BIOMET INC
Form PREM14A
July 18, 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:

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

¨ **Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

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:

43,231,294 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 $1,988,639,524. The filing fee was based upon 43,231,294 Common Shares owned by persons other than LVB Acquisition, Inc. or LVB Acquisition Merger Sub, Inc. and outstanding on July 17, 2007, 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:

$1,988,639,524

(5) Total fee paid:

$61,051.23

¨ 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

Preliminary Materials

July [ ], 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 [ ], 2007 at [ ], local time, at [ ].

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 July [ ], 2007 and is first being mailed to shareholders on or about July [ ], 2007.

Table of Contents

Preliminary Materials

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held [ ], 2007

Date, Time, Place	[ ], 2007, at [ ], local time, at [ ].
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 [ ], 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

July [ ], 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

Preliminary Materials

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 [ ], 2007, at [ ], local time, at [ ], 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 [ ])

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

1

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 [ ])

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 [ ])

The special meeting of our shareholders will be held at [ ] at [ ], local time, on [ ], 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 [ ])

You may vote at the special meeting if you owned Biomet common shares at the close of business on [ ], 2007, the record date for the special meeting. On that date, there were [ ] 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

2

Table of Contents

Biomet s common shares outstanding entitled to vote at the special meeting. Merger Sub owns 202,601,130 of Biomet s common shares as a result of the tender offer made pursuant to the merger agreement and shareholders who currently own approximately 2.3% of the outstanding shares have agreed with Parent to vote to approve the merger agreement. Thus, the approval of the merger agreement is assured without the vote of any other shareholder.

Payment for Shares

(page [ ])

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 [ ])

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 July [ ], 2007, the last trading day before the printing of this proxy statement, the closing price per share was $[ ]

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

(page [ ])

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 [ ].

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 [ ] and [ ])

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 [ ])

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 [ ])

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 Merger beginning on page [ ].

Interests of Biomet Directors and Executive Officers in the Merger

(page [ ])

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;

Table of Contents

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;

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 [ ])

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

5

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

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 [ ])

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 [ ], 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 [ ], 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 [ ] 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 [ ] and [ ])

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 [ ], 2007, at [ ], local time, at [ ].

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, [ ] common shares were outstanding, [ ] of which were indirectly owned by Parent.

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

A: All shareholders of record as of the close of business on [ ], 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.

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

A: If you were a holder of record on [ ], 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

Table of Contents

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 [ ], 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 [ ]. 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 [ ], 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 [ ] 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 [ ].

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.

Table of Contents

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 (as amended) 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 the 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

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 [ ], 2007 at [ ], local time, at [ ]. 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 [ ]); 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 [ ], 2007, the record date, are entitled to notice of and to vote at the special meeting. On the record date, [ ] Biomet common shares were issued and outstanding and held by [ ] 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, who collectively beneficially owned approximately 2.3% of our outstanding shares as of June 7, 2007, agreed to vote all common shares beneficially owned by them 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

Table of Contents

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 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.

Table of Contents

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 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

Table of Contents

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.

Table of Contents

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

Table of Contents

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 Jeffrey R. Binder as President and Chief Executive Officer and as a member of Biomet s board.

On March 22, 2007 and March 23, 2007, Biomet s board convened its quarterly meeting. During the meetings, the board discussed the status of the proposed transaction with the Sponsor Group. In addition, the board discussed an updated report from the Special Litigation Committee which was later supplemented by the final report of the Special Litigation Committee received and discussed by the board on May 25, 2007. During the following week members of the board and Biomet management took steps to consider and implement certain remedial actions in response to the Special Litigation Committee s investigation.

Table of Contents

On March 29, 2007, in response to the Special Litigation Committee s preliminary report all current members of Biomet s board agreed that, with respect to misdated or mispriced stock option awards to such current directors on or after January 1, 1996 that had not yet been exercised, the exercise price of such unexercised stock option awards would be increased to the fair market value of Biomet s common shares on the *Measurement Date* (as that term is defined in the Financial Accounting Standards Board Statement No. 123(R)) applicable to such awards. In addition, in light of the Special Litigation Committee s findings, which were announced on March 30, 2007, 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 a Director of Biomet. On March 30, 2007, Biomet also announced the appointment of J. Pat Richardson as Vice President Finance, Treasurer and Interim Chief Financial Officer.

On April 24, 2007, Biomet filed a definitive proxy statement with the SEC, which also served as notice of the special meeting of Biomet shareholders to take place on June 8, 2007 for the purpose of approving the original merger agreement, and thereafter began on April 25, 2007 to mail such proxy statement to its shareholders.

