ENVESTNET, INC.
Form 10-Q
August 11, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-34835

Envestnet, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-1409613**
(State or other jurisdiction of incorporation or organization)	(I.R.S Employer Identification No.)
35 East Wacker Drive, Suite 2400, Chicago, IL	**60601**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code:

(312) 827-2800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

As of August 1, 2014, 34,162,619 shares of the common stock with a par value of $0.005 per share were outstanding.

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Envestnet, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share information)

(unaudited)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 64,464	$ 49,942
Fees and other receivables, net	24,857	19,848
Deferred tax assets, net	3,705	2,462
Prepaid expenses and other current assets	6,660	7,155
Total current assets	99,686	79,407
Property and equipment, net	14,565	12,766
Internally developed software, net	6,394	5,740
Intangible assets, net	31,398	35,698
Goodwill	74,868	74,335
Deferred tax assets, net	8,367	8,367
Other non-current assets	5,110	4,929
Total assets	$ 240,388	$ 221,242
Liabilities and Equity		
Current liabilities:		
Accrued expenses	$ 33,683	$ 35,242
Accounts payable	6,728	5,528
Contingent consideration	6,000	6,008
Deferred revenue	6,566	6,245
Total current liabilities	52,977	53,023
Contingent consideration	11,389	11,297
Deferred revenue	3,017	1,148
Deferred rent	2,575	2,051
Lease incentive	4,146	3,547
Other non-current liabilities	2,548	2,404
Total liabilities	76,652	73,470
Commitments and contingencies		
Equity:		
Stockholders equity:		
Preferred stock, par value $0.005, 50,000,000 shares authorized		
Common stock, par value $0.005, 500,000,000 shares authorized; 45,942,152 and 45,628,814 shares issued as of June 30, 2014 and December 31, 2013, respectively; 34,149,003 and 33,876,020 shares outstanding as of June 30, 2014 and December 31, 2013, respectively	230	228
Additional paid-in capital	202,729	192,341
Accumulated deficit	(26,904)	(33,617)
Treasury stock at cost, 11,793,149 and 11,752,794 shares as of June 30, 2014 and December 31, 2013, respectively	(12,875)	(11,180)

Total stockholders equity		163,180		147,772
Non-controlling interest		556		
Total equity		163,736		147,772
Total liabilities and equity	$	240,388	$	221,242

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Operations

(in thousands, except share and per share information)

(unaudited)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Revenues:				
Assets under management or administration	$ 70,727	$ 41,234	$ 137,808	$ 77,570
Licensing and professional services	14,102	10,398	25,560	20,687
Total revenues	84,829	51,632	163,368	98,257
Operating expenses:				
Cost of revenues	37,955	19,638	72,392	36,446
Compensation and benefits	25,157	17,194	48,616	34,412
General and administration	12,936	9,962	25,086	18,855
Depreciation and amortization	4,615	3,081	9,037	6,199
Total operating expenses	80,663	49,875	155,131	95,912
Income from operations	4,166	1,757	8,237	2,345
Other income	1,839	186	1,920	191
Income before income tax provision	6,005	1,943	10,157	2,536
Income tax provision	2,355	825	3,639	877
Net income	3,650	1,118	6,518	1,659
Add: Net loss attributable to non-controlling interest	69		195	
Net income attributable to Envestnet, Inc.	$ 3,719	$ 1,118	$ 6,713	$ 1,659
Net income per share attributable to Envestnet, Inc.:				
Basic	$ 0.11	$ 0.03	$ 0.20	$ 0.05
Diluted	$ 0.10	$ 0.03	$ 0.18	$ 0.05
Weighted average common shares outstanding:				
Basic	34,547,277	32,661,196	34,332,759	32,518,943
Diluted	36,805,758	35,164,106	36,726,121	34,760,568

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statement of Equity

(in thousands, except share information)

(unaudited)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Non-controlling Interest	Total Equity
	Shares	Amount	Common Shares	Amount				
Balance, December 31, 2013	45,628,814	$ 228	(11,752,794)	$ (11,180)	$ 192,341	$ (33,617)	$	$ 147,772
Exercise of stock options	190,961	2			1,613			1,615
Issuance of common stock - vesting of restricted stock	122,377							
Purchase of treasury stock for stock-based minimum tax withholdings			(40,355)	(1,695)				(1,695)
Stock-based compensation					5,572		195	5,767
Excess tax benefits from stock-based compensation expense					3,203			3,203
Issuance of membership interest in ERS, LLC							556	556
Net income (loss)						6,713	(195)	6,518
Balance, June 30, 2014	45,942,152	$ 230	(11,793,149)	$ (12,875)	$ 202,729	$ (26,904)	$ 556	$ 163,736

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
OPERATING ACTIVITIES:		
Net income	$ 6,518	$ 1,659
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,037	6,199
Deferred rent and lease incentive	1,123	(48)
Provision for doubtful accounts		60
Deferred income taxes		(1,094)
Stock-based compensation	5,767	4,266
Excess tax benefits from stock-based compensation	(3,203)	(1,047)
Imputed interest expense	824	
Fair market value adjustment on contingent consideration	(460)	
Changes in operating assets and liabilities:		
Fees and other receivables, net	(5,009)	(3,672)
Prepaid expenses and other current assets	2,455	(672)
Other non-current assets	(1,136)	(568)
Accrued expenses	(1,559)	3,490
Accounts payable	1,200	1,489
Deferred revenue	2,190	80
Other non-current liabilities	144	25
Net cash provided by operating activities	17,891	10,167
INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,841)	(1,638)
Capitalization of internally developed software	(1,651)	(1,503)
Net cash used in investing activities	(6,492)	(3,141)
FINANCING ACTIVITIES:		
Proceeds from exercise of warrants		4
Proceeds from exercise of stock options	1,615	2,204
Issuance of restricted stock		1
Purchase of treasury stock for stock-based minimum tax withholdings	(1,695)	(586)
Excess tax benefits from stock-based compensation expense	3,203	1,047
Net cash provided by financing activities	3,123	2,670
INCREASE IN CASH AND CASH EQUIVALENTS	14,522	9,696
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	49,942	29,983
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 64,464	$ 39,679
Supplemental disclosure of cash flow information - cash paid during the period for income taxes, net of refunds	$ 18	$ 2,955

Supplemental disclosure of non-cash operating, investing and financing activities:	
Settlement of contingent consideration liability upon issuance of ERS, LLC membership interest	158

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

1. Organization and Description of Business

Envestnet, Inc. (Envestnet) and its subsidiaries (collectively, the Company) provide open-architecture wealth management services and technology to independent financial advisors and financial institutions. These services and related technology are provided via Envestnet s wealth management software, Envestnet | PMC®, Envestnet | Tamarac , Vantage Reporting Solution and Envestnet | WMS .

Envestnet s wealth management software is a platform of integrated, internet-based technology applications and related services that provide portfolio diagnostics, proposal generation, investment model management, rebalancing and trading, portfolio performance reporting and monitoring solutions, billing, and back-office and middle-office operations and administration.

The Company s investment consulting group, Envestnet | PMC, provides investment manager due diligence and research, a full spectrum of investment offerings supported by both proprietary and third-party research and manager selection, and overlay portfolio management services.

Envestnet | Tamarac provides leading portfolio accounting, rebalancing, trading, performance reporting and client relationship management software, principally to high-end Registered Investment Advisors (RIAs).

Vantage Reporting Solution software aggregates and manages investment data, provides performance reporting and benchmarking, giving advisors an in-depth view of clients various investments, empowering advisors to give holistic, personalized advice.

Envestnet | WMS offers financial institutions access to an integrated wealth platform, which helps construct and manage sophisticated portfolio solutions across an entire account life cycle, particularly in the area of unified managed account trading. Envestnet | WMS s Overlay Portfolio Management console helps wealth managers efficiently build customized client portfolios that consider both proprietary and open-architecture investment solutions.

Through these platform and service offerings, the Company provides open-architecture support for a wide range of investment products (separately managed accounts, multi-manager accounts, mutual funds, exchange-traded funds, stock baskets, alternative investments, and other fee-based investment solutions) from Envestnet | PMC and other leading investment providers via multiple custodians, and also account administration and reporting services.

Envestnet operates four RIAs and a registered broker-dealer. The RIAs are registered with the Securities and Exchange Commission (SEC). The broker-dealer is registered with the SEC, all 50 states and the District of Columbia and is a member of the Financial Industry Regulatory Authority (FINRA).

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company as of June 30, 2014 and for the three and six months ended June 30, 2014 and 2013 have not been audited by an independent registered public accounting firm. These unaudited condensed consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements for the year ended December 31, 2013 and reflect all normal recurring adjustments which are, in the opinion of management, necessary to present fairly the Company s financial position as of June 30, 2014 and the results of operations, equity and cash flows for the periods presented herein. The unaudited condensed consolidated balance sheet as of December 31, 2013 was derived from the Company s audited financial statements for the year ended December 31, 2013 but does not include all disclosures, including notes required by accounting principles generally accepted in the United States of America (GAAP). The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the operating results to be expected for other interim periods or for the full fiscal year.

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013, filed with the SEC on March 17, 2014.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

The preparation of these unaudited condensed consolidated financial statements requires management to make estimates and assumptions related to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates relate to estimating uncollectible receivables, revenue recognition, costs capitalized for internally developed software, valuations and assumptions used for impairment testing of goodwill, intangible and other long-lived assets, fair value of stock and stock options issued, fair value of contingent consideration, realization of deferred tax assets, uncertain tax positions and assumptions used to allocate purchase prices in business combinations. Actual results could differ materially from these estimates under different assumptions or conditions.

Other Income - On June 18, 2014, the Company reached an agreement with a vendor regarding the recovery of certain expenses the Company incurred in 2013. Under the terms of the agreement, the vendor agreed to pay the Company $1,825. The Company recognized a pre-tax gain of $1,825 resulting from the agreement, which is included in Other income in the condensed consolidated statements of operations for the three and six months ended June 30, 2014.

Non-controlling Interest - Effective February 1, 2014, the Company formed Envestnet Retirement Solutions, LLC (ERS, LLC) with various third parties. ERS, LLC offers advisory and technology enabled services to financial advisors and retirement plans. In exchange for a 64.5% ownership interest in ERS, LLC, the Company contributed certain assets and has agreed to fund a certain amount of the operating expenses of ERS, LLC.

The allocation of gains and losses to the members of ERS, LLC is based on a hypothetical liquidation book value method in accordance with the ERS, LLC operating agreement. In the three and six months ended June 30, 2014, losses of $69 and $195, respectively, are reflected as non-controlling interest in the condensed consolidated statements of operations.

Recent Accounting Pronouncements - On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

3. Business Acquisitions

Acquisition of Klein Decisions, Inc.

On May 20, 2014, ERS, LLC entered into a stock purchase agreement with Klein Decisions, Inc. (Klein). In accordance with the stock purchase agreement, ERS, LLC acquired all of the outstanding shares of Klein for cash consideration of approximately $1,500, a promissory note in the amount of $1,500, and contingent consideration with a minimum guaranteed amount of $1,175, to be paid over three years. The promissory note is payable by ERS, LLC on July 31, 2014. Klein develops dynamic decision systems that incorporate investor preferences, goals, and priorities into the investment process.

On July 1, 2014, ERS, LLC completed the acquisition of Klein. ERS, LLC is currently in the initial phase of gathering financial information and has not completed the estimated fair values of the assets acquired and liabilities assumed.

On July 9, 2014, ERS, LLC accepted the subscription of former owners of Klein (the Klein Parties) to purchase an 11.7% ownership interest of ERS, LLC for $1,500. The Klein Parties have the right to require ERS, LLC to repurchase units issued pursuant to the subscription anytime between 18 and approximately 36 months after July 1, 2014 for the amount of $1,500. This purchase obligation is guaranteed by the Company.

After taking into account the subscription of the Klein Parties, the Company s ownership interest in ERS, LLC is 57%.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

Agreement to Acquire Placemark Holdings, Inc.

On June 30, 2014, Envestnet, Inc. (Envestnet) entered into an acquisition agreement and plan of merger (which was amended and restated on August 11, 2014, the Agreement) with Placemark Holdings, Inc., a Delaware corporation (Placemark), and certain of its shareholders pursuant to which Envestnet will acquire Placemark (the Acquisition). Placemark develops Unified Managed Account (UMA) programs and other portfolio management outsourcing solutions, including patented portfolio overlay and tax optimization services, for banks, full-service broker-dealers and RIA firms.

Under the terms of the Agreement, Envestnet has agreed to pay an aggregate of $66,000 in cash upon closing of the Acquisition, subject to certain post-closing adjustments. Envestnet expects to fund the Acquisition with available cash and borrowings under its credit agreement (see Note 15).

The Acquisition is subject to customary closing conditions, including certain customer consents, and is expected to be completed during the second half of 2014.

Acquisition of Wealth Management Solutions

On July 1, 2013, the Company acquired the Wealth Management Solutions (WMS) division of Prudential Investments LLC. In accordance with the purchase agreement, the Company acquired substantially all of the assets and assumed certain liabilities of WMS for total consideration of $24,730. WMS is a provider of technology solutions that enables financial services firms to develop and enhance their wealth management offerings.

The consideration in the acquisition was as follows:

Cash consideration	$	8,992
Contingent consideration		15,738
	$	24,730

In connection with the acquisition of WMS, the Company is required to pay Prudential Investments LLC contingent consideration of up to a total of $23,000 in cash, based upon meeting certain performance targets. The Company recorded a liability as of the date of acquisition of $15,738, which represented the estimated fair value of contingent consideration on the date of acquisition and is considered a Level 3 fair value measurement as described in Note 8.

