess, if any, of the fair market value of the common shares on the Measurement Date for such award over the exercise price of such award.

(2) Garry L. England retired as Chief Operating Officer Domestic Operations, effective May 31, 2007. Charles E. Niemier retired as Senior Vice President, Biomet, Inc. and Senior Vice President, Biomet International and Corporate Relations effective June 18, 2007. As of May 31, 2007, Mr. England owned 206,199 common shares, unvested options to purchase 139,750 common shares having a weighted average exercise price of 35.30543 and 17,750 vested options to purchase common shares having a weighted average exercise price of 30.95316 per share. Mr. England would have received $10,519,404 if he had determined to tender all shares owned by him as of May 31, 2007 in the offer. Pursuant to their severance and consulting agreements, Messrs. England and Niemier have, among other things, agreed that with respect to misdated or mispriced stock option awards granted to Messrs. England or Niemier which had not been exercised, Biomet could increase the per share exercise price of such unexercised stock option awards to the fair market value of a Biomet share on the Measurement Date applicable to such award. Furthermore, Messrs. Niemier and England have agreed that, with respect to misdated or mispriced stock option awards which had previously been exercised, Messrs. Niemier and England would, at a future date, remit to Biomet an amount equal to the excess, if any, of the fair market value of the common shares on the Measurement Date for such award over the exercise price of such award. Messrs. Niemier and England will also receive accelerated vesting of certain previously unvested equity awards and all vested, unexercised equity awards will be exerciseable in accordance with the terms of the awards until the earliest of (1) the awards expiration date, (2) the fifth anniversary of the separation date or (3) the date that the awards are cashed out in a change in control event.

(3) Represents the cash to be received, before considering the applicable tax withholdings, with respect to (a) common shares tendered in the tender offer and (b) the right to receive cash for the vested and unvested options owned as of the Share Purchase Date, which, per the merger agreement, were cancelled and the holders entitled to receive an amount in cash equal to the product of (i) the total number of shares subject to options immediately prior to the Share Purchase Date *multiplied by* (ii) the excess, if any, of $46.00 *over* the exercise price per share, less applicable taxes required to be withheld with respect to such payment.

(4) Mr. Binder was appointed President, Chief Executive Officer and a director on February 26, 2007.

(5) Founder of Biomet, Inc.

(6) Mr. Florin was appointed a Senior Vice President and Chief Financial Officer effective June 5, 2007.

(7) Mr. Kashuba was appointed a Senior Vice President and President of Biomet Trauma and Biomet Spine effective April 16, 2007.

(8) Mr. Richardson was appointed Vice President Finance, Treasurer and Interim Chief Financial Officer and Treasurer effective April 11, 2007. Upon Mr. Florin s appointment as Senior Vice President and Chief Financial Officer effective June 5, 2007, Mr. Richardson continued in his role as Biomet s Vice President Finance and Treasurer.

(9) Assumes remaining shares are cashed out in proposed merger.

Management Arrangements

On February 26, 2007, Biomet entered into an employment agreement with Jeffrey R. Binder to become President and Chief Executive Officer of Biomet. Effective June 5, 2007, and pursuant to an offer letter provided to him, Daniel P. Florin became Senior Vice President and Chief Financial Officer of Biomet. Under the terms of the employment agreement and offer letter, if the transaction with Parent and Merger Sub had been terminated, Messrs. Binder and Florin would have been granted an equity award after such termination and annually thereafter (if still employed) commencing May 31, 2008, in the case of Mr. Binder, or October 31, 2008, in the case of Mr. Florin, with a nominal value of no less than $3,500,000, in the case of Mr. Binder, or $1,000,000, in the case of Mr. Florin, on the date of each grant. Because the tender offer has been consummated, Messrs. Binder and Florin will not receive this benefit; but it is expected that Messrs. Binder and Florin will receive equity awards from the surviving corporation following the consummation of the merger (although such awards are still subject to negotiation and discussion).

Effective April 11, 2007, and pursuant to an offer letter provided to him, J. Pat Richardson became Vice President Finance and Interim Chief Financial Officer and Treasurer of Biomet. Effective April 16, 2007, and pursuant to an offer letter provided to him, Glen A. Kashuba became Senior Vice President and President of Biomet Trauma & Spine. Under the terms of their offer letters, Messrs. Richardson and Kashuba will be entitled to certain equity compensation commensurate with their positions at Biomet, the terms and conditions of which will be determined by the surviving corporation. In the event that the merger agreement had been terminated, Messrs. Richardson and Kashuba would have been entitled to equity awards issued by the compensation committee of Biomet s board of directors that are commensurate with their positions at Biomet.

As of the date of this proxy statement, no members of Biomet s current management have entered into any amendment or modification to an existing employment agreement with Biomet or its subsidiaries in connection with the offer or the merger. Parent has informed Biomet that it currently intends to retain members of Biomet s management team following the offer and merger. Parent also has informed Biomet that it intends to offer certain current and former members of management the opportunity to convert all or a portion of their current equity interests in Biomet into, or otherwise invest on terms that are no more favorable than the other investors in, equity in Parent (and/or a subsidiary thereof). Further, Parent has informed Biomet that it intends to establish equity-based incentive compensation plans for management of the surviving corporation, a portion of which is likely to be allocated to Biomet s executive officers. The size of such equity-based incentive compensation plans has not yet been determined and no awards have yet been made or promised to Biomet s current executive officers. It is anticipated that equity awards granted under these incentive compensation plans would generally vest over a number of years of continued employment and would entitle management to share in the future appreciation of the surviving corporation.

Although certain members of Biomet s current management team may enter into new arrangements with Parent or its affiliates regarding employment (and severance arrangements) with, and the right to purchase or participate in the equity of, Parent (and/or a subsidiary thereof), there can be no assurance that any parties will reach an agreement. These matters are subject to negotiation and discussion and no terms or conditions have been finalized. Any new arrangements are currently expected to be entered into at or prior to the completion of the merger and would not become effective until the time the merger is completed.

Change in Control Agreements and Severance Pay Plan

On September 20, 2006, Biomet entered into change in control agreements with its current executive officers, including those listed in the table below and Messrs. Daniel P. Hann and Gregory D. Hartman. The agreements were intended to provide for continuity of management in the context of a prospective change in control of Biomet (as defined in the agreements). Upon a change in control, as occurred upon the consummation of the offer, the agreements remain in effect for a period of at least 24 months beyond the month of such change in control. Each agreement provides that during the 24-month period following a change in control, Biomet agrees to continue to employ the executive and the executive agrees to remain in the employ of Biomet.

If, following the change in control, the executive dies or is terminated by us for any reason other than for cause (as defined in the agreements) or disability, or by the executive for good reason (as defined in the agreements), the executive would be entitled to a lump sum severance payment equal to two times the sum of the executive s annual base salary, target bonus (or, in certain circumstances, the executive s annual bonus earned during a specified time period), annual Biomet contributions to all qualified retirement plans on behalf of the executive and the executive s total annual car allowance. In addition, (1) the executive would receive a payout of his unpaid annual base salary, the higher of the executive s target bonus for the fiscal year in which termination

Table of Contents

occurs or the actual bonus paid to the executive for the fiscal year preceding termination and other accrued compensation and benefits through the end of the fiscal year containing the termination date, (2) Biomet will pay the executive a lump sum cash stipend equal to 24 times the monthly premium then charged for family coverage under Biomet s medical and dental plans and (3) the executive would receive life insurance and long-term disability benefits, or the cash equivalent if not available, substantially similar to those that the executive is receiving immediately prior to the notice of termination for a 24-month period after the date of termination. Further, all outstanding stock options granted to the executive would become immediately vested and exercisable and all restrictions on restricted stock awards would lapse, unless otherwise provided for under a written stock award agreement. The change in control agreements also provide for the reimbursement of outplacement services for a period of 12 months after termination occurs, but not in excess of $25,000.

In the event that any payments made to the executives in connection with a change in control and termination of employment would be subject to excise taxes under the Internal Revenue Code, Biomet will gross up the executive s compensation to offset certain of such excise taxes.

Severance benefits, other than the life insurance and long-term disability benefits, are generally not subject to mitigation or reduction. To receive the severance benefits provided under the agreements, the executive must sign a general release of claims. In connection with the execution of the agreements, each executive executed a customary confidentiality, non-competition and non-solicitation agreement with us.

On September 21, 2006, Biomet adopted the Biomet, Inc. Executive Severance Pay Plan (the *Plan*) for the executives party to the change in control agreements described above. The severance plan provides each participating Biomet executive with severance benefits in the event of a termination of the executive s employment unrelated to the executive s (1) performance of his employment duties or (2) commission of an act or acts outside of the scope of his employment duties that would constitute the basis of a termination for cause under his agreement.

Severance benefits under the plan generally consist of the following: (1) payment of a pro-rata target bonus (based on the elapsed portion of the year of termination) in a lump sum; (2) continued payment of base salary for no more than 78 weeks (depending on years of service at Biomet) following the termination date; (3) immediate vesting of all of the executive s outstanding equity awards (stock options and restricted stock); (4) at Biomet s expense, continuation of coverage under Biomet health insurance plans pursuant to COBRA for a period not to exceed eighteen months from the termination date; and (5) continuation of any Biomet-provided car allowance for a period of twelve months from the termination date.

As a condition to receiving severance benefits under the plan, the executive must execute a waiver and release of claims in favor of Biomet and enter into to a customary confidentiality, non-competition and non-solicitation agreement with Biomet. Severance benefits under the plan are generally intended to be the sole source of severance benefits payable upon a termination of the executive s employment and are generally not subject to mitigation or reduction. We may amend or terminate the severance plan at any time. In the event the executive is entitled to benefits under the change in control agreement as a result of a termination of employment, such executive is not entitled to receive benefits under the plan.

Although Parent has not indicated whether it plans to terminate any of Biomet s executive officers, the following table shows the amount of cash potentially payable (both accrued obligations and severance) to Biomet s executive officers as of June 1, 2007, pursuant to the change in control agreements, based on an assumed termination date of June 1, 2007. The table also shows the estimated present value of continuing coverage and other benefits under Biomet s group health, dental, disability and life insurance plans and the estimated tax gross-up payments to each such officer. Although the calculations are intended to provide reasonable estimates of the potential benefits, they are based on numerous assumptions and do not represent the actual amount an executive would receive if an eligible termination event were to occur.

Name of Executive Officer(1)	Estimated Present Value of Accrued Obligations($)(2)(3)	Estimated Present Value of Cash Severance Payment($)(2)	Estimated Present Value of Benefits($)	Estimated Tax Gross-Up Payment($)(4)
Thomas R. Allen	470,850	941,700	41,202	666,107
Richard J. Borror	475,850	951,700	41,202	708,124
Garry L. England(5)	723,850	1,447,700	41,202	1,324,542
James W. Haller(6)				
William C. Kolter	525,850	1,051,700	41,202	818,843
Charles E. Niemier(5)	825,850	1,651,700	41,202	1,375,257
Gregory W. Sasso	431,650	863,300	41,202	626,560
Stephen F. Schiess	494,850	989,700	41,202	731,113
Bradley J. Tandy	525,850	1,051,700	41,202	786,714
Roger P. van Broeck	704,773	1,409,546	161,741	
Darlene Whaley	431,850	863,700	41,202	639,301

(1) Biomet also entered into change in control agreements with Messrs. Hann and Hartman on September 20, 2006. In connection with the retirement of Messrs. Hann and Hartman on March 30, 2007, Biomet entered into severance and consulting agreements with them. These severance and consulting agreements supersede the earlier change in control agreements Biomet entered into with Messrs. Hann and Hartman. As a result, Messrs. Hann and Hartman are not listed in the table. For more information, please see *Consulting Arrangements with Gregory D. Hartman and Daniel P. Hann* immediately below.

(2) Excludes the value of acceleration of stock option awards, as reported separately herein.

(3) Represents the sum of: (a) the executive s annual base salary and car allowance from the date of termination through the end of Biomet s fiscal year in which such termination occurred, (b) the higher of the executive s target bonus for the fiscal year in which termination occurs or the actual bonus paid to the executive for the fiscal year preceding termination, (c) the amount the executive would have received during the fiscal year in additional employer contributions to Biomet tax-qualified plans and (d) any unpaid accrued vacation or other accrued compensation.

(4) Estimates are subject to change based on the date of completion of the merger, date of termination of the executive officer, interest rates then in effect and certain other assumptions used in the calculation. Estimates include estimated tax gross-up as a result of any acceleration of stock option awards, the potential cash severance payment and estimated present value of benefits set forth in the preceding three columns. Mr. van Broeck is not a U.S. citizen and works outside the U.S. and, thus, does not pay U.S. taxes.

(5) Both Messrs. Niemier and England are covered by the Plan and are party to change in control agreements with Biomet. Garry L. England retired as Chief Operating Officer Domestic Operations, effective May 31, 2007. Charles E. Niemier retired as Senior Vice President, Biomet, Inc. and Senior Vice President, Biomet International and Corporate Relations effective June 18, 2007 and, effective July 17, 2007, resigned as a member of the Biomet board of directors. Pursuant to the terms of their separation and retirement agreements, both Messrs. Niemier and England began receiving payments and benefits under the Plan as of their separation date; however, each will receive 100% of their annual bonus for the fiscal year ended May 31, 2007. Upon an applicable change in control event, which occurred upon consummation of the offer, within six months of the date of Mr. Niemier s and Mr. England s separation and retirement agreements, Messrs. Niemier and England will no longer receive the payments and benefits under the Plan, but will receive certain payments and benefits under the change in control agreements. Notwithstanding the express terms of the change in control agreements, both Messrs. Niemier and England have agreed to, among other things, (1) forego any payments or benefits provided in Sections 3.01(a)(i), 3.01(c), 3.01(d) and 3.04(b)(E) of the change in control agreements and (2) reduce certain amounts payable under the change in control agreements by payments previously received by them under the Plan.

(6) Mr. Haller is not party to a change in control agreement.

Table of Contents

Consulting Arrangements with Gregory D. Hartman and Daniel P. Hann

On March 30, 2007, Gregory D. Hartman retired as Senior Vice President Finance, Chief Financial Officer and Treasurer, and Daniel P. Hann retired as Executive Vice President of Administration and as a Biomet director. In order to ensure a smooth transition of business operations and financial matters, Messrs. Hartman and Hann agreed to serve as consultants to Biomet pursuant to severance and consulting agreements. These agreements discharged any other severance obligations that we may have had with respect to Messrs. Hartman and Hann, including pursuant to their change of control agreements with us dated September 20, 2006. Pursuant to Mr. Hartman s agreement, Mr. Hartman will be eligible to receive approximately $29,166 per month during a six-month consulting term. In addition, Mr. Hartman will be eligible to receive $325,000 upon completion of the six-month consulting term if the merger is consummated and the consulting arrangement has not otherwise been terminated. Mr. Hartman will also be reimbursed for insurance premiums he incurs as a result of his election to continue his health insurance coverage under COBRA. Biomet may terminate the consulting arrangement without any further payments or obligations to Mr. Hartman if the merger agreement has been terminated or the proposed merger is consummated at a price less than the price currently set forth in the merger agreement as a result of Biomet s review of historical stock option granting practices; or if Biomet determines that Mr. Hartman has not adequately performed his consulting duties under the contract or has failed to cooperate with the SEC in connection with Biomet s review of historical stock option granting practices.

Pursuant to Mr. Hann s agreement, Mr. Hann will be eligible to receive approximately $41,666 per month during a twelve-month consulting term. In addition, Mr. Hann is entitled to receive $133,333 in respect of his bonus for Biomet s 2007 fiscal year and will be eligible to receive $400,000 upon completion of the twelve-month consulting term if the consulting arrangement has not otherwise been terminated. Mr. Hann will also be reimbursed for insurance premiums he incurs as a result of his election to continue his health insurance coverage under COBRA. Furthermore, 75,000 options granted to Mr. Hann in March 2006 (of the 175,000 unvested options awarded to Mr. Hann in March 2006) were immediately vested in connection with Mr. Hann s retirement and consulting agreement. We refer to these accelerated options as the *CEO Options*. The CEO Options, or the proceeds therefrom, will be held by Biomet and will be distributable to Mr. Hann upon completion of the consulting arrangement provided that Biomet has not otherwise terminated the consulting arrangement. Biomet may terminate the consulting arrangement without any further payments or obligations to Mr. Hann, other than certain non-competition payments, if Biomet determines that Mr. Hann has not adequately performed his consulting duties under the contract or has failed to cooperate with the SEC in connection with Biomet s review of historical stock option granting practices. Lastly, Mr. Hann has agreed not to compete with Biomet during the period beginning on the effective date of his agreement and extending for a period of six months following the expiration or termination of his consulting arrangement. In exchange, Biomet has agreed to make a $50,000 per month payment to Mr. Hann during the six-month non-competition period.

Indemnification and Insurance

The merger agreement provides that, from and after the acceptance of shares in the offer, Parent will cause the surviving corporation to indemnify each of Biomet s and Biomet s subsidiaries present and former directors and officers against any costs, expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, arising out of or related to such person s service as a director or officer at or prior to the acceptance of shares in the offer, to the fullest extent permitted under Indiana law.

Pursuant to the merger agreement, prior to the acceptance of shares in the offer, Biomet obtained and fully paid for tail insurance policies with a claims period of six years from and after the acceptance of shares in the offer from a carrier with the same or better credit rating as Biomet s prior insurance carrier with respect to directors and officers liability insurance and fiduciary liability insurance, with benefits and levels of coverage that are at least as favorable as Biomet s prior policies with respect to matters existing or occurring at or prior to such time.

Table of Contents

Compensation Granted in Connection with Biomet s Strategic Alternatives

On November 7, 2006, Biomet s board established a committee called the Strategic Alternatives Committee to facilitate development of strategic alternatives. This committee consisted of three disinterested directors: C. Scott Harrison, M.D., Niles L. Noblitt and Marilyn Tucker Quayle. On December 15, 2006, Biomet s board authorized the following compensation structure for the committee members in consideration of acting in this capacity, to be paid in addition to the reimbursement of expenses and payment of all other fees incurred as members of the board:

Fee	Amount ($)
Per Quarter	5,000
Per In-Person Meeting	1,800
Per Telephonic Meeting	1,200
Per Meeting held in conjunction with a Board Meeting	0

Compensation for Strategic Alternatives Committee members was not and is not contingent on the committee approving or recommending the offer, merger or any other strategic alternative or the consummation of the offer, merger or any other strategic alternative. The board considered, among other things, the complexities inherent in reviewing and considering strategic alternatives, the time expected to be required by the committee members, the need for the committee to evaluate a variety of matters and the publicly reported compensation of the strategic alternatives committees or similar committees of the boards of other companies.

In addition, on December 15, 2006, Biomet s board also authorized the one-time payment of $5,000 to each of Dr. Harrison, Thomas F. Kearns, Jr., and Sandra A. Lamb in recognition of the services they provided in connection with the board s preliminary review of strategic alternatives for Biomet prior to the formation of the Strategic Alternatives Committee.

Other

Parent has informed us that it is contemplated that one of Biomet s founders, Dane A. Miller, Ph.D, may be an equity investor in Parent and the surviving corporation. In addition, on July 17, 2007 Dr. Miller was appointed to the board of the surviving corporation. Biomet understands that, following the merger, Dr. Miller will remain on the board, but will not become a member of management. Dr. Miller was the chief executive officer of Biomet until March 27, 2006 and served on its board of directors until its annual meeting of shareholders on September 20, 2006. Dr. Miller was not an executive officer or a director of Biomet at the time the merger agreement or original merger agreement was negotiated and signed.

Claims Against Directors

There are shareholder derivative lawsuits pending against current and former directors and officers of Biomet relating to the Biomet s historical stock option granting practices. If the merger is consummated, any such claims that are currently pending or that could be brought against such directors and officers of Biomet by current shareholders would likely be extinguished.

Dividends

Pursuant to the merger agreement, we were prohibited from declaring any dividends prior to the date on which Parent accepted for payment all common shares validly tendered in the tender offer. Parent s designees currently hold a majority of the seats on our board of directors and Parent has informed us that its designees do not intend to approve any dividend on our common shares prior to consummation of the merger.

Determination of the Merger Consideration

The merger consideration was determined through arm s-length negotiations between Biomet and Parent.

Table of Contents

Regulatory Matters

In connection with the merger, we are required to make certain filings with, and comply with certain laws of, various federal and state governmental agencies, including:

- filing articles of merger with the Secretary of State of the State of Indiana in accordance with the Indiana Business Corporation Law (*IBCL*) after the approval of the merger agreement by our shareholders; and

- complying with U.S. federal securities laws.

The following regulatory approvals are required in order to complete the merger:

- Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, the parties to the merger agreement cannot complete the merger until they have given notice and information to the Federal Trade Commission and the Department of Justice, and one or more specified waiting periods expire or are earlier terminated. The parties filed the required notifications and reports under the HSR Act with the Federal Trade Commission and the Department of Justice on January 17, 2007.

- The parties to the merger agreement are also required to comply with the antitrust laws of the European Union.

The parties were granted early termination of the waiting period under the HSR Act for the merger agreement and related transactions on February 15, 2007, and no approval of the antitrust authorities in the European Union is required in connection with the proposed merger and related transactions. In connection with the original merger agreement, Parent and Merger Sub made a filing with, and on May 10, 2007 received clearance from, the Brazilian Conselho Administrativo De Defesa Econômica. None of the parties is aware of any other required regulatory approvals.

Dissenters Rights

Holders of Biomet s common shares are not entitled to dissenters rights in connection with the merger and related transactions under Indiana law.

Certain Material United States Federal Income Tax Consequences

The following is a general discussion of certain material United States federal income tax considerations of the merger discussed earlier in this proxy statement to holders of our common shares. This discussion is a summary for general information purposes only and does not consider all aspects of federal taxation that may be relevant to particular holders in light of their individual investment circumstances or to certain types of holders subject to special tax rules, including partnerships, banks, financial institutions or other financial services entities, broker-dealers, insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, retirement plans, individual retirement accounts or other tax-deferred accounts, persons who use or are required to use mark-to-market accounting, persons that hold our common shares as part of a straddle, a hedge or a conversion transaction, persons who receive merger consideration as compensation for services, persons that have a functional currency other than the U.S. dollar, investors in pass-through entities, certain former citizens or permanent residents of the United States and persons subject to the alternative minimum tax, nor does it address any federal non-income, state, local or foreign tax considerations. This summary assumes that holders have held their shares as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the *Code*). This summary is based on the Code and applicable Treasury Regulations, rulings, administrative pronouncements and decisions as of the date hereof, all of which are subject to change or differing interpretations at any time with possible retroactive effect.