Beginning May 9, 2007 and on various dates thereafter, representatives of each of the Sponsor Group, Cleary Gottlieb, Kirkland & Ellis and Georgeson Inc., Biomet s proxy solicitor (*Georgeson*), engaged in telephone conferences to discuss the proxy solicitation process that had been undertaken as of that date. During the week of May 21, 2007, representatives of each of the Sponsor Group, Biomet and their respective legal counsels held discussions and shared information concerning a telephone conversation with respect to the transactions contemplated by the original merger agreement that Biomet then had on May 24, 2007 with Institutional Shareholder Services (*ISS*), a proxy advisory firm.

On May 14, 2007, Biomet announced the appointment of Daniel P. Florin as Senior Vice President and Chief Financial Officer to become effective June 5, 2007.

During the period from May 18, 2007 through May 30, 2007 the parties and their counsel held a series of telephone conferences relating to the proposed financing of the merger and the other transactions contemplated by the original merger agreement.

On May 25, 2007 Biomet s board of directors received the final report of the Special Litigation Committee and issued a press release concerning its findings. Later in the day representatives of Biomet and the Sponsor Group discussed the telephone conference held by Biomet with representatives of ISS the previous day.

On May 29, 2007 Biomet filed with the SEC its amended and restated Annual Report on Form 10-K/A for the fiscal year ended May 31, 2006, completing the restatement of its historical annual financial statements for the periods covered thereby.

During the last weeks of May 2007, two proxy advisory firms, ISS and Proxy Governance, Inc., issued reports recommending that shareholders vote against the original merger agreement. A third institutional investor proxy advisory firm, Glass Lewis & Co., issued a report recommending that shareholders vote in favor of the original merger agreement. During this same period, Georgeson was contacted by various Biomet shareholders to express their views regarding the original merger agreement.

On May 30, 2007, at the request of the Sponsor Group, representatives of Biomet held a telephone conference with representatives of Morgan Stanley, Georgeson and representatives of the Sponsor Group in which Georgeson described, among other things, the status of the proxy solicitation process with respect to the original merger agreement. During the call representatives from Georgeson noted the recent trading volume in Biomet s common shares and discussed the potential impact of this trading on the upcoming special meeting of shareholders to approve the original merger agreement. In particular the group discussed the possibility that shareholders who sold their shares in the open market after the April 20, 2007 record date would fail to cast votes in the upcoming June 8, 2007 special meeting, and furthermore that votes that were not cast in the meeting had the same effect as a vote against the original merger agreement. During this telephone conference, representatives of the Sponsor Group and Biomet discussed whether it might be necessary for the Sponsor Group to modify the original merger agreement in order to obtain the requisite shareholder vote necessary to consummate the acquisition of Biomet.

On May 31, 2007, counsel to Biomet and counsel to the Sponsor Group entered into a memorandum of understanding regarding the proposed settlement of class action lawsuits that were filed on behalf of Biomet s shareholders following the announcement of the merger contemplated by the original merger agreement.

Also on May 31, 2007, representatives of the Sponsor Group contacted representatives of Biomet to discuss potential revisions to the transaction structure contemplated by the original merger agreement. One such possible change that the Sponsor Group indicated it was considering was a tender offer structure in which the Sponsor Group would make an offer directly to the shareholders of Biomet. Representatives of Biomet affirmed that if the structure of the original merger agreement was to be revised, any such revisions would need to deliver superior value to Biomet s shareholders in a more efficient and more immediate fashion than the process provided by the original merger agreement, and that any such revisions would need to provide greater certainty and visibility to completion of the transaction. During the call representatives from the Sponsor Group emphasized that they were not at that time proposing any increase in the per share purchase price.

On June 1, June 2 and June 3, 2007, Cleary Gottlieb, Kirkland & Ellis and Simpson Thacher held further discussions concerning the proposed restructuring of the Sponsor Group s acquisition of Biomet and the timing of any proposal that the Sponsor Group might decide to make to the Biomet board of directors with respect thereto. Representatives of the Sponsor Group also discussed these matters with representatives of Morgan Stanley during this period.

On the morning of June 4, 2007, Biomet filed with the SEC its amended and restated quarterly report on Form 10-Q/A for the period ended August 31, 2006. Later that day, Biomet filed with the SEC its quarterly reports on Form 10-Q for the periods ended November 30, 2006 and February 28, 2007.