The estimated fair value of contingent consideration as of June 30, 2014 was $17,389. This amount is the present value of an undiscounted liability of $19,137, applying a discount rate of 10%. Payments will be made at the end of three twelve month closing periods. The future undiscounted payments are anticipated to be $6,000 on August 15, 2014, $6,437 on August 15, 2015 and $6,700 on August 15, 2016. The final future payments may be greater or lower than these amounts, based upon the attainment of performance targets. Changes to the estimated fair value of the contingent consideration are recognized in earnings of the Company.

For the three and six months ended June 30, 2014, the Company recognized imputed interest expense on contingent consideration of $412 and $824, respectively. During the three months ended June 30, 2014, the Company recorded a fair value adjustment to decrease the contingent consideration liability by $460 which is included in general and administration expense in the condensed consolidated statement of operations.

Pro forma results for Envestnet, Inc. giving effect to the WMS acquisition

The following pro forma financial information presents the combined results of operations of Envestnet and WMS, acquired on July 1, 2013, for the three and six months ended June 30, 2013. The pro forma financial information presents the results as if the acquisition had occurred as of the beginning of 2013.

The unaudited pro forma results presented include amortization charges for acquired intangible assets, imputed interest expense, stock-based compensation expense and the related tax effect on the aforementioned items.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

Pro forma financial information for the three and six months ended June 30, 2013 is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the acquisition had taken place as of the beginning of 2013.

	Three Months Ended	Six Months Ended
Revenues	$ 68,247	$ 130,705
Net loss	(6,677)	(11,276)
Net loss per share:		
Basic	(0.21)	(0.35)
Diluted	(0.21)	(0.35)

4. Property and Equipment

	Estimated Useful Life	June 30, 2014	December 31, 2013
Cost:			
Office furniture and fixtures	5-7 years	$ 4,921	$ 4,266
Computer equipment and software	3 years	29,743	26,910
Other office equipment	5 years	598	598
Leasehold improvements	Shorter of the lease term or useful life of the asset	9,652	8,299
		44,914	40,073
Less accumulated depreciation and amortization		(30,349)	(27,307)
Property and equipment, net		$ 14,565	$ 12,766

Depreciation and amortization expense was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Depreciation and amortization expense	$ 1,553	$ 1,095	$ 3,042	$ 2,218

5. Internally Developed Software

Internally developed software consists of the following:

	Estimated Useful Life	June 30, 2014	December 31, 2013
Internally developed software	5 years	$ 18,025	$ 16,374
Less accumulated amortization		(11,631)	(10,634)
Internally developed software, net		$ 6,394	$ 5,740

Amortization expense was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Amortization expense	$ 508	$ 418	$ 997	$ 829

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

6. Intangible Assets

Intangible assets consist of the following:

		June 30, 2014			December 31, 2013		
	Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer lists	4 - 12 years	$ 42,403	$ (17,665)	$ 24,738	$ 42,103	$ (14,593)	$ 27,510
Proprietary technologies	1.5 - 8 years	9,978	(4,482)	5,496	9,580	(2,792)	6,788
Trade names	5 years	2,090	(926)	1,164	2,090	(690)	1,400
Total intangible assets		$ 54,471	$ (23,073)	$ 31,398	$ 53,773	$ (18,075)	$ 35,698

Amortization expense was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Amortization expense	$ 2,554	$ 1,568	$ 4,998	$ 3,152

7. Other Non-Current Assets

Other non-current assets consist of the following:

	June 30, 2014	December 31, 2013
Investment in private company	$ 1,250	$ 1,250
Deposits:		
Lease	1,784	1,751

Other		436	286
Other		1,640	1,642
	$	5,110 $	4,929

8. Fair Value Measurements

Financial assets and liabilities recorded at fair value in the condensed consolidated balance sheets are categorized based upon a fair value hierarchy established by GAAP, which prioritizes the inputs used to measure fair value into the following levels:

Level 1: Inputs based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or inputs that are observable and can be corroborated by observable market data.

Level 3: Inputs reflect management s best estimates and assumptions of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

The Company periodically invests excess cash in money-market funds not insured by the Federal Deposit Insurance Corporation. The Company believes that the investments in money market funds are on deposit with creditworthy financial institutions and that the funds are highly liquid. The fair values of the Company s investments in money market funds are based on the daily quoted market prices of the net asset value of the various money market funds. These money market funds are considered Level 1 assets, totaled approximately $44,829 and $32,358 as of June 30, 2014 and December 31, 2013, respectively, and are included in cash and cash equivalents in the condensed consolidated balance sheets.

The fair value of the contingent consideration liability related to the WMS acquisition on July 1, 2013 was estimated using a discounted cash flow method with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in the FASB s Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. The significant inputs in the Level 3 measurement not supported by market activity included our assessments of expected future cash flows related to our acquisition of WMS during the subsequent three years from the date of acquisition, appropriately discounted considering the uncertainties associated with the obligation, and calculated in accordance with the terms of the agreement.

The Company utilized a discounted cash flow method with expected future performance of WMS, and its ability to meet the target performance objectives as the main driver of the valuation, to arrive at the fair value of the contingent consideration. The Company will continue to reassess the fair value of the contingent consideration at each reporting date until settlement. Changes to the estimated fair value of the contingent consideration will be recognized in earnings of the Company.

The table below sets forth a summary of changes in the fair value of the Company s Level 3 liability for the six months ended June 30, 2014:

		Fair Value of Contingent Consideration Liability
Balance at December 31, 2013	$	17,305
Settlement of contingent consideration liability		(158)
Measurement period adjustment		(122)
Fair market value adjustment		(460)
Imputed interest		824
Balance at June 30, 2014	$	17,389

The Company assesses the categorization of assets and liabilities by level at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer, in accordance with the Company s accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no transfers between Levels 1, 2 and 3 during the six months ended June 30, 2014.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

9. Accrued Expenses

Accrued expenses consist of the following:

		June 30, 2014		December 31, 2013
Accrued investment manager fees	$	22,398	$	19,310
Accrued compensation and related taxes		9,181		12,125
Accrued professional services		500		694
Accrued restructuring charges				551
Other accrued expenses		1,604		2,562
	$	33,683	$	35,242

10. Income Taxes

The following table includes the Company s income before income tax provision, income tax provision and effective tax rate:

	Three Months Ended June 30,				Six Months Ended June 30,			
		2014		2013		2014		2013
Income before income tax provision	$	6,005	$	1,943	$	10,157	$	2,536
Income tax provision		2,355		825		3,639		877
Effective tax rate		39.2%		42.5%		35.8%		34.6%

The Company s effective tax rate in the three months ended June 30, 2014, was lower than the effective tax rate in the three months ended June 30, 2013, primarily due to a decrease in permanent items and a change in the tax rate expected to apply to taxable income. The Company s effective tax rate in the six months ended June 30, 2014, was higher than the effective tax rate in the six months ended June 30, 2013, due to a benefit recorded in 2013 resulting from a change in the tax rate expected to apply to taxable income.

The liability for unrecognized tax benefits reported in other non-current liabilities was $2,426 and $2,693 at June 30, 2014 and December 31, 2013, respectively. At June 30, 2014, the amount of unrecognized tax benefits that would benefit the Company s effective tax rate, if recognized,

was $1,673. At this time, the Company estimates it is reasonably possible that the liability for unrecognized tax benefits will decrease by as much as $200 in the next twelve months due to the completion of reviews by tax authorities, the voluntary filing of certain state income taxes and the expiration of certain statutes of limitations.

The Company recognizes potential interest and penalties related to unrecognized tax benefits in income tax expense. The Company had accrued interest and penalties of $562 and $636 as of June 30, 2014 and December 31, 2013, respectively.

The Company files a consolidated federal income tax return and separate tax returns with various states. Additionally, foreign subsidiaries of the Company file tax returns in foreign jurisdictions. The Company s tax returns for the calendar years ended December 31, 2013, 2012, 2011 and 2010 remain open to examination by the Internal Revenue Service in their entirety. With respect to state taxing jurisdictions, the Company s tax returns for the calendar years ended December 31, 2013, 2012, 2011, 2010 and 2009 remain open to examination by various state revenue services.

The Company s Indian subsidiary is currently under examination by the India Tax Authority for the fiscal years ended March 31, 2009, 2011 and 2012. Based on the outcome of examinations of our subsidiary or the result of the expiration of statutes of limitations it is reasonably possible that the related unrecognized tax benefits could change from those recorded in the consolidated balance sheet. It is possible that one or more of these audits may be finalized within the next twelve months.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

11. Stock-Based Compensation

The Company has stock options and restricted stock outstanding under the 2004 Stock Incentive Plan (the 2004 Plan), the 2010 Long-Term Incentive Plan (the 2010 Plan) and the Envestnet, Inc. Management Incentive Plan for Envestnet | Tamarac Management Employees (the 2012 Plan). As of June 30, 2014, the maximum number of stock options and restricted stock available for future issuance under the Company s plans is 921,799.

Employee stock-based compensation expense under the Company s plans was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Employee stock-based compensation expense	$ 3,199	$ 1,960	$ 5,767	$ 4,266
Tax effect on employee stock-based compensation expense	(1,280)	(832)	(2,307)	(1,475)
Net effect on income	$ 1,919	$ 1,128	$ 3,460	$ 2,791

Stock Options

The following weighted average assumptions were used to value stock options granted during the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Grant date fair value of stock options	$	$	$ 16.81	$ 6.11
Volatility			38.7%	40.4%
Risk-free interest rate			1.8%	1.0%
Dividend yield			0.0%	0.0%
Expected term (in years)			6.0	6.0

The following table summarizes stock option activity under the Company s plans:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2013	4,637,471	$ 9.04		
Granted	155,753	41.84		
Exercised	(95,609)	8.77		
Forfeited	(4,150)	9.00		
Outstanding as of March 31, 2014	4,693,465	10.13	5.3	$ 141,293
Granted				
Exercised	(95,352)	8.14		
Forfeited	(3,300)	7.80		
Outstanding as of June 30, 2014	4,594,813	10.17	5.0	$ 178,031
Options exercisable	3,748,286	8.73	4.5	$ 150,653

Exercise prices of stock options outstanding as of June 30, 2014 range from $0.11 to $41.84. At June 30, 2014, there was $3,633 of unrecognized compensation expense related to unvested stock options, which the Company expects to recognize over a weighted-average period of 2.3 years.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

Restricted Stock

Periodically, the Company grants restricted stock awards to employees that vest one-third on each of the first three anniversaries of the grant date. The following is a summary of the activity for unvested restricted stock awards granted under the Company s plans:

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Balance at December 31, 2013	901,551	$ 16.50
Granted	240,626	41.83
Vested	(116,706)	14.22
Forfeited	(10,324)	26.94
Balance at March 31, 2014	1,015,147	22.69
Granted		
Vested	(5,671)	24.60
Forfeited	(4,312)	29.79
Balance at June 30, 2014	1,005,164	22.65

At June 30, 2014, there was $11,178 of unrecognized compensation expense related to unvested restricted stock awards, which the Company expects to recognize over a weighted-average period of 2.4 years. At June 30, 2014, there was an additional $4,240 of potential unrecognized stock compensation expense related to unvested restricted stock granted under the 2012 Plan that vests based upon Tamarac meeting certain performance conditions and then a subsequent two-year service condition, which the Company expects to recognize, if earned, over the remaining estimated vesting period of 0.75 to 2.75 years.

12. Earnings Per Share

Basic net income per share attributable to Envestnet, Inc. is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding for the period. For the calculation of diluted earnings per share attributable to Envestnet, Inc., the basic weighted average number of shares is increased by the dilutive effect of stock options, common warrants and restricted stock using the treasury-stock method.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net income per share attributable to Envestnet, Inc.:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income attributable to Envestnet, Inc.	$ 3,719	$ 1,118	$ 6,713	$ 1,659
Basic number of weighted-average shares outstanding	34,547,277	32,661,196	34,332,759	32,518,943
Effect of dilutive shares:				
Options to purchase common stock	2,166,237	1,805,969	2,198,089	1,605,065
Common warrants		609,489		523,020
Unvested restricted stock	92,244	87,452	195,273	113,540
Diluted number of weighted-average shares outstanding	36,805,758	35,164,106	36,726,121	34,760,568
Net income per share attribuatable to Envestnet, Inc.:				
Basic	$ 0.11	$ 0.03	$ 0.20	$ 0.05
Diluted	$ 0.10	$ 0.03	$ 0.18	$ 0.05

Common share equivalents for securities that were anti-dilutive and therefore excluded from the computation of diluted net income per share attributable to Envestnet, Inc. were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Options to purchase common stock	155,753		155,753	
Unvested restricted stock		348,139		348,139

13. Major Customers

One customer accounted for more than 10% of the Company s total revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Fidelity	19%	23%	19%	22%

14. Commitments and Contingencies

The Company is involved in litigation arising in the ordinary course of its business. The Company does not believe that the outcome of any of the current litigation, individually or in the aggregate, would, if determined adversely to it, have a material adverse effect on the Company s results of operations, financial condition, cash flows or business.