This discussion applies to holders who exchange all of their Biomet common shares for cash as a result of the merger and who, after the merger, have no direct or indirect interest in Biomet (whether directly or indirectly from Parent or any other person pursuant to certain tax attribution rules). The tax considerations of the merger may differ for holders who have any direct or indirect interest in Biomet after the merger as described in the immediately preceding sentence, and this discussion does not apply to such holders.

For purposes of this discussion, a *U.S. Holder* is a beneficial owner of our common shares that is

- a citizen or individual resident of the United States,
- a corporation (or entity treated as a corporation for U.S. federal income tax purposes) created or organized, or treated as created or organized, in or under the laws of the United States or any political subdivision of the United States,
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or
- a trust (1) if a court within the United States is able to exercise primary supervision over the trust s administration and one or more United States persons have authority to control all substantial decisions of the trust or (2) that has a valid election in effect under applicable Treasury Regulations to be treated as a United States person.

For purposes of this discussion, a *Non-U.S. Holder* is a beneficial owner of our common shares that does not qualify as a U.S. Holder under the definition above.

If a partnership (or entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. In this event, you should consult your tax advisor concerning the tax treatment of the merger.

EACH HOLDER IS URGED TO CONSULT ITS TAX ADVISOR REGARDING THE APPLICABILITY OF SPECIFIC U.S. FEDERAL, STATE, LOCAL OR FOREIGN INCOME AND OTHER TAX CONSIDERATIONS OF THE MERGER.

Consequences to U.S. Holders of Biomet Common Shares

A U.S. Holder of our common shares that receives cash as a result of the merger will recognize capital gain or loss equal to the amount of cash received minus the U.S. Holder s tax basis in our common shares. Any capital gain or loss recognized by the U.S. Holder will be long-term capital gain or loss if the U.S. Holder held our common shares for more than one year and short-term capital gain or loss otherwise. Long-term capital gains recognized by non-corporate taxpayers are taxable under current law at a maximum federal rate of 15 percent. Long-term capital gains recognized by corporations and short term capital gains recognized by corporations or individuals are taxable at a maximum federal rate of 35 percent. Your ability to use any capital loss to offset other income or gain is subject to certain limitations.

Consequences to Non-U.S. Holders of Biomet Common Shares

A Non-U.S. Holder that receives cash as a result of the merger generally will not be subject to U.S. federal income taxation unless:

- gain resulting from the merger is effectively connected with the conduct of a U.S. trade or business; or
- we are or have been a U.S. real property holding corporation (*USRPHC*) as defined in Section 897 of the Code at any time within the five-year period preceding the merger, the Non-U.S. Holder owned more than five percent of our common shares at any time within that five-year period and certain other conditions are satisfied.

In general, a corporation is a USRPHC if the fair market value of its U.S. real property interests equals or exceeds 50 percent of the sum of the fair market value of its worldwide (domestic and foreign) real property interests and its other assets used or held for use in a trade or business. We believe that as of the effective date of the merger, we will not have been a USRPHC at any time within the five-year period ending on the date hereof.

If a Non-U.S. Holder is subject to U.S. federal income taxation on the receipt of cash in the merger, the Non-U.S. Holder generally will recognize capital gain or loss (assuming, as noted above, that the Non-U.S. Holder holds our common shares as a capital asset within the meaning of the Code) equal to the amount of cash received minus the Non-U.S. Holder s tax basis in our common shares. The capital gain or loss will generally constitute long-term capital gain or loss if the Non-U.S. Holder held our common shares for more than one year and short-term capital gain or loss otherwise. Long-term capital gains recognized by non-corporate taxpayers are taxable under current law at a maximum federal rate of 15 percent. Long-term capital gains recognized by corporations and short-term capital gains recognized by corporations or individuals are taxable at a maximum federal rate of 35 percent. A Non-U.S. Holder that is a corporation may also be subject to a 30 percent branch profits tax on after-tax profits effectively connected with a U.S. trade or business to the extent that such after-tax profits are not reinvested and maintained in the U.S. business. A Non-U.S. Holder s ability to use any capital loss to offset other income or gain subject to U.S. federal income taxation is subject to certain limitations.

Under certain unusual circumstances, an individual who is present in the United States for 183 days or more in the individual s taxable year of the merger may be treated as a Non-U.S. Holder under the definition above. In this case, unless gain from the sale or disposition of our common shares is already subject to tax as effectively connected with the conduct of a U.S. trade or business, the gain of the Non-U.S. Holder may be subject to a 30 percent tax on the gross amount of the gain and the Non-U.S. Holder s ability to use other losses to offset the gain on our common shares will be limited.

Income Tax Treaties

If a Non-U.S. Holder is eligible for treaty benefits under an income tax treaty entered into by the United States, the Non-U.S. Holder may be able to reduce or eliminate certain of the U.S. federal income taxes discussed above, such as the branch profits tax, and the Non-U.S. Holder may be able to treat gain, even if effectively connected with a U.S. trade or business, as not subject to U.S. federal income taxation provided that the trade or business is not conducted through a permanent establishment located in the United States. Non-U.S. Holders should consult their tax advisors regarding possible relief under an applicable income tax treaty.

Backup Withholding and Information Reporting

A holder may be subject to backup withholding with respect to the receipt of cash as a result of the merger unless the holder is exempt from backup withholding and, when required, demonstrates that status, or provides a correct taxpayer identification number on a form acceptable under U.S. Treasury Regulations (generally an IRS Form W-9, W-8BEN or W-8ECI) and otherwise complies with the applicable requirements of the backup withholding rules. We may also be required to comply with taxation information reporting requirements under the Code with respect to the merger. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining such an exemption. Any amount withheld under the backup withholding rules of the Code is not an additional tax, but rather is credited against the holder s U.S. federal income tax liability. Non-U.S. Holders are advised to consult their tax advisors to ensure compliance with the procedural requirements to avoid backup withholding and, if applicable, to file a claim for a refund of any withheld amounts in excess of the Non-U.S. Holder s U.S. federal income tax liability.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSIDERATIONS OF THE MERGER.

Table of Contents

Delisting and Deregistration of Biomet Common Shares

If the merger is completed, Biomet common shares will be delisted from the NASDAQ Global Select Market and deregistered under the Exchange Act, and our common shares will no longer be publicly traded.

Redemption of the Rights Plan

On December 17, 2006, and immediately prior to the adoption of the original merger agreement, our board of directors terminated the Rights Agreement, dated as of December 16, 1999, as amended, between Biomet and American Stock Transfer & Trust Company (as the successor rights agent to Lake City Bank) and redeemed all Rights (as defined in the Rights Agreement) issued and outstanding under the rights agreement. Accordingly, as provided in the rights agreement, the Rights terminated on December 17, 2006, and, thereafter, holders of the Rights were entitled only to receive a redemption payment of $0.0001 per Right. In connection with the foregoing, Biomet paid Rights holders a redemption payment of $0.0001 per Right in accordance with the terms of the rights agreement. The record date for payment of $0.0001 per Right was December 28, 2006, and the payment date occurred on January 3, 2007.

Litigation Relating to the Merger

On December 20, 2006, a purported class-action lawsuit captioned *Long, et al. v. Hann, et al.*, was filed in Indiana State court in the County of Kosciusko. The lawsuit names as defendants each member of the Biomet board of directors at the time, Dane Miller, Ph.D and Blackstone Capital Partners V L.P., KKR 2006 Fund L.P., Goldman Sachs Investments Ltd. and TPG Partners V, L.P. The complaint alleges, among other things, that the defendants breached, or aided and abetted the breach of, fiduciary duties owed to Biomet shareholders by Biomet s directors in connection with, among other things, Biomet s entry into the merger agreement. The complaint seeks, among other relief, class certification of the lawsuit, a declaration that the merger agreement was entered into in breach of the fiduciary duties of the defendants, an injunction preventing the defendants from proceeding with the Merger unless and until the defendants implement procedures to obtain the highest possible sale price, an order directing the defendants to exercise their fiduciary duties to obtain a transaction which is in the best interests of Biomet s shareholders until the process for a sale of Biomet is completed and the highest price is obtained, an order directing the defendants to exercise their fiduciary duty to disclose all material information in their possession concerning the merger prior to the shareholder vote, including Biomet s fiscal year 2007 second quarter financial results, imposition of a constructive trust upon any benefits improperly received by the defendants, an award of attorneys fees and expenses and such other relief as the court might find just and proper. On March 29 and 30, 2007, the defendants filed motions to dismiss the plaintiffs complaint, and these motions are currently pending before the court.

On January 2, 2007, a purported class action lawsuit captioned *Gervasio v. Biomet, Inc., et al.*, was filed in the Supreme Court for the State of New York, New York County. A virtually identical action was filed on January 9, 2007, captioned *Corry v. Biomet, Inc., et al.*, in the same court. Both of these lawsuits named as defendants Biomet, each member of its board at the time, Dane Miller, Ph.D, The Blackstone Group L.P., Kohlberg Kravis Roberts & Co., Goldman Sachs Capital Partners and TPG. The lawsuits made essentially the same claims and sought the same relief as in the *Long* action described above. On January 29, 2007, defendants filed a joint motion to dismiss *Gervasio*. On February 14, 2007, the plaintiff in Corry voluntarily discontinued his lawsuit and informed defendants that he intended to intervene in *Gervasio*. On March 26, 2007, the court granted defendants motion to dismiss *Gervasio*.

On May 31, 2007, Biomet and the Sponsor Group entered into a memorandum of understanding regarding the settlement of class action lawsuits that were filed on behalf of Biomet s shareholders following the announcement of the proposed merger. Each of Biomet and the other defendants denies all of the allegations in these lawsuits, including any allegation that its merger-related disclosures were false, misleading or incomplete in any way. Pursuant to the terms of the settlement, Biomet agreed to make available meaningful additional information, including financial information, to its shareholders. Such additional information is contained in this

Table of Contents

proxy statement. In return, the plaintiffs agreed to the dismissal of the actions. In addition, the Sponsor Group has agreed to cause Biomet (or its successors) to pay the legal fees and expenses of plaintiffs counsel, in an amount of $600,000 in the aggregate, subject to certain conditions, including the approval by the court. This payment will not affect the amount of merger consideration to be paid in the merger. The details of the settlement will be set forth in a notice to be sent to Biomet s shareholders prior to a hearing before the court to consider the settlement.

Litigation Related to Stock Option Issues

On September 21, 2006, two shareholder derivative complaints were filed against certain of Biomet s current and former directors and officers in Kosciusko Superior Court I, in the State of Indiana. The complaints, captioned *Long v. Hann et al.*, and *Thorson v. Hann et al*., alleged violations of state law relating to the issuance of certain stock option grants by Biomet dating back to 1996. Both complaints sought unspecified money damages as well as other equitable and injunctive relief. These two cases were consolidated under the caption *In re Biomet, Inc. Derivative Litigation*, and on January 19, 2007, plaintiffs filed an amended complaint that made additional allegations based on Biomet s December 18, 2006 disclosures related to stock option grants, including allegations that the defendants sought to sell the company in order to escape liability for their conduct, and that they did so at a devalued price, thus further breaching their fiduciary duties to shareholders. On February 16, 2007, defendants filed a motion to dismiss plaintiffs amended complaint, which is currently pending with the court.

On December 11, 2006, a third shareholder derivative complaint captioned *International Brotherhood of Electrical Workers Local 98 Pension Fund v. Hann et al.*, No. 06 CV 14312, was filed in federal court in the Southern District of New York. The *IBEW* case makes allegations and claims similar to those made in the Indiana litigation, in addition to purporting to state three derivative claims for violations of federal securities laws. On February 15, 2007, defendants filed a motion to dismiss the plaintiff s complaint. On April 11, 2007, plaintiffs filed a motion for partial summary judgment claiming that the disclosures in Biomet s April 2, 2007 8-K filing and press release regarding Biomet s historical stock options granting practices constitute admissions sufficient to establish defendants liability on certain of plaintiffs claims. Both motions are currently pending with the court.

On May 25, 2007, Biomet s board received and discussed an updated report from its Special Litigation Committee, which concluded that pursuing these three shareholder derivative complaints was not in the best interests of Biomet. Under Indiana law, the Special Litigation Committee s determination may be binding on the pending shareholder derivative claims and result in the dismissal of these complaints.

Pursuant to Indiana law and provisions of our articles of incorporation, we are advancing reasonable expenses, including attorneys fees, incurred by the current and former Biomet directors and officers in defending these lawsuits.

THE MERGER AGREEMENT

This section of the proxy statement describes certain material provisions of the merger agreement but does not purport to describe all of the terms of the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is attached as Annex A to this proxy statement. We urge you to read the full text of the merger agreement because it is the legal document that governs the merger. Neither the merger agreement nor this summary is intended to provide you with any other factual information about us.

The Merger

The Merger; Closing; Effective Time. The merger agreement provides that, after satisfaction or waiver of certain conditions, Merger Sub will be merged with and into Biomet and Biomet will be the surviving corporation. The closing date of the merger will occur on the second business day after satisfaction or waiver of all of the conditions to the merger (other than those conditions that by their nature are to be satisfied at the closing) set forth in the merger agreement (or such other date as Merger Sub and Biomet may agree), which conditions are described below in Conditions to the Merger. The effective time of the merger will occur at the time specified in the articles of merger that the surviving corporation will file with the Secretary of State of the State of Indiana.

Articles, Bylaws, Directors, and Officers. At the effective time of the merger, the articles of incorporation of Biomet will be amended to read as the articles of incorporation of Merger Sub in effect immediately prior to the effective time of the merger (except that Article I of the amended certificate of incorporation shall read as follows: The name of the Corporation is Biomet, Inc.). Also at the effective time of the merger, the bylaws of Biomet will be amended and restated in their entirety so as to read as the bylaws of Merger Sub as in effect immediately prior to the effective time of the merger. The directors of Merger Sub immediately prior to the effective time of the merger will be the initial directors of the surviving corporation, and the officers of Biomet immediately prior to the effective time of the merger will be the initial directors of the surviving corporation.

Conversion of Shares. Except as may be agreed by Biomet and any shareholder, each common share issued and outstanding immediately prior to the effective time of the merger (other than common shares owned by Parent, Merger Sub or any wholly-owned subsidiary of Parent and common shares owned by Biomet or any wholly owned subsidiary of Biomet) will, by virtue of the merger and without any action on the part of the holder, be converted at the effective time of the merger into the right to receive the merger consideration, less any required withholding taxes and without interest. At the effective time of the merger, each common share of Biomet owned by Parent, Merger Sub or any wholly-owned subsidiary of Parent and common shares owned by Biomet or any wholly owned subsidiary of Biomet will be cancelled, and no payment or distribution will be made with respect to such common shares. At the effective time of the merger, each share of Merger Sub common stock issued and outstanding immediately prior to the effective time of the merger will, by virtue of the merger and without any action on the part of the holder thereof, be converted into one share of common stock of the surviving corporation.

Payment for Shares in the Merger. At the effective time of the merger, Parent will deposit with American Stock Transfer & Trust Company (or an affiliate thereof), as paying agent for the merger, for the benefit of the holders of common shares, sufficient funds to pay the aggregate merger consideration (which we refer to as the *exchange fund*). Within five business days after the effective time of the merger, the surviving corporation will cause the paying agent to mail to each holder of record of our common shares immediately prior to the effective time of the merger, a form of letter of transmittal and instructions to effect the surrender of their share certificate(s) in exchange for payment of the merger consideration (after giving effect to any required withholding tax). You should not send in your share certificates until you receive the letter of transmittal. The letter of transmittal and instructions will tell you what to do if you have lost a certificate, or if it has been stolen or destroyed. You will have to provide an affidavit to that fact and post a surety bond in a reasonable amount as Parent directs as indemnity against any claim that may be made against Parent or the surviving corporation with respect to that certificate.

Table of Contents

The paying agent will promptly pay you your merger consideration after you have surrendered your certificates to the paying agent and provided to the paying agent any other items specified by the letter of transmittal and instructions. The surrendered certificates will be cancelled upon delivery of the merger consideration. Interest will not be paid or accrued in respect of cash payments of merger consideration. Parent, Merger Sub, the surviving corporation or the paying agent may reduce the amount of any merger consideration paid to you by any applicable withholding taxes.

Any portion of the exchange fund (including the proceeds of any investments thereof) that remains unclaimed for 180 days after the effective time of the merger will be delivered to the surviving corporation. Holders of shares outstanding before the effective time will thereafter be entitled to look only to the surviving corporation for payment of any claims for merger consideration to which they may be entitled (after giving effect to any required withholding tax). None of the surviving corporation, Parent, the paying agent or any other person will be liable to any person in respect of any merger consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar laws.

Transfer of Shares. After the effective time of the merger, there will be no transfers on our share transfer books of common shares outstanding immediately prior to the effective time. If, after the effective time of the merger, any certificate for our common shares is presented to the surviving corporation, Parent or the paying agent for transfer, it will be cancelled and exchanged for the per share merger consideration, multiplied by the number of shares represented by the certificate.

Representations and Warranties

The merger agreement contains representations and warranties the parties made to each other. The statements embodied in those representations and warranties were made for purposes of the contract between the parties and are subject to qualifications and limitations agreed by the parties in connection with negotiating the terms of that contract. Certain representations and warranties were made as of June 7, 2007 (or such other date specified in the merger agreement) may be subject to contractual standards of materiality different from those generally applicable to shareholders or may have been used for the purpose of allocating risk between the parties rather than establishing matters of fact. In addition, the representations and warranties are qualified by information in a confidential disclosure letter that the parties have exchanged in connection with signing the merger agreement attached as Annex A to this proxy statement. While we do not believe that the disclosure letter contains information required by securities laws to be publicly disclosed that has not already been disclosed either in this proxy statement or our other filings with the SEC, the disclosure letter does contain information that modifies, quantifies and creates exceptions to the representations and warranties set forth in the merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important part by the relevant section of the disclosure letter. The disclosure letter contains information that has been included in our prior public disclosures as well as potential additional non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since June 7, 2007, and such changes may or may not be fully reflected in our public disclosures. At the effective time of the merger, the representations and warranties contained in the merger agreement are only required to be true and correct subject to the materiality standards contained in the merger agreement, which may differ from what may be viewed as material by shareholders. These representations and warranties did not survive Merger Sub s purchase of shares tendered into the offer, but remain relevant for the limited purpose of determining whether the Marketing Period described below has occurred. The merger agreement should not be read alone, but should instead be read in conjunction with the other information regarding Biomet and the merger that is contained in this proxy statement as well as in the filings that Biomet makes and has made with the SEC. The representations and warranties contained in the merger agreement may or may not have been accurate as of the date they were made and we make no assertion herein that they are accurate as of the date of this proxy statement. However, we are not currently aware of any specific undisclosed facts that contradict such representations and warranties.

Table of Contents

In the merger agreement, Biomet, Parent and Merger Sub each made representations and warranties relating to, among other things:

- due organization, good standing and qualification;
- corporate power and authority to enter into and perform its obligations under, and enforceability of, the merger agreement;
- required regulatory filings and consents and approvals of governmental entities;
- the absence of conflicts with or defaults under organizational documents, other contracts and applicable laws;
- litigation; and
- brokers.

In the merger agreement, Parent and Merger Sub also each made representations and warranties relating to capitalization, the availability of the funds necessary to perform its obligations under the merger agreement, the solvency of Parent and the surviving corporation, limited guarantees, ownership of shares, the HSR Act, this proxy statement and any other ancillary documents related to the Offer (collectively, the *Offer Documents*) and information supplied for inclusion in any proxy or information statement to be sent to shareholders in connection with the merger or the transactions contemplated by the merger agreement.

We also made representations and warranties relating to, among other things:

- capital structure;
- our reports filed with the SEC and financial statements;
- absence of certain changes or events since August 31, 2006;
- absence of undisclosed liabilities;
- compliance with the Employee Retirement Income Security Act of 1974, as amended, and other employee benefit matters;
- compliance with applicable laws, including regulatory laws;
- state takeover statutes and the absence of a rights plan;

environmental matters;

taxes;

labor matters;

intellectual property;

insurance;

material contracts;

the Schedule 14D-9 and this proxy statement to be sent to shareholders in connection with the merger or the transactions contemplated by the merger agreement and information supplied for inclusion in the Offer Documents;

regulatory compliance;

properties; and

affiliate transactions.