In the afternoon of June 4, 2007, a telephonic meeting of the Strategic Alternatives Committee was convened to discuss the proposed amendments to the original merger agreement. Representatives from Morgan Stanley, Kirkland & Ellis, Simpson Thacher and the Sponsor Group participated in the meeting. Representatives from the Sponsor Group presented to the Strategic Alternatives Committee a revised transaction structure under which Merger Sub would make a tender offer for any and all of Biomet s outstanding shares at $46.00 per share, with such an offer conditioned on the receipt by Merger Sub of at least 75% of Biomet s outstanding shares and Biomet s agreement not to declare or pay its annual dividend to shareholders. Representatives from the Sponsor Group asserted that they had no intention of raising their price above $46.00 per share. Furthermore, the Sponsor Group indicated a desire to complete and sign the merger agreement prior to the originally scheduled shareholder meeting on June 8, 2007. Following this presentation Morgan Stanley and the Sponsor Group s representatives were excused from the meeting. The Strategic Alternatives Committee then discussed the potential advantages and disadvantages to the proposed change in structure.

Later in the day on June 4, 2007, Biomet s board of directors held a telephonic meeting. During the meeting members of the board discussed the Sponsor Group s proposal to amend and restate the original merger agreement with Morgan Stanley, Kirkland & Ellis and Simpson Thacher. Following a discussion of the Sponsor Group s proposal, Morgan Stanley was excused from the meeting. The board of directors then discussed potential advantages and disadvantages of the Sponsor Group s proposal. After further discussion, the board of directors recommended that negotiations continue with the Sponsor Group.

Later that night, representatives of Biomet indicated to the Sponsor Group that it wished to proceed with its consideration of the revised transaction proposed by the Sponsor Group, and Kirkland & Ellis delivered a draft of the proposed merger agreement to Cleary Gottlieb.

Table of Contents

On June 5, 2007 and June 6, 2007, pursuant to discussions between Biomet and the Sponsor Group, Biomet s Compensation and Stock Option Committee held a meeting and passed resolutions relating to certain matters involving compensation of Biomet officers, employees and consultants, including, among other things, the adjustment of certain misdated or mispriced stock option awards and ratifications of certain change in control agreements, consulting agreements and other executive compensation and equity incentive arrangements. In addition, the Compensation and Stock Option Committee approved and/or ratified, in accordance with the non-exclusive safe harbor provisions contained in Rule 14d-10 under the Exchange Act, certain compensatory arrangements including:

- all distributor agreements, including the equity award arrangements described therein, entered into between Biomet and its distributors as of June 6, 2007 or to be entered into prior to the date on which Parent accepted for payment all common shares validly tendered in the tender offer;

- those change in control agreements entered into as of September 20, 2006 between Biomet and certain executives;

- the retirement and consulting agreements entered into as of March 30, 2007 between Biomet and each of Daniel P. Hann and Gregory T. Hartman, respectively;

- the separation and retirement agreements between Biomet and Garry L. England dated May 31, 2007 and Charles E. Niemier dated June 18, 2007;

- the adjustment of the per-share exercise price of certain misdated or mispriced stock option awards and cash payment to holders of such options; and

- that upon the Share Purchase Date, outstanding options shall be cancelled and the holder of each such option would receive in exchange therefor for a cash payment.

Throughout the day on June 5, 2007, and June 6, 2007, the parties and their legal counsel focused on revising the original merger agreement and limited sponsor guarantees to reflect the change in structure and other agreed upon terms. During this same period the parties and their legal counsel engaged in a series of conversations to reach agreement on the equity and debt commitment letters to be delivered in connection with the amended and restated merger agreement.

On June 6, 2007, Biomet announced its separation and retirement agreement with Garry L. England, pursuant to which he retired as Chief Operating Officer Domestic Operations effective as of May 31, 2007. On June 6, 2007, Biomet also announced its separation and retirement agreement with Charles E. Niemier, pursuant to which he was to retire as Senior Vice President, Biomet, Inc. and Senior Vice President, Biomet International and Corporate Relations effective as of June 18, 2007. Mr. Niemier will remain with Biomet as a Class III member of the board.

On June 6, 2007, the board convened a special telephonic meeting to consider the requested change in structure. Kirkland & Ellis then summarized for the board certain provisions of the proposed merger agreement with the Sponsor Group that had changed from the original merger agreement, including the change in structure of the transaction, certain new conditions in the merger agreement such as a financing condition and minimum number of shares required to be tendered for the offer to be completed, the financing commitments, the subsequent offering period and top-up option provided for in connection with the tender offer, the termination rights and the termination fee provisions.