The Company includes various types of indemnification and guarantee clauses in certain arrangements. These indemnifications and guarantees may include, but are not limited to, infringement claims related to intellectual property, direct or consequential damages and guarantees to certain service providers and service level requirements with certain customers. The type and amount of any potential indemnification or guarantee varies substantially based on the nature of each arrangement. The Company has experienced no previous claims and cannot determine the maximum amount of potential future payments, if any, related to such indemnification and guarantee provisions. The Company believes that it is unlikely it will have to make material payments under these arrangements and therefore has not recorded a contingent liability in the condensed consolidated balance sheets.

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Envestnet, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share amounts)

15. Credit Agreement

On June 19, 2014, Envestnet and certain of its subsidiaries entered into a credit agreement (the Credit Agreement) with a group of banks (the Banks), for which Bank of Montreal is acting as administrative agent, pursuant to which the Banks agreed to provide an unsecured revolving credit facility of $70,000 with a sublimit for the issuance of letters of credit of $5,000. Subject to certain conditions, Envestnet has the right to increase the facility by up to $25,000. The Credit Agreement is scheduled to terminate on June 19, 2017, at which time any aggregate principal amount of borrowings outstanding becomes payable in full. Any borrowings made under the Credit Agreement will accrue interest at rates between 1.25 percent and 1.75 percent above LIBOR based on the Company s total leverage ratio. There is also a commitment fee equal to 0.25 percent per annum on the daily unused portion of the facility.

The Credit Agreement contains customary conditions, representations and warranties, affirmative and negative covenants and events of default. The covenants include certain financial covenants requiring Envestnet to maintain compliance with a maximum senior leverage ratio, a maximum total leverage ratio, a minimum interest coverage ratio and minimum adjusted EBITDA, and provisions that limit the ability of Envestnet and its subsidiaries to incur debt, make investments, sell assets, create liens, engage in transactions with affiliates, engage in mergers and acquisitions, pay dividends and other restricted payments, grant negative pledges and change their business activities. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events constituting an event of default under the Credit Agreement, all borrowings outstanding may be declared immediately due and payable and all commitments under the agreement may be terminated. The Company had no borrowings under the Credit Agreement at June 30, 2014. The Company was in compliance with all covenants of the Credit Agreement as of June 30, 2014.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Unless otherwise indicated, the terms Envestnet, the Company, we, us and our refer to Envestnet, Inc. and its subsidiaries.

Unless otherwise indicated, all amounts are in thousands, except share and per share information, financial advisors and investor accounts.

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements regarding future events and our future results within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, in particular, statements about our plans, strategies and prospects under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations. These statements are based on our current expectations and projections about future events and are identified by terminology such as anticipate, believe, continue, could, estimate, expect, expected, intend, will, may, or should or the negative of those terms or variations of such words, and similar expressions are intended to identify such forward-looking statements. In addition, any statements that refer to projections of our future financial performance, our anticipated growth and trends in our business and other characteristics of future events or circumstances are forward-looking statements. Forward-looking statements may include, among others, statements relating to:

- *difficulty in sustaining rapid revenue growth, which may place significant demands on the Company s administrative, operational and financial resources;*
- *fluctuations in the Company s revenue;*
- *the concentration of nearly all of the Company s revenues from the delivery of investment solutions and services to clients in the financial advisory industry;*
- *the impact of market and economic conditions on the Company s revenues;*
- *the Company s reliance on a limited number of clients for a material portion of its revenue;*
- *the renegotiation of fee percentages or termination of the Company s services by its clients;*

- *the Company s ability to identify potential acquisition candidates, complete acquisitions and successfully integrate acquired companies;*

- *compliance failures;*

- *regulatory actions against the Company;*

- *the failure to protect the Company s intellectual property rights;*

- *the Company s inability to successfully execute the conversion of its clients assets from their technology platform to the Company s technology platform in a timely and accurate manner;*

- *general economic conditions, political and regulatory conditions, and*

- *management s response to these factors.*

In addition, there may be other factors of which we are presently unaware or that we currently deem immaterial that could cause our actual results to be materially different from the results referenced in the forward-looking statements. All forward-looking statements contained in this quarterly report are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made, and we do not intend to update or otherwise revise the forward-looking statements to reflect events or circumstances after the date of this quarterly report or to reflect the occurrence of unanticipated events. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

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Although we believe that our plans, intentions and expectations are reasonable, we may not achieve our plans, intentions or expectations.

These forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this quarterly report are set forth in Part I under Risk Factors in our 2013 Form 10-K; accordingly, investors should not place undue reliance upon our forward-looking statements. We undertake no obligation to update any of the forward-looking statements after the date of this report to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

You should read this quarterly report on Form 10-Q and our 2013 Form 10-K completely and with the understanding that our actual future results, levels of activity, performance and achievements may be different from what we expect and that these differences may be material. We qualify all of our forward-looking statements by these cautionary statements.

The following discussion and analysis should also be read along with our condensed consolidated financial statements and the related notes included elsewhere in this quarterly report and the consolidated financial statements and related notes included in our 2013 Form 10-K. Except for the historical information contained herein, this discussion contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below.

Overview

We are a leading provider of unified wealth management software and services to financial advisors and institutions. By integrating a wide range of investment solutions and services, our technology platforms provides financial advisors with the flexibility to address their clients needs. As of June 30, 2014, approximately 33,500 advisors used our technology platforms, supporting approximately $622 billion of assets in approximately 2.5 million investor accounts.

Envestnet empowers financial advisors to deliver fee-based advice to their clients. We work with both Independent Registered Investment Advisors (RIAs), as well as advisors associated with financial institutions such as broker-dealers and banks. The services we offer and market to financial advisors address the advisors ability to grow their practice as well as to operate more efficiently the Envestnet platforms span the various elements of the wealth management process, from the initial meeting an advisor has with a prospective client to the ongoing day-to-day operations of managing an advisory practice.

Our centrally-hosted technology platforms, which we refer to as having open architecture because of their flexibility, provide financial advisors with access to a series of integrated services to help them better serve their clients. These services include risk assessment and selection of investment strategies and solutions, asset allocation models, research and due diligence, portfolio construction, proposal generation and paperwork preparation, model management and account rebalancing, account monitoring, customized fee billing, overlay services covering asset allocation, tax management and socially responsible investing, aggregated multi-custodian performance reporting and communication tools, as well as access to a wide range of leading third-party asset custodians.

We offer these solutions principally through the following product and services suites:

- *Envestnet s wealth management software* empowers advisors to better manage client outcomes and strengthen their practice. Our software unifies the applications and services advisors use to manage their practice and advise their clients, including financial planning; capital markets assumptions; asset allocation guidance; research and due diligence on investment managers and funds; portfolio management, trading and rebalancing; multi-custodial, aggregated performance reporting; and billing calculation and administration.

- *Envestnet | PMC*, our Portfolio Management Consultants group primarily engages in consulting services aimed at providing financial advisors with additional support in addressing their clients needs, as well as the creation of proprietary investment solutions and products. Envestnet | PMC s investment solutions and products include managed account and multi-manager portfolios, mutual fund portfolios and Exchange Traded Fund (ETF) portfolios. Envestnet | PMC also offers Prima Premium Research, comprising institutional-quality research and due diligence on investment managers, mutual funds, ETFs and liquid alternatives funds.

- *Envestnet | Tamarac* provides leading portfolio accounting, rebalancing, trading, performance reporting and client relationship management software, principally to high-end RIAs.

- *Vantage Reporting Solution* software aggregates and manages investment data, provides performance reporting and benchmarking, giving advisors an in-depth view of clients various investments, empowering advisors to give holistic, personalized advice and consulting.

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- *Envestnet | WMS* offers financial institutions access to an integrated wealth platform, which helps construct and manage sophisticated portfolio solutions across an entire account life cycle, particularly in the area of unified managed account trading. Envestnet | WMS s Overlay Portfolio Management console helps wealth managers efficiently build customized client portfolios that consider both proprietary and open-architecture investment solutions.

Operational Highlights

Revenues from assets under management (AUM) or assets under administration (AUA) or collectively (AUM/A) increased 72% from $41,234 in the three months ended June 30, 2013 to $70,727 in the three months ended June 30, 2014. Total revenues, which include licensing and professional service fees, increased 64% from $51,632 in the three months ended June 30, 2013 to $84,829 in the three months ended June 30, 2014.

Revenues from assets under management (AUM) or assets under administration (AUA) or collectively (AUM/A) increased 78% from $77,570 in the six months ended June 30, 2013 to $137,808 in the six months ended June 30, 2014. Total revenues, which include licensing and professional service fees, increased 66% from $98,257 in the six months ended June 30, 2013 to $163,368 in the six months ended June 30, 2014.

The increase in total revenues was a result of the positive effects of new account growth and positive net flows of AUM or AUA, as well as an increase in revenues related to the WMS acquisition. Net income attributable to Envestnet, Inc. for the three months ended June 30, 2014 was $3,719, or $0.10 per diluted share, compared to $1,118, or $0.03 per diluted share for the three months ended June 30, 2013. Net income attributable to Envestnet, Inc. for the six months ended June 30, 2014 was $6,713, or $0.18 per diluted share, compared to $1,659, or $0.05 per diluted share for the six months ended June 30, 2013.

Adjusted revenues for the three months ended June 30, 2014 was $84,829, an increase of 64% from $51,655 in the prior year period. Adjusted EBITDA for the three months ended June 30, 2014 was $12,828, an increase of 38% from $9,305 in the prior year period. Adjusted net income for the three months ended June 30, 2014 was $6,616, or $0.18 per diluted share, compared to adjusted net income of $4,513, or $0.13 per diluted share in the prior year period.

Adjusted revenues for the six months ended June 30, 2014 was $163,368, an increase of 66% from $98,417 in the prior year period. Adjusted EBITDA for the six months ended June 30, 2014 was $24,599, an increase of 40% from $17,513 in the prior year period. Adjusted net income for the six months ended June 30, 2014 was $12,917, or $0.35 per diluted share, compared to adjusted net income of $8,584, or $0.25 per diluted share in the prior year period.

Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are non-GAAP financial measures. See Non-GAAP Financial Measures for a discussion of non-GAAP measures and a reconciliation of such measures to the most directly comparable GAAP measures.

Recent Events

Non-controlling Interest

Effective February 1, 2014, Envestnet formed Envestnet Retirement Solutions, LLC (ERS, LLC) with various third parties. ERS, LLC offers advisory and technology enabled services to financial advisors and retirement plans. In exchange for a 64.5% ownership interest in ERS, LLC, Envestnet contributed certain assets and has agreed to fund a certain amount of the operating expenses of ERS, LLC.

Acquisition of Klein Decisions, Inc.

On May 20, 2014, ERS, LLC entered into a stock purchase agreement with Klein Decisions, Inc. (Klein). In accordance with the stock purchase agreement, ERS, LLC acquired all of the outstanding shares of Klein for cash consideration of approximately $1,500, a promissory note in the amount of $1,500, and contingent consideration with a minimum guaranteed amount of $1,175, to be paid over three years. The promissory note is payable by ERS, LLC on July 31, 2014. Klein develops dynamic decision systems that incorporate investor preferences, goals, and priorities into the investment process.

On July 1, 2014, ERS, LLC completed the acquisition of Klein. ERS, LLC is currently in the initial phase of gathering financial information and has not completed the estimated fair values of the assets acquired and liabilities assumed.

On July 9, 2014, ERS, LLC accepted the subscription of former owners of Klein (the Klein Parties) to repurchase an 11.7% ownership interest of ERS, LLC for $1,500. The Klein Parties have the right to require ERS, LLC to purchase units issued pursuant to

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the subscription anytime between 18 and approximately 36 months after July 1, 2014 for the amount of $1,500. This purchase obligation is guaranteed by Envestnet.

After taking into account the subscription of the Klein Parties, Envestnet s ownership interest in ERS, LLC is 57%.

Agreement to Acquire Placemark Holdings, Inc.

On June 30, 2014, Envestnet, Inc. (Envestnet) entered into an acquisition agreement and plan of merger (which was amended and restated on August 11, 2014, the Agreement) with Placemark Holdings, Inc., a Delaware corporation (Placemark), and certain of its shareholders pursuant to which Envestnet will acquire Placemark (the Acquisition). Placemark develops Unified Managed Account (UMA) programs and other portfolio management outsourcing solutions, including patented portfolio overlay and tax optimization services, for banks, full-service broker-dealers and RIA firms.

Under the terms of the Agreement, Envestnet has agreed to pay an aggregate of $66,000 in cash upon closing of the Acquisition, subject to certain post-closing adjustments. Envestnet expects to fund the Acquisition with available cash and borrowings under its credit agreement (see Note 15 to the notes to the condensed consolidated financial statements).

The Acquisition is subject to customary closing conditions, including certain customer consents, and is expected to be completed during the second half of 2014.

Credit Agreement

On June 19, 2014, Envestnet and certain of its subsidiaries entered into a credit agreement (the Credit Agreement) with a group of banks (the Banks), for which Bank of Montreal is acting as administrative agent, pursuant to which the Banks agreed to provide an unsecured revolving credit facility of $70,000 with a sublimit for the issuance of letters of credit of $5,000. Subject to certain conditions, Envestnet has the right to increase the facility by up to $25,000. The Credit Agreement is scheduled to terminate on June 19, 2017, at which time any aggregate principal amount of borrowings outstanding becomes payable in full. Any borrowings made under the Credit Agreement will accrue interest at rates between 1.25 percent and 1.75 percent above LIBOR based on Envestnet s total leverage ratio. There is also a commitment fee equal to 0.25 percent per annum on the daily unused portion of the facility.