Many of our representations and warranties are qualified by a material adverse effect standard. For purposes of the merger agreement, material adverse effect for Biomet is defined to mean an event, change, effect, development, condition or occurrence (each a *Change*) that is or reasonably would be expected to be, individually or in the aggregate, materially adverse to (x) our ability to timely perform our obligations under and consummate the transactions contemplated by the merger agreement or (y) the condition (financial or otherwise), business, assets, liabilities or results of operations of Biomet and its subsidiaries taken as a whole; *provided* that no Change to the extent resulting from the following shall constitute or be taken into account in determining whether there has been or reasonably would be expected to be a material adverse effect under clause (x) or (y):

- changes in the economy or financial markets generally in the United States or other countries in which Biomet or any of our subsidiaries conduct operations or that are the result of acts of war or terrorism;
- general changes or developments in any industry in which Biomet and its subsidiaries operate;
- any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of Biomet or any of its subsidiaries with its customers, partners, employees, financing sources or suppliers, or any change in Biomet s credit ratings, caused by the pendency or the announcement of the transactions contemplated by the merger agreement;
- any restatement of Biomet s financial statements or any delay in filing periodic reports at the time required by the Exchange Act solely to the extent resulting from Biomet s failure to (1) properly document the measurement date for any stock option grant, (2) record stock option expense (or other items relating thereto) in accordance with GAAP or (3) issue stock options in accordance with the terms of any applicable stock option plan (the foregoing such failures, the *Option Accounting Issues*);
- any civil investigation or civil litigation to the extent arising out of or relating to any Option Accounting Issues or applicable laws relating thereto (including the IBCL and the Exchange Act);
- any of the potential consequences set forth in Biomet s disclosure letter solely to the extent resulting from Option Accounting Issues, such as, for example:
  - stock options not having been validly issued under the applicable stock option plan;
  - SEC filings not having been prepared in accordance with GAAP, or not otherwise complying with the applicable requirements of the Securities Act, the Exchange Act and/or the rules and regulations promulgated thereunder; or
  - SEC filings being required to be reaudited and/or restated, or otherwise no longer to be relied upon;
- the failure by Biomet to take any action prohibited by the merger agreement;
- changes in any law or GAAP or interpretation thereof after June 7, 2007;

- any failure by Biomet to meet any estimates of revenues or earnings for any period ending on or after June 7, 2007 in and of itself; provided that the exception in this bullet point will not prevent or otherwise affect a determination that any Change underlying or contributing to such failure has resulted in, or contributed to, a material adverse effect; and

- a decline in the price or trading volume of Biomet s common shares on the NASDAQ in and of itself; *provided* that the exception in this bullet point will not prevent or otherwise affect a determination that any Change underlying or contributing to such decline has resulted in, or contributed to, a material adverse effect;

unless, in the case of the first, second and eighth bullet points above, such changes have a disproportionate effect on Biomet and its subsidiaries, taken as a whole, when compared to other companies operating in the same industries in which Biomet or its subsidiaries operate.

Shareholders Meeting

The merger agreement provides that we will take all reasonable action necessary to convene a special meeting of our shareholders as promptly as reasonably practicable. At the meeting, Parent will cause all common shares held of record by Parent or Merger Sub (or its assignees, if any) as of the applicable record date and entitled to vote thereon in favor of the approval of the merger and the merger agreement.

Filings and Other Actions

In the merger agreement, we and Parent have agreed to cooperate with each other and to use our respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things reasonably necessary, proper or advisable under the merger agreement and applicable laws to consummate and make effective the offer, the merger and the other transactions contemplated by the merger agreement as soon as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any governmental entity in order to consummate the merger or any of the other transactions contemplated by the merger agreement. This includes Parent s willingness to sell or otherwise dispose of, or hold separate pending such disposition, and promptly to effect the sale, disposal and holding separate of, such assets, categories of assets or businesses or other segments of Biomet after the occurrence of the consummation of the offer and/or Parent or either s respective subsidiaries (in the case of Biomet, after the occurrence of the consummation of the offer), if such action should be necessary to avoid, prevent, eliminate or remove the actual, anticipated or threatened (1) commencement of any administrative, judicial or other proceeding in any forum by any government antitrust entity or (2) issuance of any order, decree, decision, determination or judgment that would restrain, prevent, enjoin or otherwise prohibit consummation of the offer or the merger by any government antitrust entity.

Employee Benefits

Parent has agreed that, during the period commencing on July 12, 2007, the date Merger Sub accepted for payment the shares tendered in the offer, and ending on December 31, 2008, the employees of Biomet as of July 12, 2007 (the *Current Employees*) will be provided with:

- base salary and bonus opportunities (including annual and quarterly bonus opportunities and long-term incentive opportunities) which are no less than the base salary and bonus opportunities provided by Biomet and its subsidiaries immediately prior to July 12, 2007;

- pension and welfare benefits and perquisites (excluding equity and equity-based benefits) that are no less favorable in the aggregate than those provided by Biomet and its subsidiaries immediately prior to July 12, 2007; and

- severance benefits that are no less favorable than those set forth in Biomet s separation pay plan in effect on December 18, 2006 and provided to Parent.

Parent has agreed to cause any employee benefit plans of Parent or the surviving corporation which the Current Employees are entitled to participate in from and after July 12, 2007 to take into account for purposes of eligibility, vesting and benefit accrual, service by the Current Employees with Biomet or any of its subsidiaries prior to the effective time of the merger as if such service were with Parent, to the same extent such service was credited under a comparable plan of Biomet or any of its subsidiaries prior to July 12, 2007 (except to the extent it would result in a duplication of benefits).

Indemnification and Insurance of Our Directors and Officers

The merger agreement provides that, from and after July 12, 2007, the date Merger Sub accepted for payment the shares tendered in the offer, Parent will cause the surviving corporation to indemnify each of our and our subsidiaries present and former directors and officers against any costs, expenses, judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, arising out of or related to such person s service as a director or officer at or prior to July 12, 2007, to the fullest extent permitted under applicable laws.

The merger agreement required Parent to cause the surviving corporation to, July 12, 2007, obtain and fully pay for tail insurance policies with a claims period of at least six years from and after July 12, 2007 from a carrier with the same or better credit rating as our current insurance carrier with respect to directors and officers liability insurance and fiduciary liability insurance, with benefits and levels of coverage that are at least as favorable as our existing policies with respect to matters existing or occurring at or prior to July 12, 2007.

Financing

Debt Financing

Parent has agreed to use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable to arrange its debt financing as promptly as practicable on the terms and conditions described in its debt financing commitment, including using reasonable best efforts to:

- maintain in effect the debt financing commitment, subject to Parent s replacement and amendment rights;

- satisfy on a timely basis all conditions applicable to Parent and Merger Sub to obtaining the debt financing set forth in the debt financing commitment that are within their control (including by consummating the financing pursuant to the terms of the equity financing commitments and by assisting in the syndication or marketing of the financing contemplated by the debt financing commitment); and

- enter into definitive financing agreements on the terms and conditions contemplated by the financing commitment or on other terms reasonably acceptable to Parent that would not adversely impact in any material respect the ability of Parent or Merger Sub to consummate the transactions contemplated by the merger agreement.

If any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the debt financing commitment, Parent has agreed to use its reasonable best efforts to arrange to obtain alternative financing from alternative sources on terms not materially less beneficial to Parent and Merger Sub in an amount sufficient to consummate the transactions contemplated by the merger agreement as promptly as practicable following the occurrence of such event.

Parent is required to give us prompt notice of any material breach by any party to the financing commitments of which Parent or Merger Sub becomes aware, or any termination of the financing commitments. Parent is also required to keep us informed on a reasonably current basis of the status of its efforts to arrange the debt financing and provide copies of all documents related to the debt financing (other than any ancillary documents subject to confidentiality agreements) to us.

Cooperation of Biomet

Prior to the closing, we are required to provide to Parent and Merger Sub and to use our reasonable best efforts to cause our officers, employees and advisors, including legal and accounting, to provide to Parent and Merger Sub all cooperation reasonably requested in writing by Parent that is reasonably necessary or customary in connection with the Parent s financing (provided that such requested cooperation does not unreasonably interfere with the business or operations of Biomet and its subsidiaries), including:

- participating in a reasonable number of meetings, presentations, road shows, due diligence sessions and sessions with rating agencies;

Table of Contents

- using commercially reasonable efforts to assist with the preparation of materials for rating agency presentations, offering documents, private placement memoranda, bank information memoranda, prospectuses and similar documents necessary or customary in connection with Parent s financing;

- using commercially reasonable best efforts to furnish Parent and Merger Sub as promptly as reasonably practicable with financial and other pertinent information regarding Biomet and its subsidiaries as may be reasonably requested by Parent in connection with the debt financing and customarily included in private placement memoranda relating to private placements under Rule 144A promulgated under the Securities Act to consummate the offering(s) of debt securities contemplated by Parent s debt financing commitments at the time during our fiscal year such offering(s) will be made as soon as such financial and other information becomes available, including all financial statements and financial data of the type required by Regulation S-X and Regulation S-K under the Securities Act (other than Rule 3-10 of Regulation S-X and summary quarterly financial information and without giving effect to the executive compensation and related person disclosure rules related to SEC Release Nos. 33-8732A; 34-54302A; IC-27444A), including audits thereof to the extent so required (which audits need to be unqualified);

- using reasonable best efforts to assist Parent in procuring accountants comfort letters and consents, legal opinions, surveys and title insurance and other customary documentation required by the debt financing commitments, in each case as reasonably requested by Parent and, if reasonably requested by Parent or Merger Sub, to cooperate with and assist Parent or Merger Sub in obtaining such documentation and items;

- using commercially reasonable efforts to provide monthly financial statements (excluding footnotes) within the time frame, and to the extent, we prepare such financial statements in the ordinary course of business;

- using reasonable best efforts to assist Parent in procuring the execution and delivery, as of the effective time of the merger, by the officers of the surviving corporation and its subsidiaries of any customary pledge and security documents, other definitive financing documents, or other certificates, legal opinions or documents as may be reasonably requested by Parent (including a certificate of the chief financial officer of the surviving corporation or any subsidiary with respect to solvency matters) and otherwise reasonably facilitating, to the extent reasonably requested by Parent, the pledging of collateral (including cooperation, to the extent reasonably requested by Parent, in connection with the payoff of existing indebtedness and the release of related liens);

- taking all actions to the extent reasonably requested by Parent necessary to (A) permit the prospective lenders involved in the financing to evaluate our current assets, cash management and accounting systems, policies and procedures relating thereto for the purposes of establishing collateral arrangements and (B) establish bank and other accounts and blocked account agreements and lock box arrangements in connection with the foregoing; and

- taking all corporate actions, subject to the occurrence of the closing, reasonably requested by Parent in connection with the consummation of the debt financing by the surviving corporation and its subsidiaries immediately following the effective time of the merger;

provided that none of Biomet or any of its subsidiaries shall be required to pay any commitment or other similar fee or incur any other cost or expense that is not simultaneously reimbursed by Parent in connection with the debt financing prior to the effective time of the merger.

Conditions to the Merger

The obligations of the parties to complete the merger are subject to the satisfaction or waiver of the following mutual conditions:

- the merger agreement must have been approved by the affirmative vote of at least 75% of the votes entitled to be cast by the holders of the outstanding common shares (as a result of the tender offer and a

voting agreement with certain of our shareholders, LVB Acquisition beneficially owns or may be deemed to have voting control over a total of approximately 84.74% of the outstanding common shares, which is sufficient to assure approval of the merger agreement at the special meeting); and

no temporary restraining order, preliminary or permanent injunction or other judgment or order issued by any court or agency of competent jurisdiction or other law, rule, legal restraint or prohibition is in effect preventing, restraining or rendering illegal the consummation of the merger.

The obligations of Parent and Merger Sub to complete the merger are also subject to the Marketing Period having been completed or waived (provided that if the failure of the Marketing Period to be completed is due to Parent or Merger Sub s failure to comply with its obligations under the merger agreement, such condition will be deemed satisfied).

For purposes of the merger agreement, *Marketing Period* means the first period of 20 consecutive days after the first to occur of (a) the requirements to consummate a short form merger having been met and (b) the merger agreement having been approved by the affirmative vote of at least 75% of the votes entitled to be cast by the holders of the outstanding common shares voting together as a single class, throughout and on the last day of which:

Parent and its financing sources have the required financial information described above under Cooperation of Biomet from Biomet;

nothing has occurred and no condition exists that would cause any of the following events to occur:

(i) our representation and warranty set forth in the merger agreement that there has not been a material adverse effect since May 31, 2006 shall not be true and correct in all respects as of June 7, 2007 and as of July 11, 2007 as though made on and as of such date; (ii) any of our representations and warranties set forth in the merger agreement relating to capital structure, corporate authority, approval and fairness, takeover statutes and brokers and finders shall not be true and correct in all material respects as of June 7, 2007 and as of July 11, 2007 as though made on and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall not be true and correct in all material respects as of such earlier date); or (iii) any of the other representations and warranties of Biomet set forth in the merger agreement (disregarding all qualifications and exceptions contained therein regarding materiality or material adverse effect) shall not be true and correct as of December 18, 2006 and as of July 11, 2007 (except for Biomet s representations and warranties with respect to organization, good standing and qualification, governmental filings; no violations, certain contracts, company reports, financial statements, rights agreement, and the Schedule 14D-9, Offer Documents, Proxy Statement and other filings, which must be true as of June 7, 2007 and as of July 11, 2007) as though made on and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall not be true and correct as of such earlier date), except, in the case of this clause (iii), where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, would not have a material adverse effect; or

we have failed to perform in all material respects any of our obligations required to be performed by us under the merger agreement, and such failure to perform has not been cured prior to the expiration date of the offer; and

the conditions of all of the parties to the merger shall have been satisfied.

Notwithstanding the foregoing, (1) the Marketing Period will end on any earlier date on which Parent consummates the debt financing to be drawn on the closing date of the merger, (2) the Marketing Period must occur either entirely before or entirely after August 17 through September 3, 2007 and (3) the Marketing Period will not be deemed to have commenced if, prior to the completion of the Marketing Period:

Ernst & Young LLP withdraws its audit opinion with respect to any financial statements contained in the required information provided by us to Parent, in which case the Marketing Period will not be

Table of Contents

deemed to commence at the earliest unless and until a new unqualified audit opinion is issued with respect to the consolidated financial statements for the applicable periods by Ernst & Young LLP or another independent registered accounting firm reasonably acceptable to Parent;

we announce any intention to restate any of our financial information included in the required information provided to Parent or any such restatement is under consideration or may be a possibility, in which case the Marketing Period will not be deemed to commence at the earliest unless and until such restatement has been completed and our reports with the SEC have been amended or we have announced that we have concluded that no restatement will be required in accordance with GAAP;

we are delinquent in filing any report with the SEC, in which case the Marketing Period will not be deemed to commence at the earliest unless and until all such delinquencies have been cured;

we have received any material accounting comments from the staff of the SEC on its Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q, as such may be amended, and all such material accounting comments have not been satisfactorily resolved with the SEC staff;

If the financial statements included in the required financial information provided by us to Parent that is available to Parent on the first day of any such 20-consecutive-day period would not be sufficiently current on any day during such 20-consecutive-day period to permit (1) a registration statement using such financial statements to be declared effective by the SEC on the last day of the 20-consecutive-day period or (2) our independent registered accounting firm to issue a customary comfort letter to purchasers (in accordance with its normal practices and procedures) on the last day of the 20-consecutive-day period, then a new 20-consecutive-day period will commence upon Parent receiving updated required financial information from us that would be sufficiently current to permit the actions described in (1) and (2) on the last day of such 20-consecutive-day period.

Modification or Amendment

Subject to the provisions of applicable law, at any time prior to the effective time of the merger, the parties may modify or amend the merger agreement by written agreement among the parties, provided, however, that, prior to approval of the merger agreement by our shareholders, the merger agreement may not be amended in a manner that would adversely affect the right of our shareholders to receive the merger consideration. Any modification or amendment of the merger agreement by us will require the approval of a majority of directors on our board that were not designated by Parent.

Table of Contents

THE VOTING AGREEMENT

On June 7, 2007, prior to the execution of the amended and restated merger agreement, Parent entered into a voting agreement with Dane A. Miller, Ph.D and his wife, Mary Louise Miller. Pursuant to the voting agreement and in consideration of Parent s willingness to enter into the merger agreement, Dr. and Mrs. Miller agreed that during the time that the voting agreement is in effect, at any meeting of our shareholders, however called, and at every adjournment or postponement thereof, with respect to 5,723,595 common shares owned beneficially or of record by Dr. and Mrs. Miller (representing approximately 2.3% of the total number of outstanding common shares as of July 20, 2007) and any common shares acquired by Dr. and/or Mrs. Miller after the date of the voting agreement and prior to the termination of the voting agreement, Dr. and Mrs. Miller (individually and jointly) will: (i) appear at such meeting or otherwise cause their shares to be counted as present thereat for purposes of establishing a quorum; (ii) vote or cause to be voted their shares in favor of the merger and the approval and adoption by Biomet s shareholders of the plan of merger contained in the merger agreement, and any action required in furtherance thereof; and (iii) vote or cause to be voted, or execute consents in respect of, their shares against any proposal, action or transaction involving Biomet or any of our shareholders that could reasonably be expected to prevent or materially impede or delay the consummation of the transactions contemplated by the merger agreement. Pursuant to the voting agreement, the Millers have appointed Parent as their attorney and proxy in accordance with the IBCL, with full power of substitution and resubstitution, to vote the common shares owned beneficially or of record by them (individually and jointly) as indicated in the immediately foregoing sentence. Such proxy will expire automatically and without further action by the parties upon termination of the voting agreement. The voting agreement will terminate immediately upon the earliest of: (a) the effective time of the merger; (b) the termination of the merger agreement; and (c) the mutual agreement of the parties to terminate the voting agreement.

Table of Contents

STOCK OWNERSHIP

The following table sets forth certain data with respect to those persons known by Biomet to be the beneficial owners of more than 5% of the issued and outstanding Biomet common shares as of July 17, 2007.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
LVB Acquisition, Inc. c/o Corporation Trust Center 1209 Orange Street Wilmington, Delaware 19801	208,324,725(1)	84.74%
State Farm Mutual Automobile Insurance Company and related entities One State Farm Plaza Bloomington, Illinois 61710	18,898,539(2)	7.7%

(1) This figure represents the shares beneficially owned by Parent, including 202,601,130 shares acquired by Merger Sub pursuant to the offer and 5,723,595 shares owned by Dr. and Mrs. Miller, who, pursuant to a voting agreement, have agreed with Parent to vote those shares in favor of the merger. Parent and Merger Sub disclaim beneficial ownership of any Biomet common shares beneficially owned by Dr. and/or Mrs. Miller other than those shares subject to the voting agreement.

(2) According to a Schedule 13G/A filed with the SEC on February 14, 2007 by State Farm Mutual Automobile Insurance Company (SFMAIC) and certain related entities on January 12, 2007, as of December 31, 2006, SFMAIC is the beneficial owner of 9,478,788 shares, as to which it has sole voting and dispositive power for 9,409,500 shares and shared dispositive power for 69,288 shares. State Farm Life Insurance Company is the beneficial owner of 179,068 shares, as to which it has sole voting and dispositive power for 169,975 shares and shared dispositive power for 9,093 shares. State Farm Fire and Casualty Company is the beneficial owner of 8,220 shares, as to which it has shared dispositive power. State Farm Investment Management Corp. is the beneficial owner of 4,410,158 shares, as to which it has sole dispositive power for 4,398,750 shares and shared voting and dispositive power for 11,408 shares. State Farm Insurance Companies Employee Retirement Trust is the beneficial owner of 7,305 shares, as to which it has shared dispositive power. State Farm Insurance Companies Savings and Thrift Plan for U.S. Employees is the beneficial owner of 4,815,000 shares, as to which it has sole voting and dispositive power.

The following table sets forth the beneficial ownership of Biomet common shares as of July 17, 2007, by each director, each named executive officer for fiscal 2007 and by all directors and executive officers currently employed by Biomet as a group (as well as Mr. Hann).

Name of Beneficial Owner	Number of Shares Beneficially Owned(#)(1)	Biomet s Employee Stock Bonus Plan(#)	Biomet 401(k) Savings & Retirement Plan (#)(2)	Option Shares Exercisable Within 60 Days(#)	Total Number of Shares Beneficially Owned(#)	Percent of Class(%)
Jeffrey R. Binder	0	0	0	0	0	0
Garry L. England	0	0	0	0	0	0
Daniel P. Hann(3)	74,406	0	15,032	0	89,438	*
C. Scott Harrison, M.D	1,284	0	0	0	1,284	*
Kenneth V. Miller	1,282	0	0	0	1,282	*
Charles E. Niemier	1,250	0	65,396	0	66,646	*
L. Gene Tanner	2,558	0	0	0	2,558	*
J. Pat Richardson	0	0	0	0	0	0
Gregory D. Hartman	166,903	0	34,694	0	203,807	*
Roger Van Broeck	65,347	0	1,731	0	67,078	*
Chinh E. Chu(4)	0	0	0	0	0	0
Jonathan J. Coslet(4)	0	0	0	0	0	0
Michael Dal Bello(4)	0	0	0	0	0	0

Sean Fernandes(4)(5)	124,282	0	0	3,100	127,382	*
Adrian Jones(4)(6)	124,282	0	0	3,100	127,382	*

Table of Contents

Name of Beneficial Owner	Number of Shares Beneficially Owned(#)(1)	Biomet s Employee Stock Bonus Plan(#)	Biomet 401(k) Savings & Retirement Plan (#)(2)	Option Shares Exercisable Within 60 Days(#)	Total Number of Shares Beneficially Owned(#)	Percent of Class(%)
Michael Michelson(4)	0	0	0	0	0	0
Dane A. Miller(7)	6,053,226	0	0	0	6,053,226	2.5
John Saer(4)	0	0	0	0	0	0
Todd Sisitsky(4)	0	0	0	0	0	0
Other Executive Officers (10 persons)	247,654	0	137,272	0	384,926	*
All Directors and Executive Officers as a Group (29 persons, including the foregoing)	6,738,192	0	256,335	3,100	6,997,627	2.8

* Represents less than 1.0% of Biomet s issued and outstanding common shares.

(1) Other than as noted below, each director and executive officer has sole or shared voting power and investment power with respect to the common shares listed next to his or her name:

Mr. Gregory D. Hartman 27,545 shares held in an individual indirect trust over which he has no voting power; 17,117 shares in an individual indirect trust in the name of his spouse over which he has no voting or investment power and disclaims any beneficial ownership thereof; 57,486 shares held by his spouses as to which Mr. Hartman has no voting or investment power and disclaims beneficial ownership and 1,800 shares held in the name of his children over which he has no voting or investment power and disclaims any beneficial ownership thereof.

Other Executive Officers 8,958 shares held by the children of four of these executive officers, as to which the executive officers have no voting or investment power and disclaim beneficial ownership; and 14,607 shares held by the spouses of one of these executive officers, as to which the executive officers have no voting or investment power and disclaim beneficial ownership.

(2) Biomet s executive officers may elect to participate in Biomet s Profit Sharing Plan and Trust qualified under Section 401(k) of the Internal Revenue Code. The officers have no voting power for the shares held in their accounts in the 401(k) plan. They have sole investment power with respect to any shares purchased through their personal contributions to their accounts in the 401(k) plan. They have no investment power with respect to the shares contributed by Biomet to their accounts in the 401(k) plan.