Morgan Stanley reviewed for the board its financial analysis of the Sponsor Group s revised proposal. Morgan Stanley then orally delivered the opinion of Morgan Stanley, subsequently confirmed in writing, that as of June 6, 2007, and based on 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.

Table of Contents

Following these presentations, the board discussed the terms of the Sponsor Group s revised proposal, the timing and risks under the original merger agreement as compared with the proposed amended and restated merger agreement, and the risks associated with, and likelihood of completion of, such alternatives. 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. Thereafter, the board determined that entering into the amended and restated merger agreement 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 amended and restated merger agreement with the Sponsor Group.

On the morning of June 7, 2007, Biomet, Parent and Merger Sub executed the amended and restated merger agreement. Prior to the opening of trading on NASDAQ on June 7, 2007, Biomet and the Sponsor Group issued a joint press release announcing the amended and restated merger agreement.

From June 7 through June 13, 2007, Kirkland & Ellis, Simpson Thacher and Cleary Gottlieb, along with Biomet management and the Sponsor Group, were in frequent contact regarding, and coordinated with one another concerning, Biomet s Schedule 14D-9 and Merger Sub s Schedule TO.

On June 13, 2007, Merger Sub filed with the SEC a Schedule TO, which included its offer to purchase, and commenced the tender offer, and we filed with the SEC a Schedule 14D-9 responding to the Schedule TO.

From June 13, 2007 through July 12, 2007, representatives of Biomet and the Sponsor Group and their respective legal counsels were in frequent contact regarding, among other things, Biomet s business and operations, Biomet s July 9, 2007 earnings release and other matters.

On June 27, 2007, the Indiana Securities Commissioner conducted a hearing to evaluate the Offer. On July 6, 2007, the Indiana Securities Commissioner granted a final order stating that the takeover offer described in our Offer to Purchase complies with the Indiana Takeover Offers Act, and that the Offer may proceed accordingly.

On July 6, the Compensation and Stock Option Committee approved and/or ratified, in accordance with the non-exclusive safe harbor provisions contained in Rule 14d-10 under the Exchange Act, certain compensatory arrangements including:

- that all shares and options to purchase Biomet common shares held by directors and officers subject to Section 16 of the Exchange Act may be deemed disposed of, converted or cancelled pursuant to the merger agreement and that such disposition, conversion or cancellation is exempted from Section 16(b) of the Exchange Act;

- suspension of option exercises beginning on July 9, 2007 at 12:01 AM Eastern Daylight Savings Time;

- payment of taxes to the IRS on behalf of persons, other than Section 16 officers or individuals not subject to United States income tax, who exercised options during the 2006 calendar year that were priced at less than the fair market value of the shares underlying the options on the date the options were granted, as well as the amount needed to gross-up such option exercisers for taxes they incur due to any income they recognize due to Biomet s payments on their behalf, for a total aggregate payment of approximately $1.5 million;

- payment of taxes incurred by Mr. Richard Borror as a result of his exercising options to purchase Biomet common shares priced at less than the fair market value of the shares underlying the options on the date the options were granted, as well as the amount needed to gross-up Mr. Borror for taxes he incurs due to any income he recognizes due to Biomet s payment on his behalf, for a total aggregate payment of approximately $20,000; and changing the effective date of the exercise price adjustment of options granted at below fair market value on the date of grant, except those held by Section 16 officers or individuals not subject to United States income tax, and the cash payment made to each such option holder (both of which had been previously approved) to June 26, 2007.

On July 12, 2007, Merger Sub announced that it had accepted for payment all Biomet common shares tendered into the tender offer.

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. As required by the merger agreement, the remaining directors appointed Parent s designees, Chinh Chu, Jonathan Coslet, Michael Dal Bello, Sean Fernandes, Adrian Jones, Michael Michelson, Dane Miller, John Saer and Todd Sisitsky, to Biomet s board.

On July 17, 2007, pursuant to the terms of Biomet s options and the merger agreement, all stock options outstanding (whether held by officers, directors, employees or distributors) were cancelled and the holders thereof received 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.

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

Our Board of Directors Recommendation

At a special meeting of our board of directors convened on June 6, 2007, our board of directors (all of whom were unaffiliated with Parent or Merger Sub at that time) unanimously adopted and declared advisable the amended and restated merger agreement, the offer and the merger 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.