The Credit Agreement contains customary conditions, representations and warranties, affirmative and negative covenants and events of default. The covenants include certain financial covenants requiring Envestnet to maintain compliance with a maximum senior leverage ratio, a maximum total leverage ratio, a minimum interest coverage ratio and minimum adjusted EBITDA, and provisions that limit the ability of Envestnet and its subsidiaries to incur debt, make investments, sell assets, create liens, engage in transactions with affiliates, engage in mergers and acquisitions, pay dividends and other restricted payments, grant negative pledges and change their business activities. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events constituting an event of default under the Credit Agreement, all borrowings outstanding may be declared immediately due and payable and all commitments under the agreement may be

terminated. The Company had no borrowings under the Credit Agreement at June 30, 2014. Envestnet was in compliance with all covenants of the Credit Agreement as of June 30, 2014.

Key Operating Metrics

The following table provides information regarding the amount of assets utilizing our platforms, financial advisors and investor accounts in the periods indicated.

AUM/A metrics in the table below, include WMS, which added approximately $25 billion in assets, 86,000 investor accounts and 3,100 advisors as of July 1, 2013.

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	As of				
	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014
	(in millions, except accounts and advisors)				
Platform Assets					
Assets Under Management (AUM)	$ 38,705	$ 41,932	$ 45,706	$ 49,383	$ 53,063
Assets Under Administration (AUA)	85,601	118,228	132,215	146,748	156,723
Subtotal AUM/A	124,306	160,160	177,921	196,131	209,786
Licensing	302,604	326,567	358,919	376,341	412,141
Total Platform Assets	$ 426,910	$ 486,727	$ 536,840	$ 572,472	$ 621,927
Platform Accounts					
AUM	190,883	200,648	211,039	226,452	239,367
AUA	357,283	456,461	524,806	566,139	596,886
Subtotal AUM/A	548,166	657,109	735,845	792,591	836,253
Licensing	1,365,773	1,425,102	1,508,254	1,559,188	1,659,313
Total Platform Accounts	1,913,939	2,082,211	2,244,099	2,351,779	2,495,566
Advisors					
AUM/A	18,154	21,759	22,838	24,369	24,945
Licensing	7,261	7,511	7,794	8,025	8,583
Total Advisors	25,415	29,270	30,632	32,394	33,528

The following table provides information regarding the degree to which gross sales, redemptions, net flows and changes in the market values of assets contributed to changes in AUM or AUA in the periods indicated.

	Asset Rollforward - Three Months Ended June 30, 2014					
	As of 3/31/14	**Gross Sales**	**Redemptions**	**Net Flows**	**Market Impact**	**As of 6/30/14**
	(in millions except accounts)					
Assets under Management (AUM)	$ 49,383	$ 4,949	$ (2,789)	$ 2,161	$ 1,520	$ 53,063
Assets under Administration (AUA)	146,748	13,581	(8,485)	5,095	4,879	156,723
Total AUM/A	**$ 196,131**	**$ 18,530**	**$ (11,274)**	**$ 7,256**	**$ 6,399**	**$ 209,786**
Fee-Based Accounts	*792,591*	*75,442*	*(31,780)*	*43,662*		*836,253*

Gross sales for the three months ended June 30, 2014 included $2.0 billion in new client conversions included in the above AUM/A gross sales figures, and an additional $19.3 billion of conversions in Licensing.

	Asset Rollforward - Six Months Ended June 30, 2014					
	As of 12/31/13	**Gross Sales**	**Redemptions**	**Net Flows**	**Market Impact**	**As of 6/30/14**
	(in millions except accounts)					
Assets under Management (AUM)	$ 45,706	$ 11,105	$ (5,698)	$ 5,407	$ 1,950	$ 53,063
Assets under Administration (AUA)	132,215	33,470	(15,618)	17,852	6,656	156,723
Total AUM/A	**$ 177,921**	**$ 44,575**	**$ (21,316)**	**$ 23,259**	**$ 8,606**	**$ 209,786**
Fee-Based Accounts	*735,845*	*160,332*	*(59,924)*	*100,408*		*836,253*

Gross sales for the six months ended June 30, 2014 included $10.4 billion in new client conversions included in the above AUM/A gross sales figures, and an additional $24.4 billion of conversions in Licensing.

The mix of AUM and AUA was as follows for the periods indicated:

	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014
Assets under management (AUM)	31%	31%	26%	25%	25%
Assets under administration (AUA)	69%	69%	74%	75%	75%
	100%	100%	100%	100%	100%

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Results of Operations

Three months ended June 30, 2014 compared to three months ended June 30, 2013

	Three Months Ended June 30,		Increase (Decrease)	
	2014	2013	Amount	%
	(in thousands)			
Revenues:				
Assets under management or administration	$ 70,727	$ 41,234	$ 29,493	72%
Licensing and professional services	14,102	10,398	3,704	36%
Total revenues	84,829	51,632	33,197	64%
Operating expenses:				
Cost of revenues	37,955	19,638	18,317	93%
Compensation and benefits	25,157	17,194	7,963	46%
General and administration	12,936	9,962	2,974	30%
Depreciation and amortization	4,615	3,081	1,534	50%
Total operating expenses	80,663	49,875	30,788	62%
Income from operations	4,166	1,757	2,409	137%
Other income	1,839	186	1,653	*
Income before income tax provision	6,005	1,943	4,062	209%
Income tax provision	2,355	825	1,530	185%
Net income	3,650	1,118	2,532	226%
Add: Net loss attributable to non-controlling interest	69		69	*
Net income attributable to Envestnet, Inc.	$ 3,719	$ 1,118	$ 2,601	233%

*Not meaningful.

Revenues

Total revenues increased 64% from $51,632 in the three months ended June 30, 2013 to $84,829 in the three months ended June 30, 2014. The increase was primarily due to an increase in revenues from AUM or AUA of $29,493. Revenues from AUM/A were 83% and 80% of total revenues in the three months ended June 30, 2014 and 2013, respectively.

Assets under management or administration

Revenues earned from AUM or AUA increased 72% from $41,234 in the three months ended June 30, 2013 to $70,727 in the three months ended June 30, 2014. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2014, relative to the corresponding period in 2013. In the second quarter of 2014, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2013 and the first quarter of 2014, as well as an increase in revenues related to the WMS acquisition.

The number of financial advisors with AUM or AUA on our technology platforms increased from 18,154 as of June 30, 2013 to 24,945 as of June 30, 2014 and the number of AUM or AUA investor accounts increased from approximately 548,000 as of June 30, 2013 to approximately 836,000 as of June 30, 2014.

Licensing and professional services

Licensing and professional services revenues increased 36% from $10,398 in the three months ended June 30, 2013 to $14,102 in the three months ended June 30, 2014, primarily due to an increase in licensing revenue of $2,700 and other revenue of $1,630 related to our annual Advisor Summit, offset by a decrease in professional services revenue of $626.

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Cost of revenues

Cost of revenues increased 93% from $19,638 in the three months ended June 30, 2013 to $37,955 in the three months ended June 30, 2014, primarily due to a corresponding increase in revenues from AUM or AUA, an increase related to the additional cost attributable to WMS revenues which have a higher cost profile than our non-WMS business, and costs incurred related to the Advisor Summit of $1,647. As a percentage of total revenues, cost of revenues increased from 38% in the three months ended June 30, 2013 to 45% in the three months ended June 30, 2014.

Compensation and benefits

Compensation and benefits increased 46% from $17,194 in the three months ended June 30, 2013 to $25,157 in the three months ended June 30, 2014, primarily due to an increase in salaries, stock-based compensation and incentive compensation of $7,656 related to an increase in headcount, primarily a result of an increase in headcount associated with the WMS acquisition. As a percentage of total revenues, compensation and benefits decreased from 33% in the three months ended June 30, 2013 to 30% in the three months ended June 30, 2014.

General and administration

General and administration expenses increased 30% from $9,962 in the three months ended June 30, 2013 to $12,936 in the three months ended June 30, 2014, primarily due to increases in professional and legal fees of $1,405, website and systems development costs of $1,052, occupancy costs of $843, communication, research and data services expenses of $348, and travel and entertainment expenses of $392, offset by a decrease in transaction related expenses of $144. As a percentage of total revenues, general and administration expenses decreased from 19% in the three months ended June 30, 2013 to 18% in the three months ended June 30, 2014.

Depreciation and amortization

Depreciation and amortization expense increased 50% from $3,081 in the three months ended June 30, 2013 to $4,615 in the three months ended June 30, 2014, primarily due to an increase in intangible asset amortization of $986 as a result of the WMS acquisition. As a percentage of total revenues, depreciation and amortization expense decreased from 6% in the three months ended June 30, 2013 to 5% in the three months ended June 30, 2014.

Other income

Other income increased by $1,653 primarily as a result of an agreement reached with a vendor regarding the recovery of certain expenses totaling $1,825, which we incurred in 2013.

Income tax provision

	Three Months Ended June 30,	
	2014	2013
	(in thousands)	
Income tax provision	$ 2,355	$ 825
Effective tax rate	39.2%	42.5%

For the three months ended June 30, 2014, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes, permanent differences and foreign tax expense. For the three months ended June 30, 2013, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes and permanent differences including non-deductible transaction costs.

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Six months ended June 30, 2014 compared to six months ended June 30, 2013

	Six Months Ended June 30,		Increase (Decrease)	
	2014	2013	Amount	%
		(in thousands)		
Revenues:				
Assets under management or administration	$ 137,808	$ 77,570	$ 60,238	78%
Licensing and professional services	25,560	20,687	4,873	24%
Total revenues	163,368	98,257	65,111	66%
Operating expenses:				
Cost of revenues	72,392	36,446	35,946	99%
Compensation and benefits	48,616	34,412	14,204	41%
General and administration	25,086	18,855	6,231	33%
Depreciation and amortization	9,037	6,199	2,838	46%
Total operating expenses	155,131	95,912	59,219	62%
Income from operations	8,237	2,345	5,892	251%
Other income	1,920	191	1,729	*
Income before income tax provision	10,157	2,536	7,621	301%
Income tax provision	3,639	877	2,762	315%
Net income	6,518	1,659	4,859	293%
Add: Net loss attributable to non-controlling interest	195		195	*
Net income attributable to Envestnet, Inc.	$ 6,713	$ 1,659	$ 5,054	305%

*Not meaningful.

Revenues

Total revenues increased 66% from $98,257 in the six months ended June 30, 2013 to $163,368 in the six months ended June 30, 2014. The increase was primarily due to an increase in revenues from AUM or AUA of $60,238. Revenues from AUM/A were 84% and 79% of total revenues in the six months ended June 30, 2014 and 2013, respectively.

Assets under management or administration

Revenues earned from AUM or AUA increased 78% from $77,570 in the six months ended June 30, 2013 to $137,808 in the six months ended June 30, 2014. The increase was primarily due to an increase in asset values applicable to our quarterly billing cycle in 2014, relative to the corresponding period in 2013. In 2014, revenues were positively affected by new account growth and positive net flows of AUM or AUA during 2013 and the first quarter of 2014, as well as an increase in revenues related to the WMS acquisition.

The number of financial advisors with AUM or AUA on our technology platforms increased from 18,154 as of June 30, 2013 to 24,945 as of June 30, 2014 and the number of AUM or AUA investor accounts increased from approximately 548,000 as of June 30, 2013 to approximately 836,000 as of June 30, 2014.

Licensing and professional services

Licensing and professional services revenues increased 24% from $20,687 in the six months ended June 30, 2013 to $25,560 in the six months ended June 30, 2014, primarily due to an increase in licensing revenue of $4,686 and other revenue of $1,630 related to our annual Advisor Summit, offset by a decrease in professional services revenue of $1,443.

Cost of revenues

Cost of revenues increased 99% from $36,446 in the six months ended June 30, 2013 to $72,392 in the six months ended June 30, 2014, primarily due to a corresponding increase in revenues from AUM or AUA, an increase related to the additional cost attributable to WMS revenues which have a higher cost profile than our non-WMS business, and costs incurred related to the Advisor

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Summit of $1,647. As a percentage of total revenues, cost of revenues increased from 37% in the six months ended June 30, 2013 to 44% in the six months ended June 30, 2014.

Compensation and benefits

Compensation and benefits increased 41% from $34,412 in the six months ended June 30, 2013 to $48,616 in the six months ended June 30, 2014, primarily due to an increase in salaries, stock-based compensation and incentive compensation of $12,653 related to an increase in headcount, primarily a result of an increase in headcount associated with the WMS acquisition. As a percentage of total revenues, compensation and benefits decreased from 35% in the six months ended June 30, 2013 to 30% in the six months ended June 30, 2014.

General and administration

General and administration expenses increased 33% from $18,885 in the six months ended June 30, 2013 to $25,086 in the six months ended June 30, 2014, primarily due to increases in professional and legal fees of $3,065, website and systems development costs of $1,899, occupancy costs of $1,524, communication, research and data services expenses of $840, and travel and entertainment expenses of $728, offset by a decrease in transaction related expenses of $401. As a percentage of total revenues, general and administration expenses decreased from 19% in the six months ended June 30, 2013 to 15% in the six months ended June 30, 2014.

Depreciation and amortization

Depreciation and amortization expense increased 46% from $6,199 in the six months ended June 30, 2013 to $9,037 in the six months ended June 30, 2014, primarily due to an increase in intangible asset amortization of $1,845 as a result of the WMS acquisition. As a percentage of total revenues, depreciation and amortization expense was 6% in the six months ended June 30, 2013 and 2014.

Other income

Other income increased by $1,729 primarily as a result of an agreement reached with a vendor regarding the recovery of certain expenses totaling $1,825, which we incurred in 2013.