(3) On March 30, 2007, Mr. Hann retired as Executive Vice President of Administration and a Biomet director. He is reflected in the table above as he met the criteria to be a named executive officer, under SEC regulations, for the 2007 fiscal year. For more information on Mr. Hann s retirement, please see Approval of the Merger Agreement Interests of Biomet Directors and Officers in the Merger *Consulting Arrangements with Gregory D. Hartman and Daniel P. Hann* beginning on page 55.

(4) Each of Chinh Chu, Jonathan Coslet, Michael Dal Bello, Sean Fernandes, Adrian Jones, Michael Michelson, John Saer and Todd Sisitsky were designated to serve on Biomet s board of directors by Parent, which is the beneficial owner of 208,324,725 common shares, including 5,723,595 shares beneficially owned by Dr. Miller and his wife, Mary Louise Miller, that are subject to a voting agreement with Parent. Each of such persons disclaims beneficial ownership of these common shares.

(5) Sean Fernandes is currently a vice president of Goldman, Sachs & Co. (*Goldman Sachs*). Goldman Sachs is a direct and indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc. (*GS Group*). Goldman Sachs and other wholly-owned subsidiaries of GS Group may be deemed to directly beneficially own 127,382 Biomet common shares, which include call options, immediately exercisable, to purchase 3,100 shares at a price of $45.00 per share. Mr. Fernandes disclaims beneficial ownership of all of the Biomet common shares that are or may be beneficially owned by Goldman Sachs and any of its affiliated funds.

(6) Adrian Jones is currently a managing director of Goldman Sachs. Goldman Sachs and other wholly-owned subsidiaries of GS Group may be deemed to directly beneficially own 127,382 Biomet common shares, which include call options, immediately exercisable, to purchase 3,100 shares at a price of $45.00 per share. Mr. Jones disclaims beneficial ownership of all of the Biomet common shares that are or may be beneficially owned by Goldman Sachs and any of its affiliated funds.

(7) Dane Miller was designated to serve on Biomet s board of directors by Parent, which is the beneficial owner of 208,324,725 common shares, including 5,723,595 shares beneficially owned by Dr. Miller and his wife,

Table of Contents

Mary Louise Miller, that are subject to a voting agreement with Parent. Dr. Miller disclaims beneficial ownership of the 202,601,130 shares owned directly by Merger Sub. Of the 6,053,226 shares beneficially owned by Dr. and Mrs. Miller, Dr. Miller directly owns 3,027,874 shares (221,680 shares of which are jointly owned by Dr. and Mrs. Miller) as well as 159,386 shares held in two IRAs for his benefit. Dr. Miller has no voting or investment power over and disclaims beneficial ownership of 2,523,104 shares owned of record solely by Mrs. Miller and 42,723 shares held in an IRA for her benefit. Dr. Miller has voting and dispositive power over but no economic interest in 300,139 shares owned of record by the Dr. Dane A. and Mary Louise Miller Foundation, a private foundation organized under the laws of the State of Indiana.

Table of Contents

MARKET PRICE OF BIOMET S COMMON SHARES

Biomet s common shares are currently publicly traded on the NASDAQ Global Select Market under the symbol BMET. The following table sets forth the high and low sales prices per common share on the NASDAQ Global Select Market for the periods indicated.

Market Information

	High Price	Low Price
Fiscal Year Ended May 31, 2005		
1st Quarter	$ 49.60	$ 39.69
2nd Quarter	49.50	43.13
3rd Quarter	49.64	40.53
4th Quarter	43.32	34.90
Fiscal Year Ended May 31, 2006		
1st Quarter	$ 39.11	$ 33.64
2nd Quarter	39.09	32.50
3rd Quarter	38.66	34.90
4th Quarter	39.45	33.64
Fiscal Year Ending May 31, 2007		
1st Quarter	$ 36.07	$ 30.22
2nd Quarter	39.25	32.00

2,301,266				
Gross margin	74.4	%	78.5	%
Other Revenue				
Revenue	773,027		533,405	
Cost of sales	112,299		37,060	
Gross profit	660,728		496,345	
Gross margin	85.5	%	93.1	%

30

Revenue for the three months ended June 30, 2011 (the "June 30, 2011 Quarter") decreased by $1,101,988, or 10.2%, to $9,723,108 from $10,852,096 for the three months ended June 30, 2010 (the "June 30, 2010 Quarter").

Revenue generated by the online education division decreased by $2,879,820, or 39%, to $4,506,649 during the June 30, 2011 Quarter from $7,386,469 during the June 30, 2010 Quarter. This decrease was attributable to allegations regarding the Company cited by major websites and other media since the end of 2010 (the "Allegations"). The reports alleged that we failed to disclose material adverse facts about our business, operations, and prospects. We predict that in the future we will clear the negative publicity and our revenue will increase.

Revenue generated by the training center division increased by $1,511,210, or 51.5% during the June 30, 2011 Quarter from $2,932,222 during the June 30, 2010 Quarter. The revenue from the training division is comprised of revenue from technology training classes, language training classes, vocational training classes etc. The increase was mainly attributable to an increase in revenue relating to technology training classes of approximately $1.2 million while the income from other tutorial classes dropped by about $570,000. We predict that in the future the revenue from our training center division will increase due to higher demand for training classes.

Other Revenue increased by $239,622, or 44.9% during the June 30, 2011 Quarter compared to the June 30, 2010 Quarter. This increase included revenue generated from advertising and network services. Other revenue is not the focus of our business, and in the future we will continue to focus on our main business lines: examination preparation, vocational training and language training.

Deferred revenue reflects the unearned portion of debit cards sold in the online division and unearned tuition from training centers. The deferred revenue is not necessarily in direct proportion to our revenue. Usually the Company's deferred revenue remains at a relatively low level in relation to revenue from debit cards, as most students consume their debit cards in a short period and most tuition is expensed monthly. A change in deferred revenue is not necessarily related to students' enrollment, and also has no impact in subsequent quarters.

Our current activities are primarily conducted in the northeastern section of China. China has about 150 million students aged 6 -18, who are the target of our education services. There are about 10 million students in the 6-18 age group in the northeastern section of China. Because we serve approximately 500,000 – 600,000, we only serve 5% of the students in our current market. Therefore, we believe that we have great potential to grow. Our growth will depend on how we penetrate and expand into the market. Our expansion may take the form of organic growth and/or acquisitions and the key to our growth will be increased student enrollment.

Our overall cost of sales increased by $961,446 or 53.5% to $2,758,389 in the June 30, 2011 Quarter, as compared to $1,796,943 in the June 30, 2010 Quarter.

The cost of sales for the online education division of the Company increased by $378,403 or 33.5%. This increase was mainly attributable to the rental of new servers for online education. The online education's gross margin decreased to 66.6% in the June 30, 2011 Quarter from 84.7% in the June 30, 2010 Quarter due to the decrease of online revenues and increased cost of sales.

The cost of sales for the training center division of the Company increased $507,804 or 80.5% during the June 30, 2011 Quarter as compared to the June 30, 2010 Quarter. The increase in the cost of sales was mainly attributable to amortization of prepaid course materials, The gross margin of our training centers decreased to 74.4% in the June 30, 2011 Quarter from 78.5% in the June 30, 2010 Quarter due to the continuous amortization of prepaid class materials, which accounted for approximately $290,000. In the future we expect the cost of sales of our training center division to continue to increase because of the acquisition of two new language schools.

The cost of sales of other revenue increased by $75,239 or 203%. This increase was in tandem with the increase in revenue and was mainly attributable to higher commissions paid to sales persons. The gross margin for our other revenues increased from 85.5% in the June 30, 2010 Quarter to 93.1% in the June 30, 2011 Quarter. In the future we expect the cost of sales of our other revenue to increase as our other revenue increases.

Selling expenses decreased by $361,203 or 10.3% to $3,117,607 in the June 30, 2011 Quarter, from $3,478,810 in the June 30, 2010 Quarter. Selling expenses remained consistent with 31.1% of total sales. Our selling expenses include media advertising, outdoor advertising agent fees, commissions associated with sales of our exam prep debit cards and enrollment of onsite training centers.

Administrative expenses increased by $675,057 or 116.0%, to $1,237,904 in the June 30, 2011 Quarter, as compared to $572,847 in the June 30, 2010 Quarter. This was mainly due to the increase of expenses relating to the Company's promoting, marketing, and advertising activities. Depreciation and amortization increased by $140,444, or 53.0%, to $405,107 in the June 30, 2011 Quarter, as compared to $264,663, in the June 30, 2010 Quarter.

During the June 30, 2011 Quarter, the Company disposed of one training center building and other fixed assets after evaluating the lack of profitability of the location. The total disposal loss and loss of other fixed assets resulted in a loss of $499,532.

We realized an income tax benefit under the Enterprise Income Tax Law of $273,188 from the deduction of 15% of advertising and promotion expenses that were accrued during the year 2010 but were previously non-deductible.

As a result of the foregoing, the Company had net income of $2,048,254, or $.06 per share, basic and diluted, for the June 30, 2011 Quarter, as compared with net income of $4,235,878, or $.14 per share, basic and diluted, for the June 30, 2010 Quarter.

Six months Ended June 30, 2011 and 2010

The following table sets forth information from our statements of operations for the six months ended June 30, 2011 and 2010:

	(Dollars) Six Months Ended June 30			
	2011		2010	
Revenue	$ 16,723,620	100.0 %	$ 19,469,830	100.0 %
Cost of sales	5,135,806	30.7 %	3,583,247	18.4 %
Gross Profit	11,587,815	69.3 %	15,886,583	81.6 %
Income from operations	1,633,146	9.8 %	8,642,305	44.4 %
Other income/(Expense)	(568,343)	-3.4 %	111,067	0.6 %
Income before income taxes	1,064,803	6.4 %	8,753,372	45.0 %
Provision for income taxes	436,467	2.6 %	(893,145)	-4.6 %
Net income	1,501,270	9.0 %	7,860,227	40.4 %
Less: Net loss attributable to the noncontrolling interest	(80,606)	-0.5 %	59,685	0.3 %
Net income-attributable to CEU and Subsidiaries	1,420,664	8.5 %	7,919,912	40.7 %

32

The flowing table sets forth information as to the gross margin for our three lines of business for the six months ended June 30, 2011 and 2010:

	(Dollars) Six Months Ended June 30 2011	2010
Online Education		
Revenue	$ 8,430,237	$ 12,617,532
Cost of sales	3,200,552	2,242,485
Gross profit	5,229,685	10,375,047
Gross margin	62.0 %	82.2 %
Training Center Revenue		
Revenue	7,470,275	5,789,419
Cost of sales	1,814,876	1,262,925
Gross profit	5,655,399	4,526,494
Gross margin	75.7 %	78.2 %
Other Revenue		
Revenue	823,000	1,062,879
Cost of sales	120,378	77,837
Gross profit	702,622	985,042
Gross margin	85.4 %	92.7 %

Revenue for the six months ended June 30, 2011 decreased by $2,746,210, or 14.1%, to $16,723,620 compared to $19,469,830 for the six months ended June 30, 2010. Revenue generated by the online education division decreased by $4,187,295, or 33.2 % during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. Revenue generated by the training center division increased by $1,680,856, or 29.0% during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. Other Revenue decreased by $239,879, or 22.6% during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. Other revenue includes revenue generated from advertising and network services.

There are several reasons for the decrease in revenue. First, after the Allegations were released, a number of parents and teachers adopted a non-cooperative wait and see attitude towards the Company. As a result, there was a decrease in the number of students seeking our services both online and in the classroom. In addition, the morale of the Company's employees and teachers was adversely affected, which led to unfavorable conditions for the daily operation of the Company. Secondly, the first quarter included the Chinese New Year, which is traditionally a lengthy vacation period. Based on past experience, the first quarter usually experiences a stall or decrease in business. However, during the first quarter of fiscal year 2011, we conducted extensive marketing activities and acquired three schools during the second quarter: Tianlang, Changchun Norya, and Harbin Norya. We also set up direct training centers in Beijing and other provinces nationwide to negate the adverse factors of the Allegations and to re-establish the confidence of the market in the Company.

Our overall cost of sales increased by $1,552,559 to $5,135,806 for the six months ended June 30, 2011 as compared to $3,583,247 for the six months ended June 30, 2010. Our costs increased due to the depreciation of some items such as our online system and class related materials. Additionally, the Allegations brought against the Company had a large impact on the increase in the overall cost of sales of the Company, and caused us to raise our daily expenses for promotion and marketing, which in turn, lowered our profit.

The cost of sales for the online education division of the Company increased by $958,067 or 42.7% during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. This increase was mainly attributable to the continuous amortization of prepaid class materials. The gross margin of the online education division decreased to 62.0% for the six months ended June 30, 2011, from 82.2% for the six months ended June 30, 2010 due to the decrease of online revenue and increase in costs.

The cost of sales for the training center division of the Company increased by $551,951 or 43.7% during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. This increase was mainly attributable to higher salaries paid for developing course materials and amortization of prepaid course materials. The gross margin of the training center division decreased to 75.7% in the six months ended June 30, 2011 from 78.2% for the six months ended June 30, 2010.

The cost of sales of other revenue increased by $42,541 or 54.7% during the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. This increase was mainly attributable to the increase of expenses relating to the Company's marketing and advertising activities. The gross margin for our other revenues decreased about 7.3% to 85.4% during the six months ended June 30, 2011 from 92.7% during the six months ended June 30, 2010.

Selling expenses decreased by $175,860 or 3.1% to $5,543,904 during the six months ended June 30, 2011 from $5,719,764 during the six months ended June 30, 2010. Our selling expenses include advertising, agent fees and commissions associated with sales of our education debit cards. Decreased sales were the most significant factor in the decrease in selling expenses.

Administrative expenses increased by $2,660,755 or 260.0%, to $3,687,795 during the six months ended June 30, 2011 as compared to $1,027,040 during the six months ended June 30, 2010. The increase was primarily related to stock issuances to employees pursuant to the Company's 2009 Incentive Stock Plan (the "Plan"). The Plan was created to reward high-quality teachers who support the development of the Company and have stood by the Company during times of hardship. Management deems the Plan valuable because the Plan helps to negate the fear and lack of confidence in the future of the Company caused by the Allegations, as well as acting to further motivate our employees. Additionally, the Plan will cause teachers who are not granted shares under the Plan to realize the value of the Company and provide the motivation to promote our long-term interests. Another reason for the increased administrative expenses was the increase in decoration expenses for our new training center in Beijing. Additionally, technical service fees and property management fees also increased.

Depreciation and amortization, included in operating expenses, increased by $225,495, or 45.3% to $722,969 during the six months ended June 30, 2011, as compared to $497,474 during the six months ended June 30, 2010. This increase was due to the purchase of fixed assets and intangible assets during the first two quarters of 2011.

In 2011, the applicable income tax rate for the Company and ZHLD is 15%, as both have been approved by the local government as businesses promoting high technology industry. Without this government approval, the regular Chinese statutory tax rate is at 25%. The Company's ZETC subsidiary is currently exempt from PRC taxation, as it operates a business enterprise engaged in educational opportunities. The Company's other subsidiaries: BHYHZ, ZHLDBJ and New Shifan are taxed at the PRC regular statutory rate (25%), and have not accrued taxes since inception, due to recurring losses or no income incurred since inception.

As a result of the foregoing, the Company had a net income of $1,501,270, or $0.05 per share, basic and diluted, during the six months ended June 30, 2011, as compared with net income of $7,860,227, or $.025 per share, basic and diluted, during the six months ended June 30, 2010.

Liquidity and Capital Resources

Our current assets primarily consist of cash, prepaid expenses, and account receivables. We do not have inventory. Our prepaid expenses are primarily advance payments made to teachers for on-line materials, prepaid advertisement, prepaid rent, and other prepayments. Our account receivables are primarily from our advertising business on our website.

At June 30, 2011, we had cash and cash equivalents of $72,643,017, a increase of $1,537,602 or 2.2%, from $71,105,415 at December 31, 2010. This increase was primarily due to increase in net income during the six months ended June 30, 2011. The biggest expenditure was the acquisition of Tianlang for $5,340,658. Other expenditures included the purchase of fixed assets and other cash flows from operating activities.

Our net cash provided by operating activities was $6,257,450 for the six months ended June 30, 2011, a decrease of $3,877,191 or 38.2% from $10,134,641 for the six months ended June 30, 2010. This decrease was due to a decrease in net income along with the increase of deferred revenue and disposal of fixed assets.

Our cash used in investing activities was $6,016,159 for the six months ended June 30, 2011, an increase of $7,788,424 from $876,395 for the six months ended June 30, 2010. The increase in expenditure was mainly due to the acquisition of a 60% ownership interest in Tianlang.

As of June 30, 2011, we had working capital of $72,492,575, a decrease of $121,371 from working capital of $72,613,946 at December 31, 2010. We consider current working capital and borrowing capabilities adequate to cover our planned operating and capital requirements.

34

We believe that our working capital, together with our cash flow from operations will be sufficient to enable us to meet our cash requirements for the next 12 months. However, we may incur additional expenses as we seek to expand our business to offer services in other parts of the People's Republic of China as well as to market and continue the development of our vocational training activities, and it is possible that we may require additional funding for that purpose in the future. It also is possible that we may seek to acquire one or more businesses in the education field, and we may require financing for that purpose. We cannot assure you that funding will be available if and when we require funding.

Off-Balance Sheet Arrangements

As of June 30, 2011, we had no off-balance sheet arrangements

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

Evaluation of our Disclosure Controls

As of the end of the period covered by this Quarterly Report on Form 10-Q, our principal executive officer and principal financial officer have evaluated the effectiveness of our "disclosure controls and procedures" ("Disclosure Controls"). Disclosure Controls, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure Controls are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based upon their controls evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our Disclosure Controls are effective at a reasonable assurance level.

Changes in internal control over financial reporting

There have been no changes in our internal controls over financial reporting during our second fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

35

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We are presently involved in two putative class action lawsuits filed in the U.S. District Court for the Central District of California. The first action, Apicella v. China Education Alliance, Inc., et al., No. 10-cv-09239 (CAS)(JCx), was filed on December 2, 2010; the second action, Clemens v. China Education Alliance, Inc., et al., No. 10-cv-09987 (JFW)(AGRx), was filed on December 28, 2010. On March 2, 2011, both actions were consolidated in In re China Education Alliance, Inc. Securities Litigation, No. 10-cv-09239 (CAS) (JCx)(C.D. Cal.). The Consolidated Amended Complaint alleges that we and the other defendants are liable under Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 for allegedly false and misleading statements and omissions in our public filings between 2008 and 2010 and in an investor conference call in December 2010. The Consolidated Amended Complaint also asserts claims under Section 20(a) of the Securities Exchange Act of 1934 against the individual defendants. Additionally, we have reason to believe that another derivative lawsuit may be commenced against the individuals named as defendants in the securities class action lawsuit, although the timing of such potential lawsuit is uncertain. If we were to be subsequently involved in more litigation proceedings, and/or we are unable to settle this lawsuit or any other similar lawsuits on terms favorable to us and/or if adverse judgments were to be levied against us, our profitability could be severely impacted. Also, this class action suit against us could result in substantial costs, potential liabilities and the diversion of management’s attention and resources and result in a material adverse effect on our financial condition and results of operations.

Item 1A. Risk Factors

The reader should carefully consider each of the risks described below. If any of the following risks described below should occur, our business, financial condition or results of operations could be materially adversely affected and the trading price of our Common Stock could decline significantly.

Risks Associated with our Business

Our business is dependent upon the PRC government’s educational policies and programs.

As a provider of educational services, we are dependent upon governmental educational policies. Almost all of our revenue to date has been generated from the sale of test papers and materials relating to courses at different educational levels. To the extent that the government adopts policies or curriculum changes that significantly alter the testing and course materials used in the PRC educational system, our products could become obsolete, which would affect our ability to generate revenue and operate profitably. We cannot assure you that the PRC government agencies would not adopt such changes.

We are subject to numerous PRC rules and regulations that restrict the scope of our business and could have a material adverse impact on us.

We may be subjected to numerous rules and regulations in the PRC, including, without limitation, restrictions on foreign ownership of Internet and education companies and regulation of Internet content. Many of the rules and regulations that we face are not explicitly communicated, but arise from the fact that education and the Internet are politically sensitive areas of the economy. We are not aware that any of our agreements or our current organizational structure is in violation of any governmental requirements or restrictions, explicit or implicit.

In particular, we do not believe that Administrative Rules on Foreign-Invested Telecommunications Enterprises and the Notice on Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business apply to us because our corporate structure was established before these rules came into effect. Further, we do not provide connectivity and Internet services. We are primarily in the education business and only a portion of our education resources is disseminated to our paying customers as opposed to the general public via Internet download. Finally, our vocational training services are provided in collaboration with and through a PRC company, China Vocation Education Society. We do not own or have any equity stake in China Vocation Education Society. With regard to our education services, we do not believe that the Administrative Regulations on Educational Websites and Online and Distance Education Schools and the Decision on Cutting Down Administrative Licenses for the Administrative Examination and Approval Items Really Necessary to be Retained apply to us, because we do not offer through our website education services or training programs that directly offer government accredited academic degrees or other government accreditation certifications. Even if these rules applied to us, there appears to be no restriction against foreign ownership and it is unclear whether foreign ownership is restricted for businesses providing such “education websites” or “online education schools”. For more discussion on these issues, please refer to “Foreign Ownership Restrictions on Internet Content Provision Businesses” and “Regulation of Online and Distance Education”.

However, there can be no assurance that we are in compliance now, or will be in the future. Moreover, operating in the PRC involves a high risk that restrictive rules and regulations could change. Indeed, even changes of personnel at certain ministries of the government could have a negative impact on us. With any change in administration, more scrutiny, emphasis or regulation may be levied on our type of business or organizational structure. The determination that our structure or agreements are in violation of governmental rules or regulations in the PRC would have a material adverse impact on us, our business and on our financial results.

Our business may be subject to seasonal and cyclical fluctuations in sales.