Our Reasons for the Merger

The Original Merger Agreement

In reaching its decision to unanimously adopt the original merger agreement and declare advisable the original merger agreement and the original merger and related transactions, and its unanimous determination that the original merger was in the best interests of Biomet and its shareholders and to unanimously recommend that Biomet s shareholders vote to approve the original merger agreement, our board of directors consulted with management and its financial and legal advisors. The board considered the following factors and potential benefits of the original merger, each of which it believed supported its decision:

- the then current and historical market prices of Biomet s common shares, and the fact that the $44.00 per share to be paid for each Biomet common share in the original merger represented a premium to those historical trading prices a premium of approximately:
  - 27% over Biomet s closing price on April 3, 2006, the trading day prior to public speculation of Biomet executing a significant transaction, which was subsequently confirmed by Biomet on April 6, 2006 when it announced that it had retained Morgan Stanley to assist it in exploring strategic alternatives; and
  - 45% over Biomet s 52-week low closing price on July 14, 2006.
- 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 determined not to pursue

in light of its belief, and the belief of Biomet s management, that the original merger was in the best interests of Biomet and its shareholders;

the evaluation by the board of directors of Biomet s five-year strategic business plan, as well as the execution risks related to achieving that plan, compared to the risks and benefits of the transaction;

the business, operations, management, financial condition, earnings and cash flows of Biomet on a historical and prospective basis;

the review of strategic alternatives conducted by Biomet with the assistance of Morgan Stanley, which involved publicizing Biomet s review of strategic alternatives, engaging in discussions with four parties to determine their potential interest in a business combination transaction with Biomet, entering into confidentiality agreements with three parties and the receipt of two definitive proposals to acquire Biomet;

from at least fiscal 2005, Biomet underperformed and has continued to underperform its peer group in terms of median sales and earnings growth;

the judgment of our board of directors that extending the process by continuing or entering into negotiations with any other parties, including Smith & Nephew, would extend the uncertainty that was becoming increasingly disruptive to Biomet s operations and subject Biomet to significant additional negotiation and risks, including endangering the offer received from the Sponsor Group;

the fact that the original merger consideration was all cash, which provides our shareholders with certainty of value for their shares;

the presentation of Morgan Stanley, including its opinion dated December 17, 2006 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 $44.00 per share to be received by holders of Biomet common shares in accordance with the original merger agreement was fair from a financial point of view to such shareholders;

the then current and prospective environment in which we operate, including national economic conditions, the competitive environment in our industry generally, the trend towards consolidation in our industry, the evolving regulatory environment and the likely effect of these factors on us;

the terms of the original merger agreement, including without limitation:

the limited number and nature of the conditions to Parent and Merger Sub s obligation to consummate the original merger and the limited risk of non-satisfaction of such conditions, including that for purposes of the original merger agreement a material adverse effect on Biomet did not include circumstances resulting from certain carve-outs to the definition of material adverse effect ;

the provisions of the original merger agreement which allocated risk with respect to developments arising out of the review into Biomet s historical stock option granting practices to the Sponsor Group;

the provisions of the original merger agreement that allowed the board of directors, under certain limited circumstances where failure to take such actions would be inconsistent with its fiduciary duties under applicable law, to change its recommendation that Biomet shareholders vote in favor of the approval of the original merger agreement;

the provisions of the original merger agreement that allowed Biomet, under certain limited circumstances where failure to take such actions would be inconsistent with the fiduciary duties of its directors under applicable law, to furnish information to and conduct negotiations with third parties;

the provisions of the original merger agreement that allowed Biomet, under certain limited circumstances where failure to take such actions would be inconsistent with the board s fiduciary

Table of Contents

duties under applicable law, to terminate the original merger agreement in order to accept a superior proposal (subject to negotiating with Parent in good faith and paying to Parent the $272.5 million termination fee);

the conclusion of the board that both the $272.5 million termination fee (and the circumstances when such fee is payable) and the requirement to reimburse Parent for certain expenses, up to a limit of $40 million, in the event that the original merger agreement was terminated because Biomet s shareholders fail to approve the original merger agreement at the special meeting or any adjournment thereof at which it was voted on and a termination fee was not otherwise payable at the time of such termination, were reasonable in light of the benefits of the original merger, the auction process conducted by Biomet with the assistance of Morgan Stanley and commercial practice;

the obligation of Parent to pay to Biomet a $272.5 million termination fee if we terminated the original merger agreement on the termination date and all conditions to the obligations of Parent and Merger Sub (other than delivery of an officer s certificate) had been satisfied and Parent failed to close, including because Parent and Merger Sub failed to receive the proceeds of the debt financing contemplated by the debt financing commitment,(or alternative debt financing on terms not materially less beneficial to Merger Sub than the terms set forth in the debt financing commitment) sufficient to have consummated the original merger; and