Income tax provision

Six Months Ended June 30,

	2014	2013
	(in thousands)	
Income tax provision	$ 3,639	$ 877
Effective tax rate	35.8%	34.6%

For the six months ended June 30, 2014, our effective tax rate differs from the statutory rate primarily due to the effect of permanent differences and the recognition of previously unrecognized tax benefits. For the six months June 30, 2013, our effective tax rate differs from the statutory rate primarily due to the effect of state taxes, permanent differences, the recognition of previously unrecognized tax benefits, and a change in the tax rate expected to apply to taxable income when deferred income taxes are realized.

Non-GAAP Financial Measures

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)		(in thousands)	
Adjusted revenues	$ 84,829	$ 51,655	$ 163,368	$ 98,417
Adjusted EBITDA	12,828	9,305	24,599	17,513
Adjusted net income	6,616	4,513	12,917	8,584
Adjusted net income per share	0.18	0.13	0.35	0.25

Adjusted revenues excludes the effect of purchase accounting on the fair value of acquired deferred revenue. Under GAAP, we record at fair value the acquired deferred revenue for contracts in effect at the time the entities were acquired. Consequently,

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revenue related to acquired entities for periods subsequent to the acquisition does not reflect the full amount of revenue that would have been recorded by these entities had they remained stand-alone entities.

Adjusted EBITDA represents net income before deferred revenue fair value adjustment, interest income, imputed interest expense on contingent consideration, fair market value adjustment on contingent consideration, income tax provision, depreciation and amortization, non-cash compensation expense, restructuring charges and transaction costs, re-audit related expenses, severance, litigation-related expense and pre-tax loss attributable to non-controlling interest.

Adjusted net income represents net income before deferred revenue fair value adjustment, imputed interest expense on contingent consideration, fair market value adjustment on contingent consideration, non-cash compensation expense, restructuring charges and transaction costs, re-audit related expenses, severance, amortization of acquired intangibles, litigation-related expense and net loss attributable to non-controlling interest. Reconciling items are tax-effected using the income tax rates in effect on the applicable date.

Adjusted net income per share represents adjusted net income divided by the diluted number of weighted-average shares outstanding.

Our Board of Directors and our management use adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share:

- As measures of operating performance;
- For planning purposes, including the preparation of annual budgets;
- To allocate resources to enhance the financial performance of our business;
- To evaluate the effectiveness of our business strategies; and

Our Compensation Committee, Board of Directors and our management may also consider adjusted EBITDA, among other factors, when determining management s incentive compensation.

We also present adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share as supplemental performance measures because we believe that they provide our Board of Directors, management and investors with additional information to assess our performance. Adjusted revenues provide comparisons from period to period by excluding the effect of purchase accounting on the fair value of

acquired deferred revenue. Adjusted EBITDA provides comparisons from period to period by excluding potential differences caused by variations in the age and book depreciation of fixed assets affecting relative depreciation expense and amortization of internally developed software, amortization of acquired intangible assets, litigation-related expense, severance, gain on investments, and changes in interest expense and interest income that are influenced by capital structure decisions and capital market conditions. Our management also believes it is useful to exclude non-cash stock-based compensation expense from adjusted EBITDA and adjusted net income because non-cash equity grants made at a certain price and point in time do not necessarily reflect how our business is performing at any particular time.

We believe adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are useful to investors in evaluating our operating performance because securities analysts use adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share as supplemental measures to evaluate the overall performance of companies, and we anticipate that our investor and analyst presentations will include adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share.

Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are not measurements of our financial performance under U.S. GAAP and should not be considered as an alternative to revenues, net income, operating income or any other performance measures derived in accordance with U.S. GAAP, or as an alternative to cash flows from operating activities as a measure of our profitability or liquidity.

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We understand that, although adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share are frequently used by securities analysts and others in their evaluation of companies, these measures have limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for an analysis of our results as reported under U.S. GAAP. In particular you should consider:

- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;

- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect changes in, or cash requirements for, our working capital needs;

- Adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share do not reflect non-cash components of employee compensation;

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements;

- Due to either net losses before income tax expenses or the use of federal and state net operating loss carryforwards in 2014 and 2013, we had cash income tax payments, net of refunds, of $18 and $2,955 for the six months ended June 30, 2014 and 2013, respectively. Income tax payments will be higher if we continue to generate taxable income and our existing net operating loss carryforwards for federal and state income taxes have been fully utilized or have expired; and

- Other companies in our industry may calculate adjusted revenues, adjusted EBITDA, adjusted net income and adjusted net income per share differently than we do, limiting their usefulness as a comparative measure.

Management compensates for the inherent limitations associated with using adjusted revenues, adjusted EBITDA, adjusted operating income, adjusted net income and adjusted net income per share through disclosure of such limitations, presentation of our financial statements in accordance with U.S. GAAP and reconciliation of adjusted revenues to revenues, the most directly comparable U.S. GAAP measure and adjusted EBITDA, adjusted net income and adjusted net income per share to net income and net income per share, the most directly comparable U.S. GAAP measure. Further, our management also reviews U.S. GAAP measures and evaluates individual measures that are not included in some or all of our non-U.S. GAAP financial measures, such as our level of capital expenditures and interest income, among other measures.

The following table sets forth a reconciliation of total revenues to adjusted revenues based on our historical results:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Total revenues	$ 84,829	$ 51,632	$ 163,368	$ 98,257
Deferred revenue fair value adjustment		23		160
Adjusted revenues	$ 84,829	$ 51,655	$ 163,368	$ 98,417

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The following table sets forth a reconciliation of net income to adjusted EBITDA based on our historical results:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in thousands)			
Net income	$ 3,650	$ 1,118	$ 6,518	$ 1,659
Add (deduct):				
Deferred revenue fair value adjustment		23		160
Interest income	(14)	(4)	(95)	(9)
Imputed interest expense on contingent consideration	412		824	
Fair market value adjustment on contingent consideration	(460)		(460)	
Income tax provision	2,355	825	3,639	877
Depreciation and amortization	4,615	3,081	9,037	6,199

At May 31, 2009 and 2008, short-term borrowings consisted of the following:

(in millions)
Senior secured credit facilities
Non-US facilities
Total

Summarized in the table below are the Company s long-term obligations as of May 31, 2009:

	Total	2010	2011	2012	
Long-term debt (including current maturities)	$ 6,212.7	$ 81.2	$ 35.8	$ 35.8	$ 1

The Company currently is restricted in its ability to pay dividends under various covenants of its debt agree credit facilities and the indentures governing its notes. The Company does not expect for the foreseeable fu on its common stock, and did not during fiscal 2008 or fiscal 2009. Any future determination to pay divide upon, among other factors, its results of operations, financial condition, capital requirements, any contractu any other considerations the Company s Board of Directors deems relevant.

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 9 Retirement and Pension Plans.

The Company has a defined contribution profit sharing plan which covers substantially all of the team men continental U.S. and allows participants to make contributions by salary reduction pursuant to Section 401(Revenue Code. The Company currently matches up to 75% of the Team Member s contribution, up to a m to 5% of the Team Member s compensation. The amounts expensed under this profit sharing plan for the y 2009, for the period July 12, 2007 to May 31, 2008, for the period June 1, 2007 to July 11, 2007, and for th May 31, 2007, were $6.3 million, $8.1 million, $0.9 million, and $4.9 million, respectively.

The Company historically maintained an Employee Stock Bonus Plan for eligible team members of the Co subsidiaries, which we now operate as part of our 401(k) plan, under which participants may elect to contri their annual compensation and the Company may make discretionary contributions on behalf of participant or stock. The Company historically contributed to the plan up to 3% of an eligible team member s compen stock. The amount expensed under this plan for the year ended May 31, 2007 was $5.8 million. Amounts e plan from June 1, 2007 to July 11, 2007 were nominal. Subsequent to the Merger, the Company makes casl plan rather than contributing stock. On March 31, 2007, the Company merged this plan into the existing 40 not affect the funding of this plan.

The Company sponsors various retirement and pension plans, including defined benefit plans, for some of i operations. Many foreign employees are covered by government sponsored programs for which the direct c is not significant. Retirement plan benefits are primarily based on the employee s compensation during the before retirement and the employee s number of years of service for the Company. Some foreign subsidiar which funds are deposited with trustees, annuities are purchased under group contracts or reserves are prov used May 31 for fiscal 2009 and fiscal 2008 as the measurement date for the foreign pension plans.

Net periodic benefit costs for the Company s defined benefit plans include the following components:

(in millions)	Year Ended May 31, 2009 (Successor)	July 12, 2007 to May 31, 2008 (Successor)	June 1, 2007 t July 11, 2007 (Predecessor)
Net periodic benefit costs:			
Service costs	$ 2.3	$ 4.7	$ 0.
Interest costs	6.6	6.0	0.
Expected return on plan assets	(4.4)	(4.8)	(0.
Recognized actuarial losses	0.8	1.2	0.
Net periodic benefit costs:	$ 5.3	$ 7.1	$ 0.

The following table sets forth information related to the benefit obligation and the fair value of plan assets and 2008 for the Company s defined benefit retirement plans. The Company maintains no postretirement postretirement plans in the United States.

Change in Benefit Obligation (in millions)	May 31, 200
Projected benefit obligation - beginning of year	$ 117.
Service costs	2.
Interest costs	6.
Plan participant contribution	1.
Actuarial (gains)/losses	1.

Benefits paid from plan		(3.
Other		4.
Effect of exchange rates		(19.
Projected benefit obligation - end of year	$	111.
Accumulated benefit obligation	$	107.

Change in Plan Assets (in millions)		
Plan assets at fair value - beginning of year	$	78.
Actual loss on plan assets		(5.
Company contribution		16.
Plan participant contribution		1.
Benefits paid from plan		
Effect of exchange rates		(16.
Plan assets at fair value - end of year	$	74.
Funded status at end of year	$	36.

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 9 Retirement and Pension Plans, Continued.

Amounts Recognized in the Company s balance sheet consist of the following:

	May 31, 2
Deferred income tax asset	$ (1
Employee related obligations, recorded in other liabilities	3
Other comprehensive loss	(2

Amounts expected to be recognized in net periodic cost in the coming year for the Company s defined benefit retirement plans

Amorization of net actuarial losses

The weighted-average assumptions in the following table represent the rates used to develop the actuarial p projected benefit obligation for periods presented and also the net periodic benefit cost for the following ye

	Year Ended May 31, 2009 (Successor)	July 12, 2007 to May 31, 2008 (Successor)	June 1, 207 t July 11, 200 (Predecessor
Discount rate	6.27%	6.50%	6.5
Expected long-term rate of return on plan assets	5.66%	6.55%	6.5
Rate increase in compensation levels	2.89%	2.89%	2.8

The projected future benefit payments from the Company s defined benefit retirement plans are $3.5 milli $3.6 million for fiscal 2011, $3.7 million for fiscal 2012, $3.9 million for fiscal 2013, $4.0 million fo million for fiscal 2015 to 2019. The Company expects to pay $11.4 million into the plans during fiscal ye countries, the funding of pension plans is not a common practice. Consequently, the Company has several p are not funded.

The Company s retirement plan asset allocation at May 31, 2009 was 57% to debt securities, 34% to equit other. The Company s retirement plan asset allocation at May 31, 2008 was 47% to equity securities, 45% to real estate, and 1% to other.

Strategic asset allocations are determined by country, based on the nature of the liabilities and considering composition of the plan participants (average age, years of service and active versus retiree status). The Co considered non-mature plans and the long-term strategic asset allocations are consistent with these types of placed on diversifying on a broad basis combined with currency matching the fixed income assets.

Note 10 Share-based Compensation and Stock Plans.

The Company follows SFAS 123(R), *Share-Based Payment* (SFAS 123(R)) to record share-based paym modified prospective method. SFAS 123(R) requires the fair value of all share-based payments to employe options, to be expensed based on their fair value over the required award service period. The Company s s consist of stock options. For the Company s non-employee distributors, share-based expense is recorded in EITF No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquisit Conjunction with Selling, Goods or Services*. Prior to the Merger, the Predecessor Company s Board of Di certain Predecessor Company stock options to change the exercise price to the fair market value on the date

granted by adding to the options a cash component, paid in January 2008, for the difference between the or
and the fair value of the underlying stock at the date of grant. In addition, on July 11, 2007, the Predecessor
Directors cancelled all outstanding stock options and paid the difference between the amended exercise pri
share (the offering price) in cash in conjunction with the Merger. The total amount expensed related to Pred
grants was $112.8 million, with amounts recorded as cost of sales, selling, general, and administrative, and
development in the Company s results of operations for the period June 1, 2007 to July 11, 2007. The first
July 17, 2007 for $103.0 million, and the second payment was made on January 11, 2008 for $9.8 million.

Share-based compensation expense recognized was $33.9 million for the year ended May 31, 2009, $25.8 m
July 12, 2007 to May 31, 2008, $112.8 million for the period June 1, 2007 to July 11, 2007, and $17.7 milli
ended May 31, 2007.

The following table summarizes stock option activity for the year ended May 31, 2009, for the period July
2008, for the period June 1, 2007 to July 11, 2007, and for the year ended May 31, 2007.

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 10 Share-based Compensation and Stock Plans, Continued.