We may experience seasonal fluctuations in our revenue in some regions in the PRC, based on the academic year and the tendency of parents and students to make purchases relating to their education just prior to or at the beginning of the school year in the autumn. Any seasonality may cause significant pressure on us to monitor the development of materials accurately and to anticipate and satisfy these requirements.

Our business is subject to the health of the PRC economy.

The purchase of educational materials not provided by the state educational system is discretionary and dependent upon the ability and willingness of families or students to spend available funds on extra educational products to prepare for national examinations. A general economic downturn either in our market or a general economic downturn in the PRC could have a material adverse effect on our revenue, earnings, cash flow and working capital.

We depend on our senior officers to manage and develop our business.

Our success depends on the management skills of Mr. Xiqun Yu, our chief executive officer and president and his relationships with educators, administrators and other business contacts. We also depend on successfully recruiting and retaining highly skilled and experienced authors, teachers, managers, sales persons and other personnel who can function effectively in the PRC. In some cases, the market for these skilled employees is highly competitive. We may not be able to retain or recruit such personnel, which could materially and adversely affect our business, prospects and financial condition. Except for Ms. Alice Lee Rogers, our Chief Financial Officer, we do not have employment contracts with any other officers or employees. The loss of Mr. Yu would delay our ability to implement our business plan and would adversely affect our business.

We may not be successful in protecting our intellectual property and proprietary rights.

Our intellectual property consists of old test papers, which are contained in our library, and courseware, which we developed by engaging authors and educators to develop these materials. Our proprietary software products are primarily protected by trade secret laws. Although we require our authors and software development employees to sign confidentiality and non-disclosure agreements, we cannot assure you that we will be able to enforce those agreements or that our authors and software development employees will not be able to develop competitive products that do not infringe upon our proprietary rights. We do not know the extent that PRC courts will enforce our proprietary rights.

Others may bring defamation and infringement actions against us, which could be time-consuming, difficult and expensive to defend.

As a distributor of educational materials, we face potential liability for negligence, copyright, patent or trademark infringement and other claims based on the nature and content of the materials that we publish or distribute. Any claims could result in us incurring significant costs to investigate and defend regardless of the final outcome. We do not carry general liability insurance that would cover any potential or actual claims. The commencement of any legal action against us or any of our affiliates, whether or not we are successful in defending the action, could both require us to suspend or discontinue the distribution of some or a significant portion of our educational materials and require us to allocate resources to investigating or defending claims.

We depend upon the acquisition and maintenance of licenses to conduct our business in the PRC.

In order to conduct business in the PRC, we need licenses from the appropriate government authorities, including general business licenses and an education service provider license. The loss or failure to obtain or maintain these licenses in full force and effect will have a material adverse impact on our ability to conduct our business and on our financial condition.

Our growth may be inhibited by the inability of potential customers to fund purchases of our products and services.

Many schools in the PRC, especially those in rural areas, do not have sufficient funds to purchase textbooks, educational materials or computers to use our web-based educational portal. In addition, provincial and local governments may not have the funds to support the implementation of a curriculum using our educational products or may allocate funds to programs, which are different from our products. Our failure to be able to sell our products and services to students in certain areas of the PRC may inhibit our growth and our ability to operate profitably.

Changes in the policies of the government in the PRC could significantly impact our ability to operate profitably.

The economy of the PRC is a planned economy subject to five-year and annual plans adopted by the government that set down national economic development goals. Government policies can have significant effect on the economic conditions of the PRC generally and the educational system in particular. Although the government in the PRC has confirmed that economic development will follow a model of market economy under socialism, a change in the direction of government planning may materially affect our business, prospects and financial condition.

Inflation in the PRC could negatively affect our profitability and growth.

While the economy in the PRC has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a rate that is insufficient to compensate for the rise in our costs, it may have an adverse effect on profitability. In order to control inflation in the past, the government has imposed controls in bank credits, limits on loans for fixed assets purchase, and restrictions on state bank lending. Such an austerity policy can lead to a slowing economic growth, which could impair our ability to operate profitably.

If we make any acquisitions, they may disrupt or have a negative impact on our business.

If we make acquisitions, we could have difficulty integrating personnel and operations of the acquired companies with our own. In addition, the key personnel of the acquired business may not be willing to work for us. We cannot predict the affect expansion would have on our core business. Regardless of whether we are successful in making an acquisition, the negotiations could disrupt our ongoing business, distract our management and employees and increase our expenses. In addition to the risks described above, acquisitions are accompanied by a number of inherent risks, including, without limitation, the following:

- the difficulty of integrating acquired products, services or operations;
- the potential disruption of the ongoing businesses and distraction of our management and the management of acquired companies;
- the difficulty of incorporating acquired rights or products into our existing business;
- difficulties in disposing of the excess or idle facilities of an acquired company or business and expenses in maintaining such facilities;
- difficulties in maintaining uniform standards, controls, procedures and policies;
- the potential impairment of relationships with employees and customers as a result of any integration of new management personnel;
- the potential inability or failure to achieve additional sales and enhance our customer base through cross-marketing of the products to new and existing customers;
- the effect of any government regulations which relate to the business acquired;
- spend significant amounts to retool, reposition or modify the marketing and sales of acquired products or the defense of any litigation, whether or not successful, resulting from actions of the acquired company prior to our acquisition.

Our business could be severely impaired to the extent that we are unable to succeed in addressing any of these risks or other problems encountered in connection with these acquisitions, many of which cannot be presently identified, these risks and problems could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations.

Our operations and assets in the PRC are subject to significant political and economic uncertainties.

Government policies are subject to rapid change, and the government of the PRC may adopt policies, which have the effect of hindering private economic activity and greater economic decentralization. There is no assurance that the government of the PRC will not significantly alter its policies from time to time without notice in a manner which reduces or eliminates any benefits from its present policies of economic reform. In addition, a substantial portion of productive assets in the PRC remains government-owned. For instance, all lands are state owned and leased to business entities or individuals through governmental granting of state-owned land use rights. The granting process is typically based on government policies at the time of granting, which could be lengthy and complex. The government of the PRC also exercises significant control over its economic growth through the allocation of resources, controlling payment of foreign currency and providing preferential treatment to particular industries or companies. Uncertainties may arise with changing of governmental policies and measures. In addition, changes in laws and regulations, or their interpretation, or the imposition of confiscatory taxation, restrictions on currency conversion, imports and sources of supply, devaluations of currency, the nationalization or other expropriation of private enterprises, as well as adverse changes in the political, economic or social conditions in the PRC, could have a material adverse effect on our business, results of operations and financial condition.

Price controls may affect both our revenues and net income.

The laws of the PRC provide the government broad power to fix and adjust prices. Although the sale of educational materials over the Internet is not presently subject to price controls, we cannot give you any assurance that they will not be subject to controls in the future. To the extent that we are subject to price control, our revenue, gross profit, gross margin and net income will be affected since the revenue we derive from our services will be limited and we may face no limitation on our costs. As a result, we may not be able to pass on to our students any increases in costs we incur, or any increases in the costs of our faculty. Further, if price controls affect both our revenue and our costs, our ability to be profitable and the extent of our profitability will be effectively subject to determination by the applicable PRC regulatory authorities.

Our operations may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to the market-oriented economies of most developed countries.

The economy of the PRC has historically been a nationalistic, “planned economy,” meaning it functions and produces according to governmental plans and pre-set targets or quotas. In certain aspects, the PRC’s economy has been making a transition to a more market-oriented economy, although the government imposes price controls on certain products and in certain industries. However, we cannot predict the future direction of these economic reforms or the effects these measures may have. The economy of the PRC also differs from the economies of most developed countries including with respect to the amount of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the economy of the PRC were similar to those of other developed countries.

Because most of our officers and directors reside outside of the United States, it may be difficult for you to enforce your rights against them or enforce United States court judgments against them in the PRC.

Most of our directors and our executive officers reside in the PRC and all of our assets are located in the PRC. It may therefore be difficult for United States investors to enforce their legal rights, to effect service of process upon our directors or officers or to enforce judgments of United States courts predicated upon civil liabilities and criminal penalties of our directors and officers under federal securities laws. Further, it is unclear if extradition treaties now in effect between the United States and the PRC would permit effective enforcement of criminal penalties of the federal securities laws.

We may have limited legal recourse under PRC law if disputes arise under contracts with third parties.

All of our agreements, which are made by our PRC subsidiaries, are governed by the laws of the PRC. The PRC legal system is a civil law system based on written statutes. Accordingly decided legal cases have little precedential value. The government of the PRC has enacted some laws and regulations dealing with matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, these laws are relatively new and their experience in implementing, interpreting and enforcing these laws and regulations is limited. Therefore, our ability to enforce commercial claims or to resolve commercial disputes may be uncertain. The resolution of these matters may be subject to the exercise of considerable discretion by the parties charged with enforcement of the applicable laws. Any rights we may have to specific performance or to seek an injunction under PRC law may be limited, and without a means of recourse, we may be unable to prevent these situations from occurring. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations.

Because we may not be able to obtain business insurance in the PRC, we may not be protected from risks that are customarily covered by insurance in the United States.

Business insurance is not readily available in the PRC. To the extent that we suffer a loss of a type, which would normally be covered by insurance in the United States, such as product liability and general liability insurance, we would incur significant expenses in both defending any action and in paying any claims that result from a settlement or judgment.

Because our funds are held in banks, which do not provide insurance, the failure of any bank in which we deposit our funds could affect our ability to continue in business.

Banks and other financial institutions in the PRC do not provide insurance for funds held on deposit. As a result, in the event of a bank failure, we may not have access to funds on deposit. Depending upon the amount of money we maintain in a bank that fails, our inability to have access to our cash could impair our operations, and, if we are not able to access funds to pay our suppliers, employees and other creditors, we may be unable to continue in business.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Foreign companies, including some that may compete with us, are not subject to these prohibitions. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in the PRC. We can make no assurance, however, that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in the exchange rate could have a material adverse effect upon our business.

We conduct our business in the Renminbi. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade old policy of pegging its currency to the U.S. currency. Under the current policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an approximately 26% appreciation of the Renminbi against the U.S. dollar between July 21, 2005 and May 10, 2011. However, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the RMB against the U.S. dollar. To the extent our future revenues are denominated in currencies other the United States dollars, we would be subject to increased risks relating to foreign currency exchange rate fluctuations which could have a material adverse effect on our financial condition and operating results since our operating results are reported in United States dollars and significant changes in the exchange rate could materially impact our reported earnings.

Recent recalls of PRC products may affect the market for our stock.

Although we do not sell consumer products in the international market, the recent recalls of PRC products in the United States and elsewhere could affect the market for our stock by causing investors to invest in companies that are not based on the PRC.

Certain of our stockholders control a significant amount of our Common Stock.

Our chief executive officer, Mr. Xiqun Yu, owns approximately 40% of our outstanding Common Stock. Depending on the circumstances, Mr. Yu presently may have the voting power from the Common Stock he owns to elect all of the directors and approve any transaction requiring stockholder approval.

Risks Associated with Investing in our Common Stock

The rights of the holders of Common Stock may be impaired by the potential issuance of preferred stock.

Our board of directors has the right, without stockholder approval, to issue preferred stock with voting, dividend, conversion, liquidation or other rights which could adversely affect the voting power and equity interest of the holders of Common Stock, which could be issued with the right to more than one vote per share, could be utilized as a method of discouraging, delaying or preventing a change of control. The possible impact on takeover attempts could adversely affect the price of our Common Stock. Although we have no present intention to issue any additional shares of preferred stock or to create any new series of preferred stock, we may issue such shares in the future.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and operating results and stockholders could lose confidence in our financial reporting.

Internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our operating results could be harmed. Under the current SEC regulations, we are required to include a management report on internal controls over financial reporting beginning with our Form 10-K annual report for the year ended December 31, 2008, and we will be required to include an auditor's report on internal controls over financial reporting for the year ended December 31, 2011. Failure to achieve and maintain an effective internal control environment, regardless of whether we are required to maintain such controls, could also cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price. Although we are not aware of anything that would impact our ability to maintain effective internal controls, we have not obtained an independent audit of our internal controls, and, as a result, we are not aware of any deficiencies, which would result from such an audit. Further, at such time as we are required to comply with the internal controls requirements of Sarbanes Oxley, we may incur significant expenses in having our internal controls audited and in implementing any changes that are required.

Because of our cash requirements and potential government restrictions, we may be unable to pay dividends.

Payment of dividends to our shareholders would require payment of dividends by our PRC subsidiaries to us. This, in turn, would require a conversion of Renminbi into US dollars and repatriation of funds to the United States. Although our subsidiaries' classification as wholly-owned foreign enterprises under PRC law permits them to declare dividends and repatriate their funds to us in the United States, any change in this status or the regulations permitting such repatriation could prevent them from doing so. Any inability to repatriate funds to us would in turn prevent payments of dividends to our shareholders.

Our stock price may be affected by our failure to meet projections and estimates of earnings developed either by us or by independent securities analysts.

Although we do not make projections relating to our future operating results, our operating results may fall below the expectations of securities analysts and investors. In this event, the market price of our Common Stock would likely be materially adversely affected.

Our stock price may be affected by litigation proceedings brought against the Company.

We are presently involved in a class action lawsuit and if we were to be subsequently involved in more litigation proceedings, and/or we are unable to settle this lawsuit or other similar lawsuits on terms favorable to us and/or if adverse judgments were to be levied against us, our profitability could be severely impacted. Also, this class action suit against us could result in substantial costs, potential liabilities and the diversion of management's attention and resources and result in a material adverse effect on our financial condition and results of operations.

The registration and potential sale, either pursuant to a prospectus or pursuant to Rule 144, by certain of our selling stockholders of a significant number of shares could encourage short sales by third parties.

There may be significant downward pressure on our stock price caused by the sale or potential sale of a significant number of shares by certain of our selling stockholders pursuant to a prospectus or pursuant to Rule 144, which could allow short sellers of our stock an opportunity to take advantage of any decrease in the value of our stock. The presence of short sellers in our Common Stock may further depress the price of our Common Stock.

If the selling stockholders sell a significant number of shares of Common Stock, the market price of our Common Stock may decline. Furthermore, the sale or potential sale of the offered shares pursuant to a prospectus and the depressive effect of such sales or potential sales could make it difficult for us to raise funds from other sources.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved).

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

Exhibit No.	Title of Document
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Principal Executive Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2	Certification of the Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document**
101.SCH	XBRL Schema Document**
101.CAL	XBRL Calculation Linkbase Document**
101.LAB	XBRL Label Linkbase Document**
101.PRE	XBRL Presentation Linkbase Document**
101. DEF	XBRL Definition Linkbase Document**

* The Exhibit attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

** Attached as Exhibit 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements tagged as blocks of text. The XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed "filed" or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	CHINA EDUCATION ALLIANCE, INC.	
Date: August 16, 2011	By:	/s/ Xiqun Yu Xiqun Yu Chief Executive Officer and President (Principal Executive Officer)
Date: August 16, 2011	By:	/s/ Alice Lee Rogers Alice Lee Rogers Chief Financial Officer (Principal Financial Officer)

) such Acquisition Proposal constitutes a Superior Proposal or (ii) there is a reasonable likelihood that such Acquisition Proposal will result in a Superior Proposal. In addition, notwithstanding anything in the foregoing to the contrary, prior to the Acceptance Date the Company may render inapplicable, exempt or take action to render inapplicable or exempt any third party from any standstill arrangement or the provisions of any Takeover Statute if and only to the extent that the board of directors of the Company determines in good faith after consultation with outside legal counsel that failure to take such action would be inconsistent with the directors fiduciary duties under applicable Law.

(b) *Definitions*. For purposes of this Agreement:

Acquisition Proposal means (i) any proposal or offer with respect to a merger, joint venture, partnership, consolidation, dissolution, liquidation, tender offer, recapitalization, reorganization, share exchange, business combination or similar transaction or (ii) any other direct or indirect acquisition, in the case of clause (i) or (ii), involving 15% or more of the total voting power or of any class of equity securities of the Company, or 15% or more of the consolidated total assets (including equity securities of its Subsidiaries) of the Company, in each case other than the transactions contemplated by this Agreement.

Superior Proposal means an unsolicited bona fide Acquisition Proposal involving more than 50% of the assets (on a consolidated basis) or total voting power of the equity securities of the Company that the board of directors of the Company has determined in its good faith judgment (after consultation with its financial advisor and outside legal counsel) is reasonably likely to be consummated, taking into account all legal, financial, regulatory, timing and other aspects of the proposal and the Person making the proposal, and would, if consummated, result in a transaction superior to the Company than the transactions contemplated by this Agreement.

(c) *No Change in Recommendation or Alternative Acquisition Agreement*. The board of directors of the Company shall not:

(i) withhold, withdraw, qualify or modify (or publicly propose or resolve to withhold, withdraw, qualify or modify), in a manner adverse to Parent, the Company Board Recommendation; or

(ii) approve or recommend, or publicly propose to approve or recommend, an Acquisition Proposal or cause or permit the Company to enter into any acquisition agreement, merger agreement, letter of intent or other similar agreement relating to an Acquisition Proposal or enter into any agreement requiring the Company to abandon, terminate or fail to consummate the transactions contemplated hereby or resolve, propose or agree to do any of the foregoing.

Notwithstanding anything to the contrary set forth in this *Section 6.2(c)*, prior to, but not after, the Acceptance Date, if the Company receives an Acquisition Proposal which the board of directors of the Company concludes in good faith after consultation with outside legal counsel and its financial advisors constitutes a Superior Proposal after giving effect to all of the adjustments to the terms of this Agreement which may be offered by Parent including pursuant to this *Section 6.2(c)*, the board of directors of the Company may at any time prior to the Acceptance Date, if it determines in good faith, after consultation with outside counsel, that failure to do so would be inconsistent with its fiduciary duties under applicable Laws, (x) withhold, withdraw or qualify or modify, or propose publicly to withhold, withdraw, qualify or modify, in a manner adverse to Parent or Merger Sub, the Company Recommendation (a *Change in Recommendation*) and/or (y) terminate this Agreement to enter into a definitive agreement with respect to such Superior Proposal; *provided* that the Company shall not terminate this Agreement pursuant to the foregoing clause (y), and any purported termination pursuant to the foregoing clause (y) shall be void and of no force or effect, unless in advance of or concurrently with such termination the Company pays the Termination Fee, as required by *Section 8.5(b)*; and *provided*, further that the board of directors of the Company may not withdraw, modify or amend the Company Board Recommendation in a manner adverse to Parent pursuant to the foregoing clause (x) or terminate this Agreement pursuant to the foregoing clause (y) unless (A) the Company shall not have breached this *Section 6.2* with respect to such Superior Proposal and (B) the Company shall have provided prior written notice to Parent, at least five business days (or three business days in the event of each subsequent material revision to such Superior Proposal) in advance (the *Notice Period*), of its intention to take such action with respect to such Superior Proposal, which notice shall specify the material terms and conditions of any such Superior Proposal (including the identity of the party making such Superior Proposal), and, if available, shall have contemporaneously provided a copy of the proposed definitive transaction agreement with the party making such Superior Proposal and other material related documents (the *Alternative Acquisition Agreement*); and (C) prior to effecting such Change of Board Recommendation or terminating this Agreement to enter into a definitive agreement with respect to such Superior Proposal, the Company shall, and shall cause its financial and legal advisors to, during the Notice Period, negotiate with Parent in good faith (to the extent Parent desires to negotiate) to make such adjustments in the terms and conditions of this Agreement so that such Acquisition Proposal ceases to constitute a Superior Proposal. In the event of any material revisions to the Superior Proposal, the Company shall be required to deliver a new written notice to Parent and to comply with the requirements of this *Section 6.2(c)* with respect to such new written notice.

(d) *Certain Permitted Disclosure*. Nothing contained in this *Section 6.2* shall be deemed to prohibit the Company or the board of directors of the Company from complying with its disclosure obligations under U.S. federal or state Law with regard to an Acquisition Proposal, including taking and disclosing to its shareholders a position contemplated by Rule 14d-9 and Rule 14e-2(a) promulgated under the Exchange Act (or any similar communication to shareholders with respect thereto), provided that any disclosure other than a stop-look-and-listen communication to the shareholders of the Company pursuant to Rule 14d-9(f) promulgated under the Exchange Act (or any similar communications to the shareholders of the Company) shall be deemed to be a *Change in Recommendation* unless the Company s board (i) expressly rejects the applicable Acquisition Proposal or (ii) expressly reaffirms its recommendation to its shareholders in favor of the Offer and the Merger.

(e) *Notice*. The Company agrees that, in addition to the other obligations of the Company set forth in this *Section 6.2,* it will promptly notify Parent orally and in writing of its receipt of any Acquisition Proposal by indicating, in connection with such notice, the material terms and conditions thereof and the identity of the Person making any such Acquisition Proposal, and thereafter shall keep Parent reasonably informed, on a prompt basis, of the status and terms of any such Acquisition Proposal (including any amendments thereto).

(f) *Breaches by Representatives*. The Company agrees that any material violation of the restrictions set forth in this *Section 6.2* by any of its Representatives shall be deemed to be a breach of this *Section 6.2* by the Company.

6.3. *Proxy Statement*. If approval of the Merger by the Company s shareholders is required under applicable Laws, the Company shall prepare and file the Proxy Statement in preliminary form with the SEC as promptly as

Table of Contents

practicable after the Expiration Date. The Company will provide to Parent a reasonable opportunity to review and comment upon the Proxy Statement, or any amendments or supplements thereto, prior to filing the same with the SEC. The Company agrees, as to itself and its Subsidiaries, that at the date of mailing to shareholders of the Company and at the time of the Shareholders Meeting, (a) the Proxy Statement will comply in all material respects with the applicable provisions of the Exchange Act and the rules and regulations thereunder and (b) none of the information supplied by it or any of its Subsidiaries for inclusion or incorporation by reference in the Proxy Statement will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

6.4. *Shareholders Meeting*. In the event that the approval of the Company s shareholders is required by Law, the Company, acting through its board of directors, shall take, in accordance with applicable Law and its articles of incorporation and bylaws, all reasonable action necessary to convene a meeting of holders of Shares (the *Shareholders Meeting*) as promptly as reasonably practicable following the consummation or expiration of the Offer. At the Shareholder Meeting, Parent will cause all Shares held of record by Parent or Merger Sub (or its assignees, if any) as of the applicable record date and entitled to vote thereon in favor of the approval of the Merger and the Merger Agreement. Notwithstanding the foregoing, if a Short Form Merger may be effected in accordance with *Section 1.4* and Section 23-1-40-4 of the IBCL, the parties hereto agree to take all necessary and appropriate action to cause the Merger to become effective on the dates specified in *Section 1.3* without a Shareholders Meeting, in accordance with Section 23-1-40-4 of the IBCL.