the ability of Biomet to seek up to an aggregate of $272.5 million in damages from Parent and Merger Sub under certain circumstances if Parent or Merger Sub breached the original merger agreement;

the recommendation of the Strategic Alternatives Committee that the board of directors adopt the original merger agreement;

the debt commitment letter indicated a strong commitment on the part of the lenders to Parent with few conditions that would permit the lenders to terminate their commitment;

the commitment of the Sponsor Group under certain circumstances to utilize bridge financing to close the transaction;

the experience of members of the Sponsor Group in closing acquisitions of this scale;

the fact that the non-financial terms of the proposal received from Smith & Nephew were, in the aggregate, significantly less favorable to Biomet than the proposal from the Sponsor Group, including as to conditionality;

the potential impact on Biomet s operations from announcing a transaction with a competitor and the greater uncertainty and potential for delay in closing a transaction with Smith & Nephew; and

the advantages to employees, suppliers, customers, team members and various other constituencies of Biomet in remaining an independent company owned by the Sponsor Group.

Each of these factors supported the conclusion by our board of directors that the original merger was in the best interests of Biomet and its shareholders. Our board of directors relied on management at that time to provide accurate and complete financial information, projections and assumptions as of that time as the starting point for its analysis and also considered the possible impact on the information provided that might arise from the ongoing investigation into Biomet s historical stock option granting practices.

Our board of directors also considered, and balanced against the potential benefits, a variety of risks and other potentially negative factors relating to the original merger agreement and the transactions contemplated by it. These factors included:

the fact that the per share merger consideration offered by Smith & Nephew was $1 per share higher than the Sponsor Group s offer, and that Smith & Nephew proposed to finance the acquisition of Biomet with less debt financing than the Sponsor Group;

Table of Contents

- the fact that we were entering into the original merger agreement with a newly formed corporation with essentially no assets and, accordingly, that our remedy in connection with a breach of the original merger agreement by Parent or Merger Sub, even a breach that was deliberate or willful, was limited to $272.5 million;

- the fact that, following the original merger, our shareholders would cease to participate in any of our future earnings or benefit from any future increase in our value, including any appreciation in value that could be realized as a result of improvements to Biomet s operations;

- the potential impact that the Special Litigation Committee s then ongoing investigation into Biomet s historical stock option granting practices may have had on the bidding process and timing for completion of the original merger, the associated potential risk that closing conditions might not be satisfied and the costs and benefits of delaying the process until completion of the review;

- the fact that certain individuals associated with us may have had interests that were different from those of our shareholders;

- the limitations contained in the original merger agreement on our ability to solicit or discuss other offers, as well as the possibility that we may have been required to pay to Parent a termination fee under certain circumstances;

- the possibility that the original merger may not have been completed in a timely manner or at all, which would divert significant resources and have a negative impact on our operations;

- the possible effects of the announcement of the original merger on employees, distributors and customers, suppliers and various other constituencies;

- the transaction costs that would be incurred in connection with the original merger, as well as the risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the original merger;

- the fact that, for U.S. federal income tax purposes, the original merger consideration would have been taxable to our shareholders; and

- restrictions on the conduct of Biomet s business prior to the completion of the original merger, requiring us to conduct business only in the ordinary course, subject to specific limitations or Parent consent, which may have delayed or prevented us from undertaking business opportunities that may arose pending completion of the original merger.

This discussion of the information and factors considered by our board of directors in reaching its conclusions and recommendation with respect to the original merger agreement includes all of the material factors considered by our board of directors, but is not intended to be exhaustive. In view of the wide variety of factors considered by our board of directors in evaluating the original merger agreement and the transactions contemplated by it, including the original merger, and the complexity of these matters, our board of directors did not find it practicable to, and did not attempt to, assign relative weight to those factors. In addition, different members of our board of directors may have assigned different weight to different factors.

The Amended and Restated Merger Agreement

In reaching its decision to unanimously adopt and declare advisable the merger agreement, the offer and the merger, and unanimously determine that the merger is in the best interests of Biomet and our shareholders the board considered the information and factors listed above, both positive and negative. In addition, the board considered the following factors:

the fact that the cash consideration of $46.00 per share, net to be paid under the merger agreement exceeds the consideration of $44.00 per share, net payable under the original merger agreement and represents a premium of approximately:

4% premium over Biomet s closing price on June 6, 2007, the last trading day prior to the public announcement of the terms of the offer and the merger;

32% over Biomet s closing price on April 3, 2006, the trading day prior to public speculation of Biomet executing a significant transaction, which was subsequently confirmed by Biomet on April 6, 2006 when it announced that it had retained Morgan Stanley to assist it in exploring strategic alternatives; and