	Stock Optio
Predecessor:	
Outstanding, June 1, 2006	9,162,9
Granted	2,832,9
Exercised	(917,7
Forfeitures/cancelled	(1,448,2
Outstanding, May 31, 2007	9,629,8
Granted	
Exercised	(298,5
Forfeitures/cancelled	(9,331,3
Successor:	
Outstanding, July 12, 2007	
Granted	31,855,0
Forfeitures	(59,0
Outstanding, May 31, 2008	31,796,0
Granted	2,844,0
Forfeitures	(1,650,1
Outstanding, May 31, 2009	32,989,8

In November 2007, Parent authorized the issuance of approximately 37.5 million nonqualified stock option directors, service providers, and consultants of Parent and its affiliates under the LVB Acquisition, Inc. 200 Equity Incentive Plan (the 2007 LVB Plan). Also, during fiscal 2008, Parent authorized the issuance of a 3.5 million nonqualified stock options to sales representatives and distributors, under the 2007 LVB Plan. C with the Company s commitment to recognize and reward the recipients and to align their interests with th stakeholders. Stock options are granted with an exercise price equal to 100% of fair value of the underlying the grant and have 10-year terms. Vesting of employee stock options are split into 3 categories: 1) Time Ba option grants generally vest ratably over 5 years, 2) Performance Based Options: 25% of stock option grant 5 years, contingent upon the Company achieving certain adjusted EBITDA targets in each of those years, a Exercise Price Options: 25% of stock options grants have exercise prices that will increase by 10% each ye vest ratably over 5 years. The Company uses an attribution method to recognize compensation expense for the applicable vesting period.

In May 2009, the Board of Directors of Parent authorized an exchange offer relating to employee options o 2009 (including the options held by our named executive officers). Outstanding distributor options are not exchange offer. The exchange offer is expected to provide the holders of such options with the opportunity options for cancellation in exchange for replacement options, the terms of which will be (1) different from options with respect to the performance based and accreting exercise price options, and (2) the same as the with respect to the time based options. The terms of the performance based and accreting exercise price opt modified in the replacement options as follows:

New Performance Vesting Options (which would replace the surrendered performance based opt fiscal 2010, the remaining unvested options would vest ratably over four to six years (depending instead of the three to five years remaining under the terms of the currently outstanding performa The remaining options will continue to vest contingent upon the Company achieving certain redu EBITDA targets in each of those years (New options granted subsequent to, and not in connectio

program will vest ratably over 5 years following the grant date contingent upon the Company ac
adjusted EBITDA targets with respect to each such year).

New Extended Time Vesting Options (which would replace the surrendered accreting exercise p
options would be converted into time vesting options similar to the currently outstanding time ba
exercise price will revert to $10.00 per share (i.e., the original grant date exercise price before it
will no longer increase by 10% on an annual basis. The remaining unvested options will vest rat
years (depending on the date of grant) instead of the three to five years remaining under the term
outstanding accreting exercise price options.

The goal of the exchange offer is to provide employees who elect to participate with new options, the
preserve the original incentive effect of our option program in light of current market-wide economic cond
Board of Directors of Parent authorized the option exchange program in May 2009, we did not conduct the
during our 2009 fiscal year, so it is not reflected in the compensation tables below or the financial informat
Annual Report on Form 10-K. We currently expect to conduct the exchange offer during our 2010 fiscal ye
modification did not have a material impact on compensation expense for the year ended May 31, 2009.

The weighted average fair value of options granted during the year ended May 31, 2009, for the period July
May 31, 2008, and for the year ended May 31, 2007 was $2.85, $3.74, and $11.37, respectively. The Comp
fair value of each option primarily using the Black-Scholes option pricing model. Expected volatilities for
2009 grants are generally based on historical volatility of our competitors stock. For stock options grante
ended May 31, 2007, expected volatility was derived based on historical volatility of the Company s stock
fiscal 2009 risk-free rates for periods within the expected life of the option are based on the U.S. Treasury
at the time of grant. The fiscal 2007 risk-free interest rate was determined using the implied yield currently
zero-coupon U.S. Government issues with a remaining term equal to the expected life of the options. In fis
expected term of the stock options was derived from historical employee exercise behavior.

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 10 Share-based Compensation and Stock Plans, Continued.

The fair value estimates are based on the following weighted average assumptions:

	May 31, 2009
Risk-free interest rate	2.43
Dividend yield	-
Expected volatility	35.20
Expected life in years	4.70

The following table summarizes information about outstanding stock options, as of May 31, 2009 and 2008
(a) vested and (b) exercisable:

	Outstanding Stock Options Already Vested and Expected to Vest				
	2009		2008		20
Number of outstanding options		32,989,833		31,796,000	5,58
Weighted average remaining contractual life		4.7 years		6.4 years	4.0
Weighted average exercise price per share	$	10.00	$	10.00	$
Intrinsic value	$	-	$	-	$

At May 31, 2009 and 2008 there were 8,030,167 and 9,183,500 shares available for future option grants, re
following table summarizes information about stock options outstanding at May 31, 2009, 2008 and 2007.

	Year Ended May 31,				
	2009 (Successor)			2008 (Successor)	
	Number of Shares		Weighted Average Price Per Share	Number of Shares	Weighted Average Price Per Share
Options granted with an exercise price equal to fair value at date of grant	2,626,500	$	10.00	31,855,000	$ 10.00
Options granted with an exercise price greater than fair value at date of grant	117,500	$	8.50	-	-
Options granted with an exercise price less than fair value at date of grant	-		-	-	-

In 2008, the Board of Directors of Parent adopted an addendum to the 2007 LVB Plan, which provides for
leveraged equity awards in Parent under the 2007 LVB Plan (the LVB Leveraged Awards, and together
the LVB Awards) to certain of the Company s European employees. LVB Leveraged Awards permit pa
shares of LVB common stock using the proceeds of non-recourse loans from Parent, which shares remain s
and other restrictions prior to the participant s repayment of the loan.

Upon termination of a participant s employment, the 2007 LVB Plan provides that any unvested portion o
Award will be forfeited, and that the vested portion of his or her LVB Award will expire on the earliest of (
participant s employment is terminated for cause, (2) 30 days following the date the participant resigns wi
(3) 90 days after the date the participant s employment is terminated either by us for any reason other than
disability or by the participant with good reason, (4) one year after the date the participant s employment i

of death or disability or (5) the tenth anniversary of the grant date of the LVB Award.

Prior to receiving shares of LVB common stock (whether pursuant to the exercise of LVB Options, purcha
LVB Leveraged Award or otherwise), participants must execute a Management Stockholders Agreement,
the shares are subject to certain transfer restrictions, put and call rights, and tag along and drag along rights
certain senior members of management, limited re-offer registration and preemptive rights).

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 11 Income Taxes (benefit).

The components of income (loss) before income taxes are as follows:

(in millions)	Year Ended May 31, 2009	July 12, 2007 - May 31, 2008 (Successor)	June 1, 20 July 11, 2 (Predeces
Domestic	$ (510.4)	$ (1,318.8)	$ (81
Foreign	(410.0)	124.5	((
Total	$ (920.4)	$ (1,194.3)	$ (81

The provision for income taxes is summarized as follows:

(in millions)	Year Ended May 31, 2009	July 12, 2007 - May 31, 2008 (Successor)	June 1, 20 July 11 2007 (Predeces
Current:			
Federal	$ 26.7	$ 0.2	$ (30
State	1.4	0.3	(4
Foreign	42.8	45.1	((
Subtotal	70.9	45.6	(34
Deferred:			
Federal	(160.7)	(217.0)	6
State	(23.3)	(24.2)	(
Foreign	(58.1)	(34.5)	
Subtotal	(242.1)	(275.7)	7
Total Income Tax Expense (Benefit)	$ (171.2)	$ (230.1)	$ (27

A reconciliation of the statutory federal income tax rate to the Company s U.S. effective tax rate follows:

(in millions)	Year Ended May 31, 2009	July 12, 2007 - May 31, 2008 (Successor)	June 1, 20 July 11 2007 (Predeces
U.S. statutory income tax rate	(35.0) %	(35.0) %	(35
State taxes, less effect of federal reduction	(2.6)	(1.8)	(4

Foreign income taxes at rates different from the U.S. statutory rate	(1.5)	(0.2)	0
Tax benefit relating to operations in Puerto Rico	(0.5)	(0.2)	(0
Tax credits	(0.2)	(0.1)	(0
Tax benefit relating to U.S. export sales	-	-	
Goodwill impairment	18.8	-	
In-process research and development	-	14.0	
Losses and other expenses not deductible for tax	-	2.0	6
Tax on foreign earnings, net for foreign tax credits	-	0.7	
Other	2.4	1.3	(0
Effective tax rate	(18.6) %	(19.3) %	(33

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 11 Income Taxes, Continued.

The components of the net deferred income tax assets and liabilities at May 31, 2009 and 2008 are as follo

(in millions)	
Deferred income tax assets:	
Accounts receivable	$
Inventories	
Accrued expenses	
Tax benefit of net operating losses and tax credits	
Future benefit of uncertain tax positions	
Stock-based compensation	
Accrued litigation	
Swap liability	
Other	
Deferred income tax assets	$ 3
Less: Valuation allowance	
Total deferred income tax assets	$ 3
Deferred income tax liabilities:	
Property, plant, equipment and Intangibles	(2,0
Financial accounting basis of net assets of acquired companies different than tax basis	
Other	
Total deferred income tax liabilities	(2,0
Total net deferred income tax assets (liabilities)	$ (1,7

The Company s deferred tax assets include federal, state, and foreign net operating loss carryforwards. Th
loss carryforwards available are $171.7 million, which expire starting in 2028. The state and foreign net op
carryforwards are from various jurisdictions with various carryforward periods. As of May 31, 2009, the C
million valuation allowance. This valuation allowance consists of $8.5 million relating to net deferred tax a
losses on investments and $7.6 million for net deferred tax assets related to foreign net operating losses tha
believes, more likely than not, will not be realized. All goodwill related to the merger is not tax deductible.

A deferred tax asset has been established for the foreign tax credit carryforwards in the amount of $15.7 mi
2009. Federal foreign tax credits may be carried forward ten years. The Company believes it is more like th
able to utilize the foreign tax credit carryforwards.

The Company has not provided for deferred taxes on certain of its excess of financial reporting over the tax
investments in foreign subsidiaries that are essentially permanent in duration. Upon distribution of those ea
dividends or otherwise, the Company would be subject to U.S. income taxes (subject to an adjustment for f
and withholding taxes payable to the various foreign countries. Determination of the amount of any unreco
income tax liability on these undistributed earnings is not practical.

The Company has not recorded deferred taxes on its excess of financial reporting over the tax basis on cert
in foreign subsidiaries related to current period earnings that are not considered to be indefinitely reinveste
believes that there will not be a significant additional cost associated with the future repatriation of such fo

Effective June 1, 2007, the Company adopted FIN 48. This interpretation prescribes a recognition threshol
attribute for the financial statement recognition and measurement of tax contingencies and the tax position
be taken, in a tax return.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in millions)		**May 31, 200**
Unrecognized tax benefits, beginning of period	$	50
Gross increases - current-period tax positions		14
Gross decreases - current-period tax positions		
Gross increases - tax positions in prior period		14
Gross decreases - tax positions in prior period		(11
Settlements during the current period		(0
Lapse of applicable statute of limitations		(4
Unrecognized tax benefits, end of period	$	63

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 11 Income Taxes, Continued.

Included in the amount of unrecognized tax benefits at May 31, 2009 and 2008 respectively, are $46.3 mill
million of tax benefits that would impact the Company s effective tax rate, if recognized.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a componer
expense. Related to unrecognized tax benefits noted above, the Company accrued interest of $2.4 million a
during the years ended May 31, 2009 and 2008, respectively. As of May 31, 2009 and 2008, the Company
liability for interest of $7.2 million and $4.8 million, respectively. The Company accrued and recognized ar
of penalties for the years disclosed.

The Company does not anticipate a material change to the total amount of unrecognized tax benefits within

The Company conducts business globally and, as a result, certain of its subsidiaries file income tax returns
jurisdiction, and various state and foreign jurisdictions. In the normal course of business, the Company is su
examinations by taxing authorities throughout the world, including major jurisdictions such as Australia, C
Germany, Japan, Netherlands, Spain, the United Kingdom and the United States. The Internal Revenue Ser
auditing the predecessor Company s federal tax returns for the years ended May 31, 2006 and 2005. In add
foreign tax returns are under examination by various regulatory authorities. The statute of limitations for in
examinations by the Internal Revenue Service has expired for the fiscal years prior to and including the yea
2002. The Company regularly reviews issues that are raised from ongoing examinations and open tax years
adequacy of its liabilities. As the various taxing authorities continue with their audit/examination programs
adjust its reserves accordingly to reflect these settlements.

Note 12 Segment Reporting.

The Company operates in one reportable segment, musculoskeletal products, which include the designing,
marketing of reconstructive products, fixation devices, spinal products and other products. Other products c
softgoods and bracing products, sports medicine products, general instruments and operating room supplies
manages its business segment primarily on a geographic basis. These geographic markets are comprised of
Europe and International. Major markets included in the International geographic market are Canada, South
and the Pacific Rim.