6.5. *Filings; Other Actions; Notification*.

(a) *Proxy Statement*. If applicable, the Company shall as soon as reasonably practicable notify Parent of the receipt of all comments of the SEC with respect to the Proxy Statement and of any request by the SEC for any amendment or supplement thereto or for additional information and shall as soon as reasonably practicable provide to Parent copies of all material correspondence between the Company and/or any of its Representatives on the one hand, and the SEC, on the other hand, with respect to the Proxy Statement. If applicable, the Company and Parent shall each use its reasonable best efforts to promptly provide responses to the SEC with respect to all comments received on the Proxy Statement by the SEC and the Company shall cause the definitive Proxy Statement to be mailed promptly after the date the SEC staff advises that it has no further comments thereon or that the Company may commence mailing the Proxy Statement. Subject to applicable Laws, the Company and Parent (with respect to itself and Merger Sub) each shall, upon request by the other, furnish the other with all information concerning itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with the Proxy Statement or any other statement, filing, notice or application made by or on behalf of Parent, the Company or any of their respective Subsidiaries to any third party and/or any Governmental Entity in connection with the Offer, the Merger and the transactions contemplated by this Agreement.

(b) *Cooperation*. Subject to the terms and conditions set forth in this Agreement, the Company and Parent shall cooperate with each other and use (and shall cause their respective Subsidiaries to use) their respective reasonable best efforts to take or cause to be taken all actions, and do or cause to be done all things reasonably necessary, proper or advisable on its part under this Agreement and applicable Laws to consummate and make effective the Offer, the Merger and the other transactions contemplated by this Agreement as soon as practicable, including preparing and filing as promptly as practicable all documentation to effect all necessary notices, reports and other filings and to obtain as promptly as practicable all consents, registrations, approvals, permits and authorizations necessary or advisable to be obtained from any third party and/or any Governmental Entity in order to consummate the Offer, the Merger or any of the other transactions contemplated by this Agreement. Without limiting the foregoing, Parent and Merger Sub shall take all reasonable actions to cause the Offer to be conducted in accordance with all applicable Laws. In connection with and without limiting the foregoing, the Company and Parent shall each file or jointly file, if applicable, or cause to be filed, promptly after June 7, 2007, any notifications, approval applications or the like required to be filed under all merger control laws with respect to the transactions contemplated hereby and Parent shall pay all filing and similar fees and related expenses payable in connection therewith. Subject to applicable Laws relating to the exchange of information, Parent and the Company shall have the right to review in advance, and to the extent practicable each will consult with the other on and consider in good faith the views of the other in connection with, all of the information relating to Parent or the Company, as the case may be, and any of their respective Subsidiaries, that appears in any filing made with, or written materials submitted to, any third party and/or any Governmental Entity in connection with the Offer, the Merger and the other transactions contemplated by this Agreement (including the Proxy Statement and material information, if any, provided to unions, works councils or other representative bodies or labor organizations). Parent shall keep the Company apprised of any material changes in its capital structure or in the relative ownership of the Guarantors. In exercising the foregoing rights, each of the Company and Parent shall act reasonably and as promptly as practicable.

(c) *Status*. Subject to applicable Laws and the instructions of any Governmental Entity, the Company and Parent each shall keep the other apprised of the status of matters relating to completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by Parent or the Company, as the case may be, or any of its Subsidiaries, from any third party and/or any Governmental Entity with respect to the Offer, the Merger and the other transactions contemplated by this Agreement. Neither the Company nor Parent shall permit any of its officers or any other Representatives to participate in any meeting with any Governmental Entity in respect of any filings, investigation or other inquiry in each case relating solely to the Offer, the Merger and the transactions contemplated hereby unless it consults with the other party in advance and, to the extent permitted by such Governmental Entity, gives the other party the opportunity to attend and participate therein.

(d) *Merger Clearance*. Subject to the terms and conditions set forth in this Agreement, without limiting the generality of the undertakings pursuant to this *Section 6.5*, Parent and the Company agree to take or cause to be taken the following actions:

(i) the prompt use of their respective reasonable best efforts to avoid the entry of any permanent, preliminary or temporary injunction or other order, decree, decision, determination or judgment that would restrain, prevent, enjoin or otherwise prohibit consummation of the transactions contemplated by this Agreement, including the proffer (and agreement) by Parent of its willingness to sell or otherwise dispose of, or hold separate pending such disposition, and promptly to effect the sale, disposal and holding separate of, such assets, categories of assets or businesses or other segments of the Company after the occurrence of the Share Purchase Date and/or Parent or either s respective Subsidiaries (in the case of the Company, after the occurrence of the Share Purchase Date) (and the entry into agreements with, and submission to orders of, the relevant federal, state, local or foreign court or Governmental Entity with jurisdiction over enforcement of any applicable antitrust or competition Laws (*Government Antitrust Entity*) giving effect thereto), if such action should be necessary to avoid, prevent, eliminate or remove the actual, anticipated or threatened (A) commencement of any administrative, judicial or other proceeding in any forum by any Government Antitrust Entity or (B) issuance of any order, decree, decision, determination or judgment that would restrain, prevent, enjoin or otherwise prohibit consummation of the Offer or the Merger by any Government Antitrust Entity; and

(ii) the prompt use of their respective reasonable best efforts, in the event that any permanent, preliminary or temporary injunction, decision, order, judgment, determination or decree is entered or issued, or becomes reasonably foreseeable or threatened to be entered or issued, in any proceeding, review or inquiry of any kind that would make consummation of the Offer or the Merger in accordance with the terms of this Agreement unlawful or that would delay, restrain, prevent, enjoin or otherwise prohibit consummation of the Offer or the Merger or the other transactions contemplated by this Agreement, to resist, vacate, modify, reverse, suspend, prevent, eliminate, avoid or remove such actual, anticipated or threatened injunction, decision, order, judgment, determination or decree so as to permit such consummation on the schedule contemplated by this Agreement.

6.6. *Access and Reports*. Subject to applicable Law, upon reasonable notice, the Company shall (and shall cause its Subsidiaries to) afford Parent s officers and other authorized Representatives reasonable access, during normal business hours throughout the period prior to the Effective Time, to its employees, properties, books, contracts and records and, during such period, the Company shall (and shall cause its Subsidiaries to) furnish promptly to Parent all information concerning its business, properties and personnel as may reasonably be requested; provided that no investigation pursuant to this Section 6.6 shall affect or be deemed to modify any representation or warranty made by the Company herein; provided further that the foregoing shall not require the Company (a) to permit any inspection, or to disclose any information, that in the reasonable judgment of the Company would result in the disclosure of any trade secrets of third parties or violate any of its obligations with respect to confidentiality if the Company shall have used reasonable best efforts to obtain the consent of such third party to such inspection or disclosure or (b) to disclose any privileged information of the Company or any of its Subsidiaries. Notwithstanding the foregoing, any such investigation or consultation shall be conducted in such a manner as not to interfere unreasonably with the business or operations of the Company or its Subsidiaries or otherwise result in any significant interference with the prompt and timely discharge by such employees of their normal duties. All requests for information made pursuant to this Section 6.6 shall be directed to the individual or other Person designated by the Company. All such information shall be governed by the terms of the Confidentiality Agreement.

6.7. *Stock Exchange De-listing*. After the date hereof and prior to the Acceptance Date, the Company shall use reasonable best efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable Laws and rules and policies of the NASDAQ and the other exchanges on which the common stock of the Company is listed to maintain the Company s listing thereon. Prior to the Closing Date, the Company shall cooperate with Parent and use reasonable best efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under applicable Laws and rules and policies of the NASDAQ and the other exchanges on which the common stock of the Company is listed to enable the delisting by the Surviving Corporation of the Shares from the NASDAQ and the other exchanges on which the common stock of the Company is listed and the deregistration of the Shares under the Exchange Act as promptly as practicable after the Effective Time.

6.8. *Publicity*. The initial press release announcing the execution of this Agreement shall be a joint press release and thereafter, the Company and Parent each shall use reasonable efforts under the circumstances to cooperate with each other prior to issuing any press releases or otherwise making public announcements with respect to the transactions contemplated by this Agreement and prior to making any filings with any third party and/or any Governmental Entity (including any national securities exchange or interdealer quotation service) with respect thereto, except as may be required by Law or by obligations pursuant to any listing agreement with or rules of any national securities exchange or interdealer quotation service or by the request of any Government Entity.

6.9. *Employee Benefits*.

(a) Parent agrees that, during the period commencing at the earlier of the Acceptance Date and the Effective Time and ending on the second December 31 following the earlier of the Acceptance Date and the Effective Time, the Employees of the Company as of the Acceptance Date (the *Current Employees*) will be provided with (i) base salary and bonus opportunities (including annual and quarterly bonus opportunities and long-term incentive opportunities) which are no less than the base salary and bonus opportunities provided by the Company and its Subsidiaries immediately prior to the earlier of the Acceptance Date and the Effective Time, (ii) pension and welfare benefits and perquisites (excluding equity and equity-based benefits) that are no less favorable in the aggregate than those provided by the Company and its Subsidiaries immediately prior to the earlier of the Acceptance Date and the Effective Time and (iii) severance benefits that are no less favorable than those set forth in the Company s separation pay plan in effect on Original Date and provided to Parent.

(b) Parent will cause any employee benefit plans of Parent or the Surviving Corporation which the Current Employees are entitled to participate in from and after the earlier of the Acceptance Date and the Effective Time to take into account for purposes of eligibility, vesting and benefit accrual thereunder, service by the Current Employees with the Company or any of its Subsidiaries prior to the Effective Time as if such service were with Parent, to the same extent such service was credited under a comparable plan of the Company or any of its Subsidiaries prior to the earlier of the Acceptance Date and the Effective Time (except to the extent it would result in a duplication of benefits).

(c) Parent shall, and shall cause the Surviving Corporation and any successor thereto to honor, fulfill and discharge the Company s and its Subsidiaries obligations under the agreements identified in *Section 6.9(c)* of the Company Disclosure Schedule.

(d) This *Section 6.9* shall be binding upon and inure solely to the benefit of each of the parties to this Agreement, and nothing in this *Section 6.9*, expressed or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this *Section 6.9*. Nothing in this *Section 6.9* is intended to amend any Benefit Plan, or interfere with Parent s or the Surviving Corporation s right from and after the Effective Time to amend or terminate any Benefit Plan or the employment or provision of services by any director, employee, independent contractor or consultant.

(e) Parent hereby acknowledges that a change in control or change of control within the meaning of each Benefit Plan will occur upon the earlier of the Acceptance Date or the Effective Time.

6.10. *Expenses*. The Surviving Corporation shall pay the fees of the Paying Agent in connection with the transactions contemplated in ARTICLE IV. Whether or not the Offer or the Merger is consummated, except as expressly contemplated by this Agreement (including, without limitation, *Section 8.5*), all costs and expenses incurred in connection with this Agreement and the Offer, the Merger and the other transactions contemplated by this Agreement shall be paid by the party incurring such expense.

6.11. *Indemnification; Directors and Officers Insurance*.

(a) From and after the earlier of the Acceptance Date and the Effective Time, Parent shall cause the Surviving Corporation to indemnify and hold harmless, to the fullest extent permitted under applicable Law (and Parent shall cause the Surviving Corporation to also advance expenses as incurred to the fullest extent permitted under applicable Law, *provided* that the Person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such Person is not entitled to indemnification), each present and former director and officer of the Company and its Subsidiaries (collectively, the *Indemnified Parties*) against any costs or expenses (including reasonable attorneys fees), judgments, fines, losses, claims, damages or liabilities (collectively, *Costs*) incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such Indemnified Parties service as a director or officer of the Company or its Subsidiaries or services performed by such persons at the request of the Company or its Subsidiaries at or prior to the earlier of the Acceptance Date and the Effective Time, whether asserted or claimed prior to, at or after the earlier of the Acceptance Date and the Effective Time, including the transactions contemplated by this Agreement.

(b) Prior to the earlier of the Acceptance Date and the Effective Time, Parent shall, or shall cause the Surviving Corporation to, as of the earlier of the Acceptance Date and the Effective Time, obtain and fully pay the premium for the extension of (i) the Side A coverage part (directors and officers liability) of the Company s existing directors and officers insurance policies, and (ii) the Company s existing fiduciary liability insurance policies, in each case for a claims reporting or discovery period of at least six years from and after the earlier of the Acceptance Date and the Effective Time from an insurance carrier with the same or better credit rating as the Company s current insurance carrier with respect to directors and officers liability insurance and fiduciary liability insurance (collectively, *D&O Insurance*) with terms, conditions, retentions and limits of liability that are at least as favorable as the Company s existing policies with respect to any actual or alleged error, misstatement, misleading statement, act, omission, neglect, breach of duty or any matter claimed against a director or officer of the Company or any of its Subsidiaries by reason of him or her serving in such capacity that existed or occurred at or prior to the earlier of the Acceptance Date and the Effective Time (including in connection with this Agreement or the transactions or actions contemplated hereby). If Parent and the Surviving Corporation for any reason fail to obtain such tail insurance policies as of the earlier of the Acceptance Date and the Effective Time, there shall be no breach of this provision so long as the Surviving Corporation shall, and Parent shall cause the Surviving Corporation to, continue to maintain in effect for a period of at least six years from and after the earlier of the Acceptance Date and the Effective Time the D&O Insurance in place as of Original Date with terms, conditions, retentions and limits of liability that are at least as favorable to the Company s directors and officers as provided in the Company s existing policies as of Original Date, or the Surviving Corporation shall, and Parent shall cause the Surviving Corporation to, use reasonable best efforts to purchase comparable D&O Insurance for such six-year period with terms, conditions, retentions and limits of liability that are at least as favorable to the Company s directors and officers as provided in the Company s existing policies as of Original Date; *provided* that in no event shall the Surviving Corporation be required to expend for such policies an annual premium amount in excess of 300% of the annual premiums currently paid by the Company for such insurance; *provided further* that if the annual premiums of such insurance coverage exceed such amount, the Surviving Corporation shall obtain a policy with the greatest coverage available for a cost not exceeding such amount.

(c) If the Surviving Corporation or any of its successors or assigns (i) shall consolidate with or merge into any other corporation or entity and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any individual, corporation or other entity, then, and in each such case, proper provisions shall be made so that the successors and assigns of the Surviving Corporation shall assume all of the obligations set forth in this *Section 6.11*.

(d) The provisions of this *Section 6.11* are intended to be for the benefit of, and shall be enforceable by, each of the Indemnified Parties.

(e) The rights of the Indemnified Parties under this *Section 6.11* shall be in addition to any rights such Indemnified Parties may have under the articles of incorporation or bylaws of the Company or any of its Subsidiaries, or under any applicable Contracts or Laws.

6.12. *Takeover Statutes*. If any Takeover Statute is or may become applicable to the Offer, the Merger or the other transactions contemplated by this Agreement, the Company and its board of directors shall grant such approvals and take such actions as are necessary so that such transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise act to eliminate or minimize the effects of such statute or regulation on such transactions.

6.13. *Financing*.

(a) Parent shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable to arrange the Debt Financing as promptly as practicable on the terms and conditions described in the Debt Financing Commitment (provided that Parent and Merger Sub may replace or amend the Debt Financing Commitment to add lenders, lead arrangers, bookrunners, syndication agents or similar entities which had not executed the Debt Financing Commitment as of June 7, 2007, or otherwise so long as such replacement or amendment would not adversely impact or delay in any material respect the ability of Parent or Merger Sub to consummate the transactions contemplated hereby or the likelihood of the consummation of the transactions contemplated hereby), including using reasonable best efforts to (i) maintain in effect the Debt Financing Commitment, subject to the foregoing replacement and amendment rights, (ii) satisfy on a timely basis all conditions applicable to Parent and Merger Sub to obtaining the Debt Financing set forth in the Debt Financing Commitment that are within their control (including by consummating the financing pursuant to the terms of the Equity Financing Commitments and by assisting in the syndication or marketing of the financing contemplated by the Debt Financing Commitment) and (iii) enter into definitive agreements with respect thereto on the terms and conditions contemplated by the Debt Financing Commitment or on other terms reasonably acceptable to Parent that would not adversely impact in any material respect the ability of Parent or Merger Sub to consummate the transactions contemplated hereby. Subject to the terms and conditions contained herein and the satisfaction of the conditions set forth in *Annex A*, at the Share Purchase Date, Parent shall draw down on the Offer Financing if the conditions in the Debt Financing Commitment relating to the initial funding of the Offer Financing are then satisfied (other than, in connection with the Debt Financing, the availability of funding of any of the Equity Commitments). Subject to the terms and conditions contained herein and the satisfaction of the conditions set forth in *Section 7.1*, at the Effective Date, Parent shall draw down on the Debt Financing if the applicable conditions in the Debt Financing Commitment are then satisfied. Without limiting Parent s obligations under this *Section 6.13*, if any portion of the Debt Financing becomes unavailable on the terms and conditions contemplated in the Debt Financing Commitment, Parent shall use its reasonable best efforts to arrange to obtain alternative financing from alternative sources on terms not materially less beneficial to Parent and Merger Sub in an amount sufficient to consummate the transactions contemplated by this Agreement as promptly as practicable following the occurrence of such event. Parent shall give the Company prompt notice of any material breach by any party to the Financing Commitments of which Parent or Merger Sub becomes aware, or any termination of the Financing Commitments. Parent shall keep the Company informed on a reasonably current basis of the status of its efforts to arrange the Debt Financing and provide copies of all documents related to the Debt Financing (other than any ancillary documents subject to confidentiality agreements) to the Company.

(b) Prior to the Closing, the Company shall provide to Parent and Merger Sub, and shall cause its Subsidiaries to, and shall use its reasonable best efforts to cause the respective officers, employees and advisors, including legal and accounting, of the Company and its Subsidiaries to, provide to Parent and Merger Sub all cooperation reasonably requested in writing by Parent that is reasonably necessary or customary in connection with the Financing (provided that such requested cooperation does not unreasonably interfere with the business or operations of the Company and its Subsidiaries), including (i) participating in a reasonable number of meetings, presentations, road shows, due diligence sessions and sessions with rating agencies, (ii) using commercially reasonable efforts to assist with the preparation of materials for rating agency presentations, offering documents, private placement memoranda, bank information memoranda, prospectuses and similar documents necessary or customary in connection with the Financing, (iii) using commercially reasonable best efforts to furnish Parent and Merger Sub as promptly as reasonably practicable with financial and other pertinent information regarding the Company and its Subsidiaries as may be reasonably requested by Parent in connection with the Debt Financing and customarily included in private placement memoranda relating to private placements under Rule 144A promulgated under the Securities Act to consummate the offering(s) of debt securities contemplated by the Debt Financing Commitments at the time during the Company s fiscal year such offering(s) will be made as soon as such financial and other information becomes available, including all financial statements and financial data of the type required by Regulation S-X and Regulation S-K under the Securities Act (other than Rule 3-10 of Regulation S-X and summary quarterly financial information and without giving effect to the executive compensation and related person disclosure rules related to SEC Release Nos. 33-8732A; 34-54302A; IC-27444A), including audits thereof to the extent so required (which audits shall be unqualified) (all such information in this clause (iii), the *Required Information*), (iv) using reasonable best efforts to assist Parent in procuring accountants comfort letters and consents, legal opinions, surveys and title insurance and other customary documentation required by the Debt Financing Commitments, in each case as reasonably requested by Parent and, if reasonably requested by Parent or Merger Sub, to cooperate with and assist Parent or Merger Sub in obtaining such documentation and items, (v) using commercially reasonable efforts to provide monthly financial statements (excluding footnotes) within the time frame, and to the extent, the Company prepares such financial statements in the ordinary course of business, (vi) using reasonable best efforts to assist Parent in procuring the execution and delivery, as of the Effective Time, by the officers of the Surviving Corporation and its Subsidiaries of any customary pledge and security documents, other definitive financing documents, or other certificates, legal opinions or documents as may be reasonably requested by Parent (including a certificate of the Chief Financial Officer of the Surviving Corporation or any Subsidiary with respect to solvency matters) and otherwise reasonably facilitating, to the extent reasonably requested by Parent, the pledging of collateral (including cooperation, to the extent reasonably requested by Parent, in connection with the pay-off of existing indebtedness and the release of related Liens), (vii) taking all actions to the extent reasonably requested by Parent necessary to (A) permit the prospective lenders involved in the Financing to evaluate the Company s current assets, cash management and accounting systems, policies and procedures relating thereto for the purposes of establishing collateral arrangements and (B) establish bank and other accounts and blocked account agreements and lock box arrangements in connection with the foregoing, and (viii) taking all corporate actions, subject to the occurrence of the Closing, reasonably requested by Parent in connection with the consummation of the Debt Financing by Surviving Corporation and its Subsidiaries immediately following the Effective Time; *provided* that none of the Company or any of its Subsidiaries shall be required to pay any commitment or other similar fee or incur any other cost or expense that is not simultaneously reimbursed by Parent in connection with the Debt Financing prior to the Effective Time. Parent shall, promptly upon request by the Company, reimburse the Company for all reasonable documented out of pocket costs and expenses incurred by the Company or its Subsidiaries in connection with such cooperation and shall indemnify and hold harmless the Company, its Subsidiaries and their respective Representatives from and against any and all liabilities, losses, damages, claims, expenses, interest, judgments and penalties suffered or incurred by them in connection with the arrangement of the Debt Financing and any information utilized in connection therewith (other than information provided by the Company or the Subsidiaries in accordance with the terms hereof).