52% over Biomet s 52-week low closing price on July 14, 2006.

the fact that a direct offer to shareholders allows the decision regarding the transaction to be made by the shareholders who actually own common shares at the time of tendering, and accordingly have a true economic interest in the decision, and accordingly may result in a higher response rate from Biomet s 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 Biomet shareholders 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 Adviser beginning on page [ ] and Annex B to this proxy statement);

the recent changes in Biomet s management, the status of ongoing efforts to improve operating performance, the current and prospective environment in which we operate and the likely effect of these factors on us;

the terms of the merger agreement and the offer, including without limitation:

the number and nature of the conditions to Parent and Merger Sub s obligations in the merger agreement, including the minimum condition and the financing condition described below;

the minimum condition of the offer which, subject to certain adjustments, conditioned the offer on at least 75% of Biomet s outstanding common shares being tendered in the offer;

the financing condition of the offer which conditioned the offer on the debt financing arranged by Parent and Merger Sub being available for borrowing on the terms and conditions set forth in the debt financing commitment letters obtained by Merger Sub or on terms and conditions that are no less favorable, in the aggregate, to Parent and Merger Sub;

the top-up option under the merger agreement, which subject to certain conditions provided Merger Sub an option (which it did not exercise) to purchase, at a price per share equal to the price paid in the offer, a number of newly issued common shares equal to the number of common shares that, when added to the number of common shares owned, directly or indirectly, by Parent or Merger Sub at the time of exercise of the top-up option, constitutes 90.0005% of the total common shares that would be outstanding immediately after the issuance of all common shares subject to the top-up option;

the provisions of the merger agreement that allowed the board, under certain limited circumstances where failure to take such actions would be inconsistent with its fiduciary duties under applicable law, to render inapplicable or take action to exempt any third party from any standstill arrangement and to change its recommendation set forth in this proxy statement;

the provisions of the merger agreement that allowed Biomet, under certain limited circumstances where failure to take such actions would be inconsistent with the fiduciary duties of its directors under applicable law, to furnish information to and conduct negotiations with third parties;

the provisions of the merger agreement that allowed Biomet, under certain limited circumstances where failure to take such actions would be inconsistent with the board s fiduciary duties under applicable law, to terminate the merger agreement in order to accept a superior proposal (subject to negotiating with Parent in good faith and paying to Parent the $272.5 million termination fee);

Table of Contents

the conclusion of the board that both the $272.5 million termination fee (and the circumstances when such fee is payable) and the requirement to reimburse Parent for certain expenses, up to a limit of $40 million, in the event that the merger agreement had been terminated because of a failure to meet the minimum condition in the offer, were reasonable in light of the benefits of the merger agreement, the previous auction process conducted by Biomet with the assistance of Morgan Stanley and commercial practice;

the obligation of Parent to pay to Biomet a $272.5 million termination fee under certain conditions, including if all conditions to the obligations of Parent and Merger Sub (other than delivery of an officer s certificate) had been satisfied and Parent failed to close the offer and if Parent and Merger Sub had failed to receive the proceeds of the debt financing contemplated by the debt financing commitment (or alternative debt financing on terms not materially less beneficial to Merger Sub than the terms set forth in the debt financing commitment) sufficient to consummate the offer; and

the ability of Biomet to seek up to an aggregate of $272.5 million in damages (without duplication of any termination fee payable by Parent) from Parent and Merger Sub under certain circumstances if Parent or Merger Sub breaches the merger agreement;

the fact that following completion of the offer, Biomet s remaining shareholders who are unaffiliated with Parent do not have a meaningful opportunity to vote, as following completion of the offer Parent controls at least 75% of Biomet s outstanding common shares, meaning that Parent has control of the votes required to approve the merger and would have been able to consummate the merger without a shareholder vote if Parent, with or without the top-up option, had owned more than 90% of Biomet s outstanding common shares;

the provisions of the merger agreement that provided, subject to certain conditions, Parent the ability to obtain representation on Biomet s board proportional to Merger Sub s ownership of common shares upon completion of the offer; and

the debt commitment letter received by Parent in connection with the offer indicated a strong commitment on the part of the lenders to Parent with few conditions that would permit the lenders to terminate their commitment.

This discussion of the information and factors considered by the board in reaching its conclusions and recommendation includes all of the material factors considered by the board, but is not intended to be exhaustive. In view of the wide variety of factors considered by the board in evaluating the merger agreement and the transactions contemplated by it, including the offer and the merger, and the complexity of these matters, the board did not find it practicable to, and did not attempt to, assign relative weight to those factors. In addition, different members of the board may have assigned different weight to different factors.