Net sales by product category are as follows (*in millions*):

	Year Ended May 31, 2009 (Successor)	July 12, 2007 - May 31, 2008 (Successor)	June J (Pre
Net sales by product:			
Reconstructive	$ 1,851.0	$ 1,578.6	$
Fixation	234.1	203.2	
Spinal	222.1	183.1	
Other	196.9	169.6	
Total	$ 2,504.1	$ 2,134.5	$

	Year Ended May 31, 2009 (Successor)	July 12, 2007 - May 31, 2008 (Successor)	June July (Pre
Net sales by geographic segment:			
United States	$ 1,527.9	$ 1,251.4	$
Europe	711.7	663.7	
International	264.5	219.4	
Total	$ 2,504.1	$ 2,134.5	$

	May 31,
Long-term assets [1] by geographic segment:	
United States	$ 7,7
Europe	2,2
International	1,0
Total	$ 11,0

(1) Defined as property, plant and equipment, intangibles and goodwill.

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 13 Guarantor and Non-guarantor Financial Statements.

Each of the Company s existing wholly-owned domestic subsidiaries are fully, unconditionally, jointly, an
guaranteeing the senior cash pay and PIK toggle notes on a senior unsecured basis and the senior subordina
subordinated unsecured basis, in each case to the extent such subsidiaries guarantee its senior secured cash

The following financial information illustrates the composition of the combined guarantor subsidiaries:

CONSOLIDATED BALANCE SHEETS

	May 31, 2009			
	Biomet, Inc.	**Guarantors**	**Non-Guarantors**	**Eliminat**
Assets				
Current assets:				
Cash and cash equivalents	-	$ 178.9	$ 36.7	
Accounts receivable, net	-	237.0	274.1	
Income tax receivable	-	20.0	-	
Inventories	-	291.5	306.6	$ (7
Deferred income taxes	-	70.6	7.8	
Prepaid expenses and other	-	15.1	24.0	
Total current assets	-	813.1	649.2	(7
Property, plant and equipment, net	-	391.1	250.2	(
Investments	-	27.4	-	
Investment in subsidiaries	$ 10,073.5	-	-	(10,07
Intangible assets, net	-	3,927.4	1,752.6	
Goodwill	-	3,461.9	1,318.6	
Other assets	-	44.9	43.9	
Total assets	$ 10,073.5	$ 8,665.8	$ 4,014.5	$ (10,15
Liabilities & Shareholders Equity				
Current liabilities:				
Short-term borrowings	$ 35.8	-	$ 45.4	
Accounts payable	-	$ 62.7	36.7	
Accrued interest	73.1	-	-	
Accrued wages and commissions	-	43.2	23.4	
Other accrued expenses	-	232.6	78.3	
Total current liabilities	108.9	338.5	183.8	
Long-term debt	6,124.3	-	7.2	
Deferred income taxes	-	1,808.7	7.6	
Other long-term liabilities	-	143.3	38.3	
Total liabilities	6,233.2	2,290.5	236.9	
Shareholders equity	3,840.3	6,375.3	3,777.6	$ (10,15
Total liabilities and shareholders equity	$ 10,073.5	$ 8,665.8	$ 4,014.5	$ (10,15

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 13 Guarantor and Non-guarantor Financial Statements, Continued.

	May 31, 2008			
	Biomet, Inc.	**Guarantors**	**Non-Guarantors**	**Eliminat**
Assets				
Cash and cash equivalents	-	$ 101.0	$ 25.4	$
Accounts receivable, net	-	213.7	272.5	
Inventories	-	296.6	320.2	(7
Deferred income taxes	-	97.0	3.7	
Prepaid expenses and other	-	65.5	30.0	
Total current assets	-	773.8	651.8	(7
Property, plant and equipment, net	-	407.6	233.3	
Investments	-	41.3	-	
Investment in subsidiaries	$ 12,270.0	-	-	(12,27
Goodwill	-	3,575.1	1,847.7	
Intangible assets, net	-	4,407.0	1,801.2	
Other assets	-	107.2	11.7	
Total	$ 12,270.0	$ 9,312.0	$ 4,545.7	$ (12,34
Liabilities & Shareholders Equity				
Short-term borrowings	$ 37.0	-	$ 38.4	
Accounts payable	-	$ 53.0	38.6	$ (
Accrued interest	80.9	-	-	
Accrued wages and commissions	-	66.3	12.8	
Other accrued expenses	-	202.3	72.6	(2
Total current liabilities	117.9	321.6	162.4	(3
Deferred income taxes	-	1,438.0	725.3	(5
Employee related obligations	-	-	40.0	
Long-term debt	6,225.7	-	-	
Other long-term liabilities	-	-	2.8	
Total Liabilities	6,343.6	1,759.6	930.5	(8
Shareholders equity	5,926.4	7,552.4	3,615.2	(12,25
Total liabilities and shareholders equity	$ 12,270.0	$ 9,312.0	$ 4,545.7	$ (12,34

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 13 Guarantor and Non-guarantor Financial Statements, Continued.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended May 31, 2009 (Successor)			
	Biomet, Inc.	**Guarantors**	**Non-Guarantors**	**Elimina**
Net sales	-	$ 1,589.1	$ 915.0	
Cost of sales	-	503.5	439.3	$ (1
Gross margin	-	1,085.6	475.7	1
Goodwill and intangible asset impairment charge	-	-	551.1	
Operating expenses	-	976.4	496.5	
Operating income (loss)	-	109.2	(571.9)	1
Other (income) expense, net	$ 545.7	10.9	10.2	
Income (loss) before income taxes	(545.7)	98.3	(582.1)	1(
Tax expense (benefit)	(101.5)	(2.9)	(87.1)	
Equity in earnings of subsidiaries	(305.0)	-	-	3(
Net income (loss)	$ (749.2)	$ 101.2	$ (495.0)	$ 3(

	July 12, 2007 to May 31, 2008 (Successo			
	Biomet, Inc.	**Guarantors**	**Non-Guarantors**	**Elimina**
Net sales	-	$ 1,309.8	$ 1,060.0	$ (2
Cost of sales	-	499.9	535.5	(2
Gross margin	-	809.9	524.5	(
Operating expenses	-	1,220.0	768.1	
Operating loss	-	(410.1)	(243.6)	(
Other (income) expense, net	$ 516.6	10.4	-	
Loss before income taxes	(516.6)	(420.5)	(243.6)	(
Tax benefit	-	(141.2)	(85.3)	
Equity in earnings of subsidiaries	(437.6)	-	-	4
Net income (loss)	$ (954.2)	$ (279.3)	$ (158.3)	$ 4

	June 1, 2007 to July 11, 2007 (Predecess			
	Biomet, Inc.	**Guarantors**	**Non-Guarantors**	**Elimina**
Net sales	-	$ 185.1	$ 82.5	$ (
Cost of sales	-	60.8	46.5	

Gross margin	-	124.3	36.0	(
Operating expenses	-	179.2	49.3	
Operating loss	-	(54.9)	(13.3)	(
Other (income) expense, net	-	0.7	(1.0)	
Loss before income taxes	-	(55.6)	(12.3)	(
Tax benefit	-	(24.6)	(2.5)	
Equity in earnings of subsidiaries	$ (40.8)	-	-	
Net income (loss)	$ (40.8)	$ (31.0)	$ (9.8)	$

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 13 Guarantor and Non-guarantor Financial Statements, Continued.

Year Ended May 31, 2007 (Predecessor)

	Biomet, Inc.	Guarantors	Non-Guarantors	Eliminatio
Net sales	-	$ 1,501.2	$ 780.3	$ (174.
Cost of sales	-	429.3	382.9	(169.
Gross margin	-	1,071.9	397.4	(4.
Operating expenses	-	712.4	263.2	(0.
Operating income (loss)	-	359.5	134.2	(4.
Other (income) expense, net	$ -	(19.9)	7.9	
Income (loss) before income taxes	-	379.4	126.3	(4.
Tax expense (benefit)	-	132.6	35.1	(2.
Equity in earnings of subsidiaries	338.0	-	-	(338.
Net income (loss)	$ 338.0	$ 246.8	$ 91.2	$ (340.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended May 31, 2009 (Successor)

	Biomet, Inc.	Guarantor	Non-Guarantors	Eliminatio
Cash flows provided by (used in) operating activities	$ (746.2)	$ 431.6	$ 164.5	$ 393.
Cash flows provided by (used in) investing activities	713.9	(353.7)	(161.2)	(393.
Cash flows provided by (used in) financing activities	32.3	-	10.2	
Effect of exchange rate changes on cash	-	-	(3.4)	
Increase (decrease) in cash and cash equivalents	$ -	$ 77.9	$ 10.1	$
Cash and cash equivalents, beginning of period	-	101.0	26.6	
Cash and cash equivalents, end of period	$ -	$ 178.9	$ 36.7	$

July 12, 2007 to May 31, 2008 (Successor)

	Biomet, Inc.	Guarantor	Non-Guarantors	Eliminatio
Cash flows provided by (used in) operating activities	$ (866.0)	$ 469.9	$ 157.4	$ 427.
Cash flows used in investing activities	(10,089.0)	(493.8)	(186.0)	(953.

Cash flows provided by financing activities	11,481.6	-	-	
Effect of exchange rate changes on cash	-	-	2.0	
Increase (decrease) in cash and cash equivalents	526.6	(23.9)	(26.6)	(525.
Cash and cash equivalents, beginning of period	-	108.9	44.0	24.
Cash and cash equivalents, end of period	$ 526.6	$ 85.0	$ 17.4	$ (501.

June 1, 2007 to July 11, 2007 (Predecessor)

	Biomet, Inc.	Guarantor	Non-Guarantors	Eliminatio
Cash flows provided by (used in) operating activities	$ (54.0)	$ 13.7	$ 30.3	$ 69.
Cash flows provided by (used in) investing activities	52.7	21.8	(7.8)	(55.
Cash flows provided by financing activities	1.3	-	-	
Effect of exchange rate changes on cash	-	-	0.1	
Increase in cash and cash equivalents	-	35.5	22.6	13.
Cash and cash equivalents, beginning of period	-	95.7	9.4	
Cash and cash equivalents, end of period	$ -	$ 131.2	$ 32.0	$ 13.

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 13 Guarantor and Non-guarantor Financial Statements, Continued.

	Year Ended May 31, 2007 (Predecessor)			
	Biomet, Inc.	Guarantor	Non-Guarantors	Eliminatio
Cash flows provided by (used in) operating activities	$ 338.0	$ 341.7	$ 90.6	$ (330.
Cash flows provided by (used in) investing activities	(101.3)	(377.7)	(74.9)	340.
Cash flows provided by financing activities	(236.7)	-	(14.4)	
Effect of exchange rate changes on cash	-	0.6	3.0	0.
Increase in cash and cash equivalents	-	(35.4)	4.3	10.
Cash and cash equivalents, beginning of period	-	108.8	17.1	0.
Cash and cash equivalents, end of period	$ -	$ 73.4	$ 21.4	$ 10.

Note 14 Restructuring.

Fiscal 2009 Restructuring

The Company initiated a global cost savings program to better align its cost base with the slowdown in con
negatively affecting sales and operating margins and to improve overall operating effectiveness. The progra
termination of approximately 253 employees and the closure of certain manufacturing and distribution loca
ended May 31, 2009.

In connection with the restructuring plan, the Company recorded $11.0 million in restructuring charges dur
May 31, 2009. A summary of the severance and benefit costs in fiscal 2009 is as follows:

Balance at May 31, 2008
Costs incurred and charged to expense
Costs paid or otherwise settled
Non-cash adjustments [(1)]
Balance at May 31, 2009

(1) Primarily related to the exchange result from different rates in the income statement and the balance s
Payments related to severance and benefits are expected to be paid in full primarily by the end of fiscal yea

There were no significant restructuring charges recognized by the Company during prior periods.

Note 15 Contingencies.

U.S Department of Justice Consulting Agreement Investigation

On September 27, 2007, the Company entered into a Deferred Prosecution Agreement with the U.S. Attorn
District of New Jersey. The agreement concluded the government s investigation into whether consulting a
the largest orthopedic manufacturers and orthopedic surgeons who use joint reconstruction and replacemen
violated the federal Anti-Kickback Statute.

Through the agreement, the U.S. Attorney s Office agreed not to prosecute the Company in connection wi
provided that the Company satisfied its obligations under the agreement over the 18 months following the d
Prosecution Agreement. The agreement called for the appointment of an independent monitor to review the
compliance with the agreement, particularly in relation to its consulting agreements. On March 27, 2009, th
Prosecution Agreement expired and the complaint was dismissed with prejudice.

As part of the resolution of this matter, the Company also entered into a Corporate Integrity Agreement wit
Inspector General of the U.S. Department of Health and Human Services. The agreement requires the Com
subsequent to September 27, 2007 to continue to adhere to its Code of Business Conduct and Ethics and ce
provisions, including reporting requirements.

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 15 Contingencies, Continued.

U.S. Department of Justice EBI Products Investigations and Other Matters

In May 2007, the Company received a subpoena from the U.S. Department of Justice through the U.S. Atto
Southern District of West Virginia requesting documents generally relating to a certain number of products
marketed and sold by the Company s EBI subsidiary for the period from January 1999 through the present
Company received a second administrative subpoena from the U.S. Attorney for the Southern District of W
requesting documents relating to a specific physician s assistant. The Company understands that the Depar
conducting a civil investigation of EBI s sales and marketing practices relating to certain spinal products.
cooperating with the request of the Department of Justice. The Company can make no assurances as to the
that will be needed to devote to this inquiry or its final outcome.

In January 2009, a qui tam complaint, filed in the United States District Court for the Southern District of
served on EBI. The complaint alleges, among other things, that EBI inappropriately promoted and markete
products. EBI denies the allegations in the complaint and has subsequently filed a motion to dismiss the co
entirety. On May 5, 2009, relators counsel signed a joint stipulation for dismissal of the qui tam action. W
Department of Justice has consented to the dismissal, the dismissal is without prejudice to the U.S. Departm
the U.S. Department of Justice may still elect to pursue this matter at a later time. On June 15, 2009, the U.
the Southern District of West Virginia entered an order dismissing the action with prejudice as to the relato
prejudice to the U.S. Department of Justice.