(c) For purposes of this Agreement, *Marketing Period* shall mean the first period of 20 consecutive days after the Initiation Date (A) throughout and on the last day of which (1) Parent and its Financing sources shall have the Required Information and (2) nothing has occurred and no condition exists that would cause any of the conditions set forth in clauses (c) and (d) of *Annex A* to fail to be satisfied assuming such conditions were applicable any time during such 20-consecutive-day period, and (B) throughout and on the last day of which the conditions set forth in *Section 7.1* shall be satisfied; *provided* that (w) the Marketing Period shall end on any earlier date that is the date on which the Debt Financing to be drawn on the Closing Date is consummated; (x) the Marketing Period occurs either entirely before or entirely after the period from August 17 through September 3, 2007; (y) the Marketing Period shall not be deemed to have commenced if, prior to the completion of the Marketing Period, (A) Ernst & Young LLP shall have withdrawn its audit opinion with respect to any financial statements contained in the Required Financial Information, in which case the Marketing Period will not be deemed to commence at the earliest unless and until a new unqualified audit opinion is issued with respect to the consolidated financial statements for the applicable periods by Ernst & Young LLP or another independent registered accounting firm reasonably acceptable to Parent, (B) the Company shall have announced any intention to restate any of its financial information included in the Required Information or that any such restatement is under consideration or may be a possibility, in which case the Marketing Period will not be deemed to commence at the earliest unless and until such restatement has been completed and the Company s SEC Reports have been amended or the Company has announced that it has concluded that no restatement shall be required in accordance with GAAP, (C) the Company shall have been delinquent in filing any report with the SEC, in which case the Marketing Period will not be deemed to commence at the earliest unless and until all such delinquencies have been cured or (D) if the Company has received any material accounting comments from the staff of the SEC on its Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q, as such may be amended, the Marketing Period will be deemed not to commence at the earliest unless and until all such material accounting comments have been satisfactorily resolved with the SEC staff; and (z) if the financial statements included in the Required Information that is available to Parent on the first day of any such 20-consecutive-day period would not be sufficiently current on any day during such 20-consecutive-day period to permit (i) a registration statement using such financial statements to be declared effective by the SEC on the last day of the 20-consecutive-day period or (ii) the Company s independent registered accounting firm to issue a customary comfort letter to purchasers (in accordance with its normal practices and procedures) on the last day of the 20-consecutive-day period, then a new 20-consecutive-day period shall commence upon Parent receiving updated Required Information that would be sufficiently current to permit the actions described in (i) and (ii) on the last day of such 20-consecutive-day period.

(d) For purposes of this Agreement, *Initiation Date* shall mean the first to occur of (A) the requirements to consummate a Short Form Merger having been met and (B) the condition set forth in Section 7.1(a) having been met. Nothing contained in this Agreement shall prohibit Parent or Merger Sub from entering into agreements relating to the Financing or the operation of Parent or Merger Sub, including adding other equity providers or operating partners.

(e) All non-public or otherwise confidential information regarding the Company or any of its Subsidiaries obtained by Parent, Merger Sub or their Representatives pursuant to this *Section 6.13* shall be kept confidential in accordance with the Confidentiality Agreement.

6.14. *Shareholder Litigation*. In the event that any shareholder litigation related to this Agreement or the Offer, the Merger and the other transactions contemplated by this Agreement is brought, or, to the knowledge of the Company, threatened, against the Company and/or the members of the board of directors of the Company prior to the Acceptance Date, notwithstanding *Section 6.1(a)(K)*, the Company shall have the right to control the defense of such litigation; provided that the Company shall not settle any such litigation without the written consent of Parent (such consent not to be unreasonably withheld or delayed). The Company shall promptly notify Parent of any such shareholder litigation brought, or threatened, against the Company and/or members of the board of directors of the Company and keep Parent reasonably informed with respect to the status thereof.

6.15. *Director Resignations*. The Company shall cause to be delivered to Parent resignations of all the directors of the Company and its Subsidiaries (except to the extent agreed by Parent and the applicable member of the Company s Board of Directors) to be effective (subject to *Section 1A.3*) upon the earlier of the Share Purchase Date and the consummation of the Merger.

6.16. *Rule 16b-3*. Prior to the Acceptance Date, the Company may approve in accordance with the procedures set forth in Rule 16b-3 promulgated under the Exchange Act and the Skadden, Arps, Slate, Meagher & Flom LLP SEC No-Action Letter (January 12, 1999) any dispositions of equity securities of the Company (including derivative securities with respect to equity securities of the Company) resulting from the transactions contemplated by this Agreement by each officer or director of the Company who is subject to Section 16 of the Exchange Act with respect to equity securities of the Company.

6.17. *Voting Agreement*. To the extent that Parent or Merger Sub enters into any voting agreement with any Person obligating such Person to vote Shares owned by it in favor of Merger, as promptly as practicable following the request of Parent the Company shall give stop transfer instructions to the transfer agent for the Shares subject to such voting agreement to the extent specified in such voting agreement and to the extent such Shares to be voted pursuant to the terms of such voting agreement are held of record by the parties to the voting agreement and otherwise to the extent practicable in accordance with the procedures of the transfer agent.

ARTICLE VII

Conditions

7.1. *Conditions to Each Party s Obligation to Effect the Merger*. The respective obligation of each party to effect the Merger is subject to the satisfaction or waiver at or prior to the Effective Time of only the following conditions:

(a) *Shareholder Approval*. Unless the Merger is consummated pursuant to Section 23-1-40-4 of the IBCL, this Agreement shall have been duly approved by holders of Shares constituting the Requisite Company Vote in accordance with applicable Law and the articles of incorporation and bylaws of the Company.

(b) *Injunction*. No temporary restraining order, preliminary or permanent injunction or other judgment or order issued by any court or agency of competent jurisdiction or other Law, rule, legal restraint or prohibition (collectively, *Restraints*) shall be in effect preventing, restraining or rendering illegal the consummation of the Merger.

(c) *Offer*. Merger Sub shall have accepted for purchase the Shares tendered pursuant to the Offer in accordance with the terms hereof and thereof.

7.2. *Conditions to the Obligations of Parent and Merger Sub to Effect the Merger*. The obligations of each of Parent and Merger Sub to effect the Merger are subject to the satisfaction or waiver at or prior to the Effective Time of the following condition:

(a) *Marketing Period*. The Marketing Period shall have been completed; provided, however, that Parent and Merger Sub may not rely on this condition if the failure of the Marketing Period to have been completed is due to Parent or Merger Sub s failure to comply with its obligations under this Agreement.

ARTICLE VIII

Termination

8.1. *Termination by Mutual Consent*. This Agreement may be terminated and the Offer and the Merger may be abandoned at any time prior to the Acceptance Date by mutual written consent of the Company and Parent by action of their respective boards of directors.

8.2. *Termination by Either Parent or the Company*. This Agreement may be terminated and the Offer and the Merger may be abandoned at any time prior to the Acceptance Date by action of the board of directors of either Parent or the Company if:

(a) the Acceptance Date shall not have occurred by 11:59 p.m., New York City time, October 31, 2007 (the *Termination Date*);

(b) at any time after (x) the 60^{th} day following the date of commencement of the Offer in the case of a termination pursuant to this *Section 8.2(b)* by Parent, and (y) the 90^{th} day following the date of commencement of the Offer in the case of a termination pursuant to this *Section 8.2(b)* by the Company, if, in either case, as of the then most recent Expiration Date occurring on or after such date, all of the Tender Offer Conditions (other than the Minimum Condition) were satisfied for at least two consecutive business days prior to such Expiration Date, and as of the expiration time on such Expiration Date, the Minimum Condition is not satisfied;

(c) any Restraints permanently restraining, enjoining or otherwise prohibiting consummation of the Offer and the Merger shall become final and non-appealable *provided* that in each case the right to terminate this Agreement pursuant to this *Section 8.2* shall not be available to any party that has breached in any material respect its obligations under this Agreement and such breach shall have proximately contributed to the failure of the Acceptance Date or Share Purchase Date to have occurred or the failure of a condition to the consummation of the Merger.

8.3. *Termination by the Company*. This Agreement may be terminated and the Offer and the Merger may be abandoned by the Company prior to the Share Purchase Date:

(a) in accordance with and subject to the terms and conditions of *Section 6.2(c)*;

(b) if there has been a breach of any representation, warranty, covenant or agreement made by Parent or Merger Sub in this Agreement (other than as described in *Section 8.3(c)*, *Section 8.3(d)* or *Section 8.3(e)*) which would prevent Parent or Merger Sub from consummating the transactions contemplated by this Agreement and such breach or condition is not curable or, if curable, is not cured prior to the earlier of (i) 30

days after written notice thereof is given by the Company to Parent or (ii) two business days prior to the

Termination Date; *provided* that the Company is not then in breach of this Agreement such that any of the conditions set forth in clauses (c) or (d) of *Annex A* would not be satisfied;

(c) if Merger Sub fails to commence the Offer within fifteen business days following June 7, 2007 or terminates or makes any change to the Offer in material violation of the terms of this Agreement;

(d) as of any Expiration Date subsequent to the 60th day following the date of commencement of the Offer if (i) all of the conditions set forth in Annex A shall have been satisfied other than clauses (e) and (f) of Annex A and (ii) Parent and Merger Sub fail to accept and make payment with respect to Shares validly tendered and not withdrawn pursuant to the Offer in accordance with the terms of this Agreement, including because none of Parent, Merger Sub or the Surviving Corporation shall have obtained proceeds pursuant to the Debt Financing (or alternative debt financing as set forth in *Section 6.13(a)*) sufficient to consummate the transactions contemplated by this Agreement; or

(e) if (i) all of the conditions set forth in Annex A (other than the delivery of the officer s certificate referred to in clause (e) of Annex A) were satisfied or waived for at least two business days prior to an Expiration Date and (ii) Parent and Merger Sub fail to accept and make payment with respect to Shares validly tendered and not withdrawn pursuant to the Offer in accordance with the terms of this Agreement.

8.4. *Termination by Parent*. This Agreement may be terminated and the Offer and the Merger may be abandoned at any time prior to the Acceptance Date by action of the board of directors of Parent if:

(a) (i) the board of directors of the Company shall have (A) made a Change in Recommendation or (B) recommended to the shareholders of the Company an Acquisition Proposal other than the Offer and the Merger or (ii) the board of directors of the Company shall have failed to include the Company Recommendation in the Schedule 14D-9 to the extent required pursuant to *Section 1A.2(b)*;

(b) there has been a breach of any representation, warranty, covenant or agreement made by the Company in this Agreement such that the conditions set forth in clauses (c) or (d) of *Annex A* would not be satisfied and such breach or condition is not curable or, if curable, is not cured prior to the earlier of (i) 30 days after written notice thereof is given by Parent to the Company or (ii) two business days prior to the Termination Date, *provided* that neither Parent nor Merger Sub is then in material breach of this Agreement; or

(c) if, as of any Expiration Date subsequent to the 60th day following the date of commencement of the Offer, the condition set forth in clause (f) of *Annex A* shall have occurred and be continuing, *provided* that neither Parent nor Merger Sub is then in material breach of this Agreement.

8.5. *Effect of Termination and Abandonment*.

(a) In the event of termination of this Agreement and the abandonment of the Offer and the Merger pursuant to this *ARTICLE VIII*, this Agreement shall become void and of no effect with no liability to any Person on the part of any party hereto (or of any of its Representatives or Affiliates); *provided* that (i) except as otherwise provided in *Sections 8.5(g)*, *9.5(c)* and *9.5(d)*, no such termination shall relieve any party hereto of any liability or damages to the other party hereto resulting from any willful or intentional material breach of this Agreement (it being understood that any such liability or damages for which the Company may become liable shall be calculated net of the amount of the Termination Fee, if previously paid by the Company) and (ii) the provisions set forth in the second sentence of *Section 9.1* shall survive the termination of this Agreement.

(b) In the event that this Agreement is terminated by the Company pursuant to *Section 8.3(a)* or by Parent pursuant to *Section 8.4(a)*, then the Company shall pay a termination fee of $272,500,000 (the *Termination Fee*) as directed in writing by Parent, at the time of termination in the case of a termination pursuant to *Section 8.3(a)* or promptly (but in any event within two business days following termination of this Agreement in the case of a termination pursuant to *Section 8.4(a)*.

(c) In the event that this Agreement is terminated by:

(i) Parent or the Company pursuant to *Section 8.2(a)*, and (x) at any time after June 7, 2007 and prior to the termination an Acquisition Proposal has been publicly announced or publicly made known and not withdrawn and (y) within nine months after such termination the Company or any of its Subsidiaries enters into a definitive agreement with respect to, or consummates, any Acquisition Proposal (whether or not the same as that originally announced or made known), then, (i) in the event that a definitive agreement with respect to an Acquisition Proposal is entered into, on the date of such execution, the Company shall pay 50% of the Termination Fee, and on the date of such consummation, the Company shall pay the balance of such Termination Fee, and (ii) in the event that an Acquisition Proposal is otherwise consummated, on the date of such consummation, the Company shall pay the Termination Fee;

(ii) Parent or the Company pursuant to *Section 8.2(b)* (or, after this Agreement becomes terminable for the reasons set forth in *Section 8.2(b)*, the Company terminates this Agreement for another reason), and (x) after June 7, 2007 and prior to the Expiration Date referred to in *Section 8.2(b)*, an Acquisition Proposal has been publicly announced or publicly made known and not withdrawn and (y) within nine months after such termination the Company or any of its Subsidiaries enters into a definitive agreement with respect to, or consummates, any Acquisition Proposal (whether or not the same as that originally announced or made known), then, (i) in the event that a definitive agreement with respect to an Acquisition Proposal is entered into, on the date of such execution, the Company shall pay 50% of the Termination Fee, and on the date of such consummation, the Company shall pay the balance of such Termination Fee less the amount of any Parent Expenses previously paid to Parent pursuant to *Section 8.5(d)* by the Company, and (ii) in the event that an Acquisition Proposal is otherwise consummated, on the date of, and as a condition to, such consummation, the Company shall pay the Termination Fee less the amount of any Parent Expenses previously paid to Parent pursuant to *Section 8.5(d)* by the Company; or

(iii) Parent pursuant to *Section 8.4(b)*, and (x) prior to the breach giving rise to the right of termination, an Acquisition Proposal has been publicly announced or publicly made known and not withdrawn and (y) within nine months after such termination the Company or any of its Subsidiaries enters into a definitive agreement with respect to, or consummates, an Acquisition Proposal (whether or not the same as that originally announced or made known), then, (i) in the event that a definitive agreement with respect to an Acquisition Proposal is entered into, on the date of such execution, the Company shall pay 50% of the Termination Fee, and on the date of such consummation, the Company shall pay the balance of such Termination Fee and (ii) in the event that an Acquisition Proposal is otherwise consummated, on the date of such consummation, the Company shall pay the Termination Fee.

For purposes of this *Section 8.5(c)*, the term Acquisition Proposal shall have the meaning assigned to such term in *Section 6.2(b)*, except that all references to 15% therein shall be deemed to be references to more than 50% .

(d) In the event that this Agreement is terminated by Parent, on the one hand, or the Company, on the other hand, pursuant to *Section 8.2(b)* under circumstances in which the Termination Fee is not then payable pursuant to this *Section 8.5*, then the Company shall pay promptly (but in any event within two business days) following receipt of an invoice therefor all of Parent s actual and reasonably documented out-of-pocket fees and expenses (including reasonable legal fees and expenses) actually incurred by Parent and its affiliates on or prior to the termination of this Agreement in connection with the transactions contemplated by this Agreement (the *Parent Expenses*) as directed by Parent in writing, which amount shall not be greater than $40,000,000; provided, however, that the existence of circumstances that could require the Termination Fee to become subsequently payable by the Company pursuant to *Section 8.5(c)(ii)* shall not relieve the Company of its obligations to pay the Parent Expenses pursuant to this *Section 8.5(d)*; *provided further*, that the payment by the Company of Parent Expenses pursuant to this *Section 8.5(d)* shall not relieve the Company of any subsequent obligation to pay the Termination Fee pursuant to *Section 8.5(c)* except to the extent indicated in *Section 8.5(c)(ii)*.

(e) In the event of termination of this Agreement by (i) the Company pursuant to *Section 8.3(c)*, *Section 8.3(d)* or *Section 8.3(e)* or (ii) Parent pursuant to *Section 8.4(c)*, Parent shall pay the Company an amount, by wire transfer of immediately available funds, equal to, without duplication, $272,500,000 (the *Parent Fee*) as promptly as possible (but in any event within two business days) following such termination.

(f) Any amount that becomes payable pursuant to *Section 8.5(b)*, *8.5(c)*, *8.5(d)* or *8.5(e)* shall be paid by wire transfer of immediately available funds to an account or accounts designated by the party entitled to receive such payment. The parties hereto agree and understand that in no event shall the Company or Parent be required to pay the Termination Fee or the Parent Fee, respectively, on more than one occasion.

(g) Notwithstanding anything to the contrary in this Agreement, (i) in the circumstances in which Parent becomes obligated to pay the Parent Fee, the Company s termination of this Agreement pursuant to *Section 8.2(a)*, *Section 8.3(c)*, *Section 8.3(d)*, *Section 8.3(e)* or *Section 8.4(c)*, as the case may be, and receipt of payment of the Parent Fee pursuant to *Section 8.5(e)* or the guarantee thereof pursuant to the Amended Guarantees shall be the sole and exclusive remedy of the Company and its Subsidiaries against Parent, Merger Sub or the Guarantors for any loss or damage suffered as a result of the breach of any representation, warranty, covenant or agreement contained in this Agreement by Parent or Merger Sub and the failure of the Acceptance Date to occur or the Merger to be consummated, and upon payment of the Parent Fee in accordance with *Section 8.5(e)*, none of Parent, Merger Sub or the Guarantors shall have any further liability or obligation relating to or arising out of this Agreement or the transactions contemplated by this Agreement, and (ii) in no event, whether or not this Agreement shall have been terminated, shall the Company be entitled to monetary damages in excess of $272,500,000 in the aggregate, inclusive of the Parent Fee, if applicable, for all losses and damages arising from or in connection with breaches of this Agreement by Parent or Merger Sub or otherwise relating to or arising out of this Agreement or the transactions contemplated by this Agreement; *provided*, however, that nothing herein shall relieve Parent or Merger Sub of liability to pay for Shares accepted for payment in the Offer.

(h) The parties acknowledge that the agreements contained in *Section 8.5* are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, the parties would not enter into this Agreement; accordingly, if the Company fails to promptly pay any amount due pursuant to *Section 8.5(b)*, *Section 8.5(c)* or *Section 8.5(d)* or Parent fails to promptly pay any amount due pursuant to *Section 8.5(e)*, and, in order to obtain such payment, Parent or Merger Sub, on the one hand, or the Company, on the other hand, commences a suit that results in a judgment against the Company for the amount set forth in *Section 8.5(b)*, *Section 8.5(c)* or *Section 8.5(d)* or any portion thereof or a judgment against Parent for the amount set forth in *Section 8.5(e)* or any portion thereof the Company shall pay to Parent or Merger Sub, on the one hand, or Parent shall pay to the Company, on the other hand, its costs and expenses (including attorneys fees) in connection with such suit, together with interest on the amount of such amount or portion thereof at the prime rate of Citibank N.A. in effect on the date such payment was required to be made through the date of payment.

ARTICLE IX

Miscellaneous and General

9.1. *Survival*. This ARTICLE IX and the agreements of the Company, Parent and Merger Sub contained in ARTICLE IV and Sections 6.9 (Employee Benefits), 6.10 (Expenses) and 6.11 (Indemnification; Directors and Officers Insurance) shall survive the consummation of the Merger. This ARTICLE IX and the agreements of the Company, Parent and Merger Sub contained in *Section 6.10* (Expenses), *Section 6.13* (Financing) and *Section 8.5* (Effect of Termination and Abandonment) and the Confidentiality Agreement shall survive the termination of this Agreement. All other representations, warranties, covenants and agreements in this Agreement shall not survive the earlier of the (i) Share Payment Date, (ii) Effective Time and (iii) termination of this Agreement.

Table of Contents

9.2. *Modification or Amendment*. Subject to the provisions of the applicable Laws, at any time prior to the Effective Time, the parties hereto may modify or amend this Agreement, by written agreement executed and delivered by duly authorized officers of the respective parties; *provided*, however, that, after the Acceptance Date but prior to approval of this Agreement by the Company s shareholders, this Agreement may not be amended in a manner that would adversely affect the right of the Company s shareholders to receive the Per Share Merger Consideration.

9.3. *Waiver of Conditions*. Subject to Section 1A.3, the conditions to each of the parties obligations to consummate the Merger are for the sole benefit of such party and may be waived by such party in whole or in part to the extent permitted by applicable Laws.

9.4. *Counterparts*. This Agreement may be executed in any number of counterparts (including by facsimile), each such counterpart being deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

9.5. *GOVERNING LAW AND VENUE; WAIVER OF JURY TRIAL; REMEDIES; SPECIFIC PERFORMANCE.*

(a) THIS AGREEMENT SHALL BE DEEMED TO BE MADE IN AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF INDIANA WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF. The parties hereby irrevocably submit to the personal jurisdiction of the courts of the State of Indiana located in the city of Indianapolis and the Federal courts of the United States of America located in the State of Indiana located in the city of Indianapolis solely in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such an Indiana State or Federal court. The parties hereby consent to and grant any such court jurisdiction over the person of such parties and, to the extent permitted by law, over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided in *Section 9.6* or in such other manner as may be permitted by law shall be valid and sufficient service thereof.

(b) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (iii) EACH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) EACH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS *SECTION 9.5*.