After careful consideration by the board, the board unanimously adopted and declared advisable the merger agreement, the offer and the merger and other transactions contemplated thereby, and unanimously determined that the offer and the merger are in the best interests of Biomet and its shareholders. **Accordingly, our board of directors unanimously recommends that our shareholders vote FOR approval of the merger agreement**.

Opinion of Our Financial Advisor

Biomet engaged Morgan Stanley to provide it with financial advisory services and a financial opinion in connection with a possible merger, sale or other strategic business combination. Biomet selected Morgan Stanley to act as its financial advisor based on Morgan Stanley s qualifications, experience and reputation and its knowledge of the sector in which Biomet operates. At the special meeting of the Biomet board of directors convened on the evening of June 6, 2007, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that as of June 6, 2007, and based on and subject to the various considerations, assumptions and limitations set forth in its opinion, the consideration to be received by holders of Biomet common shares in accordance with the merger agreement was fair from a financial point of view to shareholders.

The full text of the written opinion of Morgan Stanley, dated as of June 6, 2007, is attached to this proxy statement as Annex B. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion. We encourage you to read the entire opinion carefully. Morgan Stanley s opinion is directed to Biomet s board of directors and addresses only the fairness from a financial point of view of the consideration pursuant to the merger agreement to Biomet shareholders as of the date of the opinion. It does not address any other aspects of the offer and merger and does not constitute a recommendation to any Biomet shareholder whether such shareholder should accept the offer, or how to vote in connection with the offer and merger. The summary of the opinion of Morgan Stanley set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Morgan Stanley, among other things:

- reviewed certain publicly available financial statements and other business and financial information of Biomet;
- reviewed certain internal financial statements and other financial and operating data concerning Biomet prepared by the management of Biomet;
- reviewed certain financial projections prepared by the management of Biomet;
- discussed the past and current operations and financial condition and the prospects of Biomet with senior executives of Biomet;
- reviewed the reported prices and trading activity for Biomet s common shares and other publicly available information regarding Biomet;
- compared the financial performance of Biomet and the prices and trading activity of Biomet s common shares with that of certain other comparable publicly-traded companies and their securities;
- reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- participated in discussions and negotiations among representatives of Biomet, Parent and certain other parties and their financial and legal advisors;
- 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
- performed such other analyses and considered such other factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information supplied or otherwise made available to it by Biomet for the purposes of its opinion. With respect to the financial projections, Morgan Stanley assumed that they were reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Biomet. Morgan Stanley also assumed that the offer and merger would be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions. Morgan Stanley assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the offer and merger, no delays, limitations, conditions or restrictions would be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the offer and merger. Morgan Stanley is not a legal, tax or regulatory advisor and relied upon, without independent verification, the assessment of Biomet and its legal, tax or regulatory advisors with respect to such matters, and has made no assessment as to the impact or timing implications, if any, of any ongoing legal or regulatory investigations. Morgan Stanley has not made any independent valuation or appraisal of the assets or liabilities of Biomet, nor has Morgan Stanley been furnished with any such appraisals. Morgan Stanley s opinion is necessarily based on financial, economic, market and

Table of Contents

other conditions as in effect on, and the information made available to Morgan Stanley as of, June 6, 2007. Events occurring after the date hereof may affect this opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm this opinion.

Morgan Stanley has not been asked to express, and has not expressed, any opinion as to any other transaction other than the offer and merger, nor has Morgan Stanley been asked to express, and has not expressed, any opinion as to the relative merits of or consideration offered in the offer and merger as compared to any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved.

The following is a brief summary of the material financial analyses performed by Morgan Stanley in connection with the preparation of its opinion dated June 6, 2007. The various analyses summarized below were based on closing prices for the common shares of Biomet as of June 5, 2007, the last full trading day preceding the day of the special meeting of Biomet s board of directors to adopt and declare advisable the merger agreement and the merger and related transactions and to determine that the offer and merger is in the best interests of Biomet and its shareholders. Although each financial analysis was provided to the board of directors of Biomet in connection with arriving at its opinion, Morgan Stanley considered all of its analyses as a whole and did not attribute any particular weight to any analysis described below. These summaries of financial analyses include information presented in tabular format. To fully understand the financial analyses used by Morgan Stanley, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

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:

Orthopedics 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);

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:

DCF Analysis: 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:

Precedent Transaction Analysis

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.

Table of Contents

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					