(c) The Company agrees that, notwithstanding anything herein to the contrary, (i) to the extent it has incurred losses or damages in connection with this Agreement, (A) the maximum aggregate liability of Parent and Merger Sub for such losses or damages shall be limited to $272,500,000 and any amounts owed

Table of Contents

to the Company pursuant to *Sections 6.13* and *8.5(h)*, (B) in no event shall the Company seek to recover any money damages in excess of such amount from Parent, Merger Sub and the Guarantors, and (C) the maximum liability of each Guarantor, directly or indirectly, shall be limited to the express obligations of such Guarantor under its Amended Guarantee, and (ii) in no event shall any *Non-Recourse Party* (as defined in the Amended Guarantees) have any liability or obligation relating to or arising out of this Agreement or the transactions contemplated hereby. The amount paid or payable by Parent to the Company pursuant to *Section 8.5(e)* with respect to a termination of this Agreement by the Company pursuant to *Section 8.3(e)*, the amount paid or payable by Guarantors pursuant to the Amended Guarantees with respect thereto and any other monetary damages paid or payable by Parent or its affiliates to the Company relating thereto, shall be reduced by the amount of damages or losses paid to shareholders of the Company by Parent or Guarantors with respect to any litigation arising from Parent s failure to accept and make payment with respect to Shares validly tendered and not withdrawn pursuant to the Offer.

(d) The parties hereto agree that irreparable damage would occur in the event that (i) any of the provisions of this Agreement were not performed by the Company in accordance with their specific terms or were otherwise breached or (ii) on or after the Acceptance Date, Parent or Merger Sub were in material breach of their obligations under this Agreement to consummate the Closing. It is accordingly agreed that Parent and Merger Sub, in the case of clause (i), and the Company, in the case of clause (ii), shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in a court of the State of Indiana, in addition to any other remedy to which such party is entitled at law or in equity. The parties acknowledge that, except as provided in Section 9.5(d)(ii), the Company shall not be entitled to an injunction or injunctions to prevent breaches of this Agreement by Parent or Merger Sub or to enforce specifically the terms and provisions of this Agreement (other than with respect to the Confidentiality Agreement for which the Company shall be entitled to an injunction) and that the Company s sole and exclusive remedy with respect to any such breach shall be the remedy set forth in *Sections 8.5(e)* and *9.5(c)*.

9.6. *Notices*. Any notice, request, instruction or other document to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, overnight courier or by facsimile:

If to Parent or Merger Sub:

LVB Acquisition, LLC

In care of:

Blackstone Capital Partners V L.P.

c/o The Blackstone Group

345 Park Avenue

New York, New York 10154

Attention: Mr. Chinh E. Chu

Fax: (212) 583-5722

GS Capital Partners VI Fund, L.P.

One New York Plaza, 38th Floor

New York, New York 10004

Attention: Ben Adler

Fax: (212) 482-3820

KKR 2006 Fund L.P.

c/o Kohlberg Kravis Roberts & Co. L.P.

2800 Sand Hill Road, Suite 200

Menlo Park, California 94025

Attention: Michael W. Michelson

Fax: (650) 233-6564

Table of Contents

Texas Pacific Group

301 Commerce Street, Suite 3300

Fort Worth, Texas 76102

Attention: Clive D. Bode, Esq.

Fax: (817) 871-4001

with a copy to:

Cleary Gottlieb Steen & Hamilton LLP

One Liberty Plaza

New York, NY 10006

Attention: Robert P. Davis

Fax: (212) 225-3999

If to the Company:

Biomet, Inc.

P.O. Box 587

56 East Bell Drive

Warsaw, Indiana 46582

Attention: Bradley J. Tandy, Acting General Counsel

Fax: (574) 372-1960

with a copy to:

Kirkland & Ellis LLP

200 East Randolph Drive

Chicago, Illinois 60601

Attention: Richard W. Porter, P.C. and Robert M. Hayward

Fax: (312) 660-0239

and

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017

Attention: Gary I. Horowitz and Caroline B. Gottschalk

Fax: (212) 455-2502

or to such other persons or addresses as may be designated in writing by the party to receive such notice as provided above. Any notice, request, instruction or other document given as provided above shall be deemed given to the receiving party upon actual receipt, if delivered personally; three business days after deposit in the mail, if sent by registered or certified mail; upon confirmation of successful transmission if sent by facsimile (*provided* that if given by facsimile such notice, request, instruction or other document shall be followed up within one business day by dispatch pursuant to one of the other methods described herein); or on the next business day after deposit with an overnight courier, if sent by an overnight courier.

9.7. *Entire Agreement*. This Agreement (including any exhibits hereto), the Company Disclosure Letter and the Confidentiality Agreements, dated October 3, 2006, between the Company and each of the Guarantors or their respective affiliates and the related letter agreements (the *Confidentiality Agreement*) constitute the entire agreement, and supersede all other prior agreements, understandings, representations and warranties both written and oral, among the parties, with respect to the subject matter hereof. EACH PARTY HERETO AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, NEITHER PARENT AND MERGER SUB NOR THE COMPANY MAKES ANY OTHER

REPRESENTATIONS OR WARRANTIES, AND EACH HEREBY DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, OR AS TO THE ACCURACY OR COMPLETENESS OF ANY OTHER INFORMATION, MADE BY, OR MADE AVAILABLE BY, ITSELF OR ANY OF ITS REPRESENTATIVES, WITH RESPECT TO, OR IN CONNECTION WITH, THE NEGOTIATION, EXECUTION OR DELIVERY OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, NOTWITHSTANDING THE DELIVERY OR DISCLOSURE TO THE OTHER OR THE OTHER S REPRESENTATIVES OF ANY DOCUMENTATION OR OTHER INFORMATION WITH RESPECT TO ANY ONE OR MORE OF THE FOREGOING.

9.8. *No Third Party Beneficiaries*. Except as provided in *Section 6.11* (Indemnification; Directors and Officers Insurance), Parent and the Company hereby agree that their respective representations, warranties and covenants set forth herein are solely for the benefit of the other party hereto, in accordance with and subject to the terms of this Agreement, and this Agreement is not intended to, and does not, confer upon any Person other than the parties hereto any rights or remedies hereunder, including, the right to rely upon the representations and warranties set forth herein. The parties hereto further agree that the rights of third party beneficiaries under *Section 6.11* shall not arise unless and until the Acceptance Date occurs. The representations and warranties in this Agreement are the product of negotiations among the parties hereto and are for the sole benefit of the parties hereto. Any inaccuracies in such representations and warranties are subject to waiver by the parties hereto in accordance with *Section 9.3* without notice or liability to any other Person. In some instances, the representations and warranties in this Agreement may represent an allocation among the parties hereto of risks associated with particular matters regardless of the knowledge of any of the parties hereto. Consequently, Persons other than the parties hereto may not rely upon the representations and warranties in this Agreement as characterizations of actual facts or circumstances as of the Original Date, June 7, 2007 or as of any other date.

9.9. *Obligations of Parent and of the Company*. Whenever this Agreement requires a Subsidiary of Parent to take any action, such requirement shall be deemed to include an undertaking on the part of Parent to cause such Subsidiary to take such action. Whenever this Agreement requires a Subsidiary of the Company to take any action, such requirement shall be deemed to include an undertaking on the part of the Company to cause such Subsidiary to take such action and, after the Effective Time, on the part of the Surviving Corporation to cause such Subsidiary to take such action.

9.10. *Transfer Taxes*. All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including penalties and interest) incurred in connection with the Merger shall be paid by Parent and Merger Sub when due.

9.11. *Definitions*. Each of the terms set forth in *Annex B* is defined in the Section of this Agreement set forth opposite such term.

9.12. *Severability*. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any Person or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

9.13. *Interpretation; Construction*.

(a) The table of contents and headings herein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof. Where a reference in this Agreement is made to a Section or Exhibit, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. Whenever the words include, includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation.

(b) The parties have participated jointly in negotiating and drafting this Agreement. In the event that an ambiguity or a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

(c) Each party hereto has or may have set forth information in its respective Disclosure Letter in a section thereof that corresponds to the section of this Agreement to which it relates. The fact that any item of information is disclosed in a Disclosure Letter to this Agreement shall not be construed to mean that such information is required to be disclosed by this Agreement.

9.14. *Assignment*. This Agreement shall not be assignable by operation of law or otherwise without the prior written consent of the other parties hereto (it being understood that Parent may be converted from a Delaware limited liability company to a Delaware corporation prior to the Effective Time); provided that prior to the mailing of the Offer to Purchase to the Company s shareholders, Parent may designate, by written notice to the Company, another wholly owned direct or indirect subsidiary to serve as purchaser pursuant to the Offer in lieu of Merger Sub, in which event all references herein to Merger Sub shall be deemed references to such other subsidiary, except that all representations and warranties made herein with respect to Merger Sub as of June 7, 2007 shall be deemed representations and warranties made with respect to such other subsidiary as of the date of such designation, provided that any such designation shall not impede or delay the consummation of the transactions contemplated by this Agreement or otherwise materially impede the rights of the shareholders of the Company under this Agreement. Any purported assignment in violation of this Agreement is void.

* * * * *

Table of Contents

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first written above.

BIOMET, INC.

By	/s/ Jeffrey Binder
Name:	**Jeffrey Binder**
Title:	**President & CEO**

LBV ACQUISITION, LLC

By	/s/ Stephen Ko
Name:	**Stephen Ko**
Title:	**Co-President**

LVB ACQUISITION MERGER SUB, INC.

By	/s/ Stephen Ko
Name:	**Stephen Ko**
Title:	**Co-President**

[Signature Page to Agreement and Plan of Merger]

ANNEX A

CONDITIONS OF THE OFFER

Notwithstanding any other provisions of the Offer, Merger Sub shall not be required to, and Parent shall not be required to cause Merger Sub to, accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) promulgated under the Exchange Act (relating to Parent s obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and (subject to any such rules or regulation) may, to the extent expressly permitted by this Agreement, delay the acceptance for payment of any tendered Shares, if (i) there shall not be validly tendered and not properly withdrawn prior to the Expiration Date for the Offer that number of Shares which, when added to any Shares already owned by Parent and its Subsidiaries, represents at least 75% of the total number of Shares outstanding immediately prior to the expiration of the Offer (such condition as it may be adjusted pursuant to *Section 1A.1.(b)* hereof, the *Minimum Condition*), or (ii) at any time on or after June 7, 2007 and prior to the Expiration Date, any of the following events shall occur and be continuing:

(a) there shall be any Restraint in effect preventing, restraining or rendering illegal the consummation of the Offer or the Merger;

(b) the Agreement shall have been terminated by the Company, Merger Sub or Parent in accordance with its terms;

(c) (i) the representation and warranty of the Company set forth in the first sentence of *Section 5.1(f)* (Absence of Certain Changes) shall not be true and correct in all respects as of June 7, 2007 and as of the Expiration Date as though made on and as of such date; (ii) any of the representations and warranties of the Company set forth in *Sections 5.1(b)* (Capital Structure), 5.1(c)(i) (Corporate Authority; Approval and Fairness), *5.1(j)* (Takeover Statutes) and *5.1(q)* (Brokers and Finders) shall not be true and correct in all material respects as of June 7, 2007 and as of the Expiration Date as though made on and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall not be true and correct in all material respects as of such earlier date); or (iii) any of the other representations and warranties of the Company set forth in the Agreement (disregarding all qualifications and exceptions contained therein regarding materiality or Company Material Adverse Effect) shall not be true and correct as of the date applicable to such representation and warranty pursuant to *Section 1.5* as though made on and as of such date (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall not be true and correct as of such earlier date), except, in the case of this clause (iii), where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, would not have a Company Material Adverse Effect;

(d) the Company shall have failed to perform in all material respects any of its obligations required to be performed by it under the Agreement, and such failure to perform shall not have been cured prior to the Expiration Date;

(e) Parent and Merger Sub shall not have received a certificate signed on behalf of the Company by a senior executive officer of the Company attesting to the condition set forth in clauses (c) and (d) of this Annex A; or

(f) the Offer Financing shall not be available for borrowing in connection with consummation of the Offer (or the lenders party to the other Debt Financing Commitments shall have advised Parent or Merger Sub that any portion of the remainder of the Debt Financing will not be available at the Effective Time), in either case on the terms and conditions set forth in the Debt Financing Commitments, or upon terms and conditions that are no less favorable, in the aggregate, to Parent and Merger Sub.

Subject to the terms of the Agreement, the foregoing conditions are for the sole benefit of Merger Sub and may be asserted by Merger Sub regardless of the circumstances (including any action or inaction by Parent or

Table of Contents

Merger Sub, other than action or inaction in breach of the Agreement (including the failure to have used such efforts as may be required by *Section 6.5* or *Section 6.13)*) giving rise to any such conditions and may be waived by Merger Sub in whole or in part at any time and from time to time, in each case except for the Minimum Condition, in the exercise of the reasonable good faith judgment of Merger Sub and subject to the terms of the Agreement, including *Section 1A.1(b)*), and the applicable rules and regulations of the SEC. The failure by Merger Sub at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right may be deemed an ongoing right which may be asserted at any time and from time to time.

ANNEX B

DEFINED TERMS

Terms	Section
2007 Regular Dividend	6.1(a)(F)
Acceptance Date	1A.1(d)
Acquisition Proposal	6.2(b)
Agreement	Preamble
Alternative Acquisition Agreement	6.2(c)(ii)
Amended Guarantee	Recitals
Applicable Date	5.1(e)(i)
Articles of Merger	1.3
Bankruptcy and Equity Exception	5.1(c)
Benefit Plans	5.1(h)(i)
business day	1A.1(d)
Bylaws	2.2
Certificate	4.1(a)
Change	5.1(a)
Change in Recommendation	6.2(c)
Charter	2.1
Closing	1.2
Closing Date	1.2
Code	4.2(f)
Company	Preamble
Company Approvals	5.1(d)(i)
Company Board Recommendation	1A.2
Company Disclosure Letter	5.1
Company Material Adverse Effect	5.1(a)
Company Option	1A.5(a)
Company Reports	1.5(a)
Confidentiality Agreement	9.7
Constituent Corporations	Preamble
Contract	5.1(d)(ii)
Costs	6.11(a)
Current Employees	6.9(a)
D&O Insurance	6.11(b)
Debt Financing	5.2(e)
Debt Financing Commitment	5.2(e)
ECMR	5.1(d)(i)
Effective Time	1.3
Elected Officers	5.1(f)(iv)
Employees	5.1(h)(i)
Environmental Law	5.1(l)
Equity Financing	5.2(e)
Equity Financing Commitments	5.2(e)
ERISA	5.1(h)(i)
ERISA Affiliate	5.1(h)(ii)(C)
Exchange Act	1A.1(a)
Exchange Fund	4.2(a)
Excluded Share	4.1(a)
Excluded Shares	4.1(a)

Table of Contents

Table of Contents

ANNEX B

1585 Broadway

New York, NY 10036

June 6, 2007

Board of Directors

Biomet, Inc.

56 East Bell Drive

Warsaw, Indiana 46582

Members of the Board:

We understand that Biomet, Inc., an Indiana corporation (the Company), LVB Acquisition, LLC, a Delaware limited liability company (Parent), and LVB Acquisition Merger Sub, Inc., an Indiana corporation and a wholly owned subsidiary of Parent (Merger Sub) propose to enter into an Agreement and Plan of Merger, substantially in the form of the draft dated as of June 6, 2007, which amends and restates the Agreement and Plan of Merger between the Company, the Parent and the Merger Sub dated December 18, 2006, (the Merger Agreement), and which provides, among other things, for (i) the commencement by Merger Sub of a tender offer (the Tender Offer) for all outstanding shares of common stock, without par value (the Company Common Stock) of the Company for $46.00 per share net to the seller in cash, and (ii) the subsequent merger of Merger Sub with and into the Company (the Merger). Pursuant to the Merger, the Company will become a wholly-owned subsidiary of Parent and each outstanding share of common stock, without par value (the Company Common Stock), of the Company, other than shares owned by Parent, Merger Sub, or any other direct or indirect wholly owned subsidiary of Parent and shares owned by the Company or any direct or indirect wholly owned subsidiary of the Company, shall be converted into the right to receive $46.00 per share in cash. The terms and conditions of the Tender Offer and the Merger are more fully set forth in the Merger Agreement.

You have asked for our opinion as to whether the consideration to be received by the holders of shares of the Company Common Stock pursuant to the Merger Agreement is fair from a financial point of view to such holders.

For purposes of the opinion set forth herein, we have:

(a) reviewed certain publicly available financial statements and other business and financial information of the Company;

(b) reviewed certain internal financial statements and other financial and operating data concerning the Company prepared by the management of the Company;

(c) reviewed certain financial projections prepared by the management of the Company;

(d) discussed the past and current operations and financial condition and the prospects of the Company with senior executives of the Company;

(e) reviewed the reported prices and trading activity for the Company Common Stock and other publicly available information regarding the Company;

(f) compared the financial performance of the Company and the prices and trading activity of the Company Common Stock with that of certain other comparable publicly-traded companies and their securities;

(g) reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;

(h) participated in discussions and negotiations among representatives of the Company, Parent and certain other parties and their financial and legal advisors;

(i) reviewed the Merger Agreement, the debt and equity financing commitments provided to Parent by certain lending institutions and private equity funds, and certain related documents; and

(j) performed such other analyses and considered such other factors as we have deemed appropriate.

We have assumed and relied upon, without independent verification, the accuracy and completeness of the information supplied or otherwise made available to us by the Company for the purposes of this opinion. With respect to the financial projections, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of the Company. We have also assumed that the Tender Offer and the Merger will be consummated in accordance with the terms set forth in the Merger Agreement without any waiver, amendment or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the Tender Offer and the Merger, no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the Tender Offer or the Merger. We are not legal, tax or regulatory advisors and have relied upon, without independent verification, the assessment of the Company and its legal, tax or regulatory advisors with respect to such matters, and we have made no assessment as to the impact or timing implications, if any, of any ongoing legal or regulatory investigations. We have not made any independent valuation or appraisal of the assets or liabilities of the Company, nor have we been furnished with any such appraisals. Our opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this opinion and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this opinion.

We have not been asked to express, and we are not expressing, any opinion herein as to any other transaction other than the Tender Offer and the Merger, nor have we been asked to express, and we are not expressing, any opinion herein as to the relative merits of or consideration offered in the Tender Offer or the Merger as compared to any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved.

We have acted as financial advisor to the Board of Directors of the Company and the Company in connection with this transaction and will receive a fee for our services, a substantial portion of which is contingent upon the consummation of the purchase of shares pursuant to the Tender Offer. In the past, we have provided financial advisory and financing services for the Company and for the shareholders of Parent and have received fees in connection with such services. Morgan Stanley may also seek to provide such services to the Company, the Parent and its shareholders in the future and receive fees for the rendering of these services. In the ordinary course of our trading, brokerage, investment management and financing activities, Morgan Stanley or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for our own account or the accounts of customers, in debt or equity securities or senior loans of the Company or any currency or commodity that may be involved in this transaction.

It is understood that this letter is for the information of the Board of Directors of the Company and may not be used for any other purpose without our prior written consent. This opinion may be included in its entirety in any proxy or information statement mailed to shareholders of the Company in connection with this transaction if such inclusion is required by applicable law but may not otherwise be disclosed publicly in any manner without our prior approval. In addition, Morgan Stanley expresses no opinion or recommendation as to whether the shareholders of the Company should accept the Tender Offer, or how the shareholders of the Company should vote at the shareholders meeting to be held in connection with the Merger.

Table of Contents

Based on and subject to the foregoing, we are of the opinion on the date hereof that the consideration to be received by the holders of shares of the Company Common Stock pursuant to the Merger Agreement is fair from a financial point of view to such holders of Company Common Stock.

Very truly yours,

MORGAN STANLEY & CO. INCORPORATED

By: /s/ MICHAEL BOUBLIK
Michael Boublik

Managing Director

B-3

Table of Contents

BIOMET, INC.

SPECIAL MEETING OF SHAREHOLDERS SEPTEMBER 5, 2007, AT 9:00 A.M. (LOCAL TIME)

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned shareholder(s) of Biomet, Inc., an Indiana corporation (the Company), hereby revoking any proxy heretofore given, does hereby appoint Jeffrey R. Binder and Bradley J. Tandy, and each of them, with full power to act alone, the true and lawful attorneys-in-fact and proxies of the undersigned, with full powers of substitution, and hereby authorize(s) them and each of them, to represent the undersigned and to vote all common shares of the Company that the undersigned is entitled to vote at the Special Meeting of Shareholders of the Company to be held on September 5, 2007, at 9:00 a.m. (local time) at 56 East Bell Drive, Warsaw, Indiana 46582, and any and all adjournments and postponements thereof, with all powers the undersigned would possess if personally present, on the following proposal, as described more fully in the accompanying proxy statement, and any other matters coming before said meeting.

(Continued and to be signed on the reverse side)

COMMENTS:

14475

Table of Contents

SPECIAL MEETING OF SHAREHOLDERS OF

BIOMET, INC.

SEPTEMBER 5, 2007

PROXY VOTING INSTRUCTIONS

MAIL - Date, sign and mail your proxy card in the envelope provided as soon as possible.

- OR -

TELEPHONE - Call toll-free **1-800-PROXIES**

(1-800-776-9437) from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

- OR -

INTERNET - Access **www.voteproxy.com** and follow the on-screen instructions. Have your proxy card available when you access the web page.

- OR -

IN PERSON - You may vote your shares in person by attending the Special Meeting.

COMPANY NUMBER

ACCOUNT NUMBER

You may enter your voting instructions at 1-800-PROXIES or www.voteproxy.com up until 11:59 PM Eastern Time the day before the cut-off or meeting date.

↓ Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet. ↓

00030000000000001000 3 081307

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

	FOR	AGAINST	ABSTAIN
1. To approve the Agreement and Plan of Merger, dated as of December 18, 2006 (amended and restated as of June 7, 2007), by and among Biomet, Inc., an Indiana corporation, LVB Acquisition, Inc. (formerly LVB Acquisition, LLC), a Delaware	¨	¨	¨

corporation, and LVB Acquisition Merger Sub, Inc., an Indiana corporation and a wholly-owned subsidiary of LVB Acquisition, Inc.

.

2. To transact any other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

This proxy will be voted in the manner directed herein by the undersigned. **IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE APPROVAL OF THE MERGER AGREEMENT AND IN THE DISCRETION OF THE PROXIES ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE SPECIAL MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF TO THE EXTENT PERMITTED UNDER APPLICABLE LAW.**

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ¨

MARK X HERE IF YOU PLAN TO ATTEND THE MEETING. ¨

Signature of Shareholder	Date:	Signature of Shareholder	Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.