In April 2009, the Company received a subpoena from the U.S. Department of Justice through the U.S. Att
of Massachusetts requesting various documents purportedly relating to EBI s osteogenesis and bone growt
The Company is currently in the process of evaluating the scope of the subpoena and intends to fully coope
of the Department of Justice. The Company can make no assurances as to the time or resources that will be
this inquiry or its final outcome.

In April 2009, the Company became aware of a qui tam complaint originally filed in March 2005 by an ind
against the principal manufacturers of bone growth stimulation devices, including the Company, the Comp
Acquisition, Inc., and EBI. The U.S. District Court for the District of Massachusetts ordered that the compl
March 24, 2009, but the Company has not been notified that a summons and complaint have been served o
registered agents, its parent or EBI. The complaint alleges a cause of action under the False Claims Act and
alleged reimbursement-related false claims associated primarily with the sale versus the rental of those dev
believes that this complaint is related to the subpoena issued by the Department of Justice requesting docur
EBI s osteogenesis and bone growth stimulation devices. The Company is currently in the process of evalu
The Company can make no assurances as to the time or resources that will be needed to devote to this litiga
outcome.

U.S. Securities and Exchange Commission Informal Investigation

On September 25, 2007, the Company received a letter from the SEC informing the Company that it is con
investigation regarding possible violations of the Foreign Corrupt Practices Act in the sale of medical devic
countries by companies in the medical devices industry. The Foreign Corrupt Practices Act prohibits U.S. c
officers, directors, employees, shareholders acting on their behalf and agents from offering, promising, auth
payments to foreign officials for the purpose of obtaining or retaining business abroad or otherwise obtaini
treatment and this law requires companies to maintain records which fairly and accurately reflect transactio
internal accounting controls. In many countries, hospitals and clinics are government-owned and healthcare
employed by such hospitals and clinics, with whom the Company regularly interacts, may meet the definiti
official for purposes of the Foreign Corrupt Practices Act. If the Company is found to have violated the Fo
Practices Act, the Company may face sanctions including fines, criminal penalties, disgorgement of profits
debarment of the Company s ability to contract with government agencies or receive export licenses. On N
Company received a letter from the Department of Justice requesting any information provided to the SEC

Department of Justice on a voluntary basis. The Company intends to fully cooperate with both requests and the process of conducting its own review relating to these matters in certain countries in which the Compar conduct business. It is not possible at this time to predict the likely outcome of this inquiry or its financial i outcome be adverse to the Company.

Massachusetts AG

The Company received a Civil Investigative Demand (CID) issued by the Commonwealth of Massachus Attorney General (Massachusetts AG) on or about November 19, 2007. The CID requested documents f November 1, 2003 to the present concerning certain physicians and provider groups, including, among othe concerning any contracts or agreements with, and any payments made to, those physicians or provider grou has produced documents in response to the CID, and intends to continue to cooperate with the Massachuset Company can make no assurances as to the time or resources that will be needed to devote to this inquiry o

New Jersey AG

On May 7, 2009, the Company received a subpoena from the Attorney General of New Jersey requesting v relating to the financial interests and arrangements of physicians conducting clinical trials for or on the Cor which financial forms were submitted to the U.S. Food & Drug Administration. The Company is currently evaluating the scope of the subpoena and its response. According to a news release issued by New Jersey s Attorney General, subpoenas have also been issued to other major medical device manufacturing companie information. The Company can make no assurances as to the time or resources that will be needed to devot its final outcome.

Other Matters

In January 2009, Heraeus Kulzer GmbH initiated legal proceedings in Germany against the Company and i Biomet Europe BV, alleging that the Company and Biomet Europe BV misappropriated Heraeus Kulzer tra developing its new lines of European bone cements. The lawsuit seeks damages in excess of 30 million ar preclude the Company from producing its current line of European bone cements. The Company is currentl evaluating the merits of the lawsuit and preparing its response. The Company can make no assurance as to that will be needed to devote to this litigation or its final outcome.

The Company and Biomet Orthopedics initiated legal proceedings on July 17, 2007 against Zimmer US, In certain of the Company s former distributors and David Montgomery, the Company s former employee w Zimmer. The thirteen count lawsuit originally filed in Marion County, Indiana and re-filed in Hamilton Cou among other things, that Zimmer and Mr. Montgomery attempted to create an unfair market advantage by e campaign to

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 15 Contingencies, Continued.

misappropriate the Company s confidential information, to interfere with the Company s contractual relat
and to attempt to buy the assets of most of the Company s distributors (including the Company s surgical
throughout the United States. Further, the lawsuit alleges that the limited number of distributors who accep
are in violation of their contractual obligations to Biomet. Although nearly all of the Company s distributo
offers and have remained with Biomet, and although no amount of money damages can completely compe
losses the Company has sustained as a result of defendants conduct, the Company is nonetheless seeking
compensatory damages that are attributable to financial and other resources spent on signing new agreeme
Company s sales force. To the extent the Company sustained damages as a result of the Company s forme
to purportedly sell their assets to Zimmer, the Company is seeking to recover lost profits and other damage
addition, the Company is seeking to recover punitive damages from the defendants. On November 9, 2007,
motion to dismiss the Company s complaint. On March 27, 2008, the court denied the motion in its entiret

In a related matter, the Company brought suit against a former distributor for Biomet Orthopedics who, in
contractual and other obligations to Biomet under agreements stretching back to 1994, sold the assets of his
Zimmer in an apparent effort to avoid his contractual obligations to the Company. The complaint, now pen
district court in Indiana, asserts five causes of action that include breach of contract, unjust enrichment and
Among other things, the complaint seeks injunctive relief and compensatory and punitive damages. On Jul
temporary restraining order was entered against this former distributor which subsequently lapsed ten days
filing of the suit described above, this former distributor sued one of his former employees who decided to
the Company s products in the future as he has for nearly ten years. The suit brought against this employe
former distributor who sold his assets to Zimmer claims, among other things, that the former employee is v
non-competition agreement with the Company s former distributor by continuing to sell the same Biomet
employee sold while employed by the Company s former distributor. The suit also seeks, among other for
injunction and compensatory and punitive damages. Pursuant to an indemnity agreement entered into betw
and such former employee, the Company agreed to indemnify the former employee of the Company s form
claims which may be brought against such former employee arising from this transition. In addition, on or
Zimmer and one of its distributors filed a five count complaint in Tennessee federal court against this same
seeking, among other things, injunctive relief, monetary damages, and punitive damages for alleged breach
conspiracy, and other causes of action. A trial date has been scheduled for December 2009. The Company
assurances as to the time or resources that will be needed to devote to this litigation or its final outcome.

In late 2004 and early 2005, approximately 120 plaintiffs sued Dr. John King in the Circuit Court of Putna
Virginia. Plaintiffs alleged that Dr. King was professionally negligent when he performed surgery on the p
General Hospital in Putnam County, West Virginia between November 2002 and June 2003. In 38 of these
alleged that Dr. King had implanted a device manufactured by the Company s EBI subsidiary and EBI wa
those 38 lawsuits, 11 of which were subsequently dismissed by plaintiffs, leaving EBI as a party in 27 penc
which related to EBI s Ionic Spine Spacer System and its implanted bone stimulator devices, the SpF® Spin
and OsteoGen® Bone Growth Stimulator. Plaintiffs alleged that EBI entered into a joint venture and a civil
Dr. King and/or his physician assistant, David McNair. The plaintiffs also alleged that EBI failed to warn t
not safe for their intended use, that EBI knew that Dr. King was not properly trained or was performing su
inappropriately and claims based on strict liability, express and implied breach of warranty and negligent s
sought to recover lost income, medical expenses, future medical and life care expenses, damages relating t
and punitive and other damages. Dr. King is uninsured in 25 of these 27 cases and has filed for bankruptcy

In July 2007, a Putnam County jury found that Putnam General Hospital had negligently credentialed Dr. K
hospital s conduct in credentialing Dr. King was motivated by fraud, ill will, wantonness, oppressiveness,
negligence, which allowed the plaintiffs to seek punitive damages against the hospital. In April, May and J
hospital and its upstream affiliates and David McNair entered into a confidential settlement of all claims w
plaintiffs, which has subsequently been settled.

On May 4, 2009, EBI entered into a mediation settlement memorandum of understanding with 24 of the 27
all claims against EBI in the actions brought by those plaintiffs. The memorandum of understanding requir
plaintiffs to execute a full release of EBI as a condition to receipt of the confidential settlement payments. T
no admission of wrongdoing by the Company or any of its subsidiaries. Six of the releases required court a
applicable state law, which was obtained as of June 4, 2009. The settlement does not encompass the three r
relating to Dr. King and EBI s Ionic® Spine Spacer System in which EBI is a named defendant. As a result o
of understanding, the Company has increased its reserve by $60.5 million in the fourth quarter of fiscal 200
probable and estimated exposure in the cases relating to Dr. King. The releases for the 24 plaintiffs have be
executed and the cash settlement payments paid to date have been funded out of the Company s available c
were paid during the first quarter of fiscal 2010.

There are various other claims, lawsuits, disputes with third parties, investigations and pending actions invo
allegations against the Company incident to the operation of its business, principally product liability and in
cases. Each of these matters is subject to various uncertainties, and it is possible that some of these matters
unfavorably to Biomet. The Company accrues for losses that are deemed to be probable and subject to reas
Based on the advice of the Company s counsel in these matters, management believes that the ultimate out
and any liabilities in excess of amounts provided will not have a material adverse impact on the Company
financial statements taken as a whole.

Note 16 Related Parties.

Management Services Agreement

Upon completion of the Transactions, the Company entered into a management services agreement with ce
Sponsors, pursuant to which such affiliates of the Sponsors or their successors assigns, affiliates, officers, e
representatives and third parties (collectively, the Managers) provide management, advisory, and consul
Company. Pursuant to such agreement, the Managers received a transaction fee equal to 1% of total enterpr
Transactions for the services rendered by such entities related to the Transactions upon entering into the ag
Sponsors receive an annual monitoring fee equal to 1% of the Company s annual adjusted EBITDA (as de
agreement) as compensation for the services rendered and reimbursement for out-of-pocket expenses incur
in connection with the agreement and the Transactions. The Company is required to pay the Sponsors the m
quarterly basis in arrears. The total amount of Sponsor fees was $11.6 million for the year ended May 31, 2
million for the period July 12, 2007 through May 31, 2008. There were no Sponsor fees for the period June
July 11, 2007, or for the year ended May 31, 2007. The Company may also pay certain subsequent fees to t
advice rendered in connection with financings or refinancings (equity or debt), acquisitions, dispositions, sp
dividends, recapitalizations, an initial underwritten public offering and change of control transactions invol
any of its subsidiaries. The management services agreement includes customary exculpation and indemnifi
favor of the Managers and their affiliates. Due to the large portfolios of the Sponsors, the Company and its
transactions with the Sponsors and certain affiliates of the Sponsors independent of transactions described a

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Biomet, Inc. and Subsidiaries Notes to Consolidated Financial Statements (continued)

Note 16 Related Parties, Continued.

On May 8, 2006, Biomet, Inc. entered into a Separation, Release and Consultancy Agreement with Dane A
Miller Agreement). As previously disclosed in the Company s Current Report on Form 8-K dated May
terms of the Miller Agreement, Dr. Miller received $4.0 million on October 1, 2006, $0.5 million on Nove
has received or will receive $0.5 million on the last day of each quarter thereafter through the first quarter o
compensation for his consulting services. Also pursuant to the Miller Agreement, Dr. Miller is reimbursed
out-of-pocket fees and expenses relating to an off-site office and administrative support, in an amount not t
million per year. The Miller Agreement contains certain restrictive covenants prohibiting Dr. Miller from c
Company and soliciting employees of the Company during the term of the Miller Agreement. As of May 3
remaining amount accrued and payable to Dr. Miller was $0.5 million.

Other

The Company currently holds interest rate swaps with Goldman Sachs. As part of this relationship, the Co
information from Goldman Sachs that allows it to perform a regression on the swaps as part of its required
on a quarterly basis.

Biomet, Inc., its subsidiaries, affiliates, employees and direct and indirect controlling stockholders may fro
depending upon market conditions, seek to purchase debt securities issued by the Company or its subsidiar
open market or privately negotiated transactions or by other means.

Capital Contributions

During the 2009 fiscal year, the Company received an additional capital contribution of $3.7 million, net fr
company from the participation of management under the LVB Acquisition, Inc. 2007 Management Equity

During the 2008 fiscal year, the Company received a capital contribution from its parent company by trusts
A. Miller and Mary Louise Miller in the amount of $120.0 million. The Company also received an additio
contribution of $14.4 million from its parent company from the participation of management under the LV
Management Stockholders Agreement.

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Financial Statements Schedule

Biomet, Inc. and Subsidiaries Schedule II Valuation and Qualifying Accounts

For the year ended May 31, 2009, for the period July 12, 2007 to May 31, 2008, for the period June 1, 2007
and for the year ended May 31, 2007 (in millions):

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts - Describe	Deductio Describ
Allowance for doubtful receivables:				
For the year ended May 31, 2009 (Successor)	$ 80.8	$ 21.9	$ (1.5) (B)	$ (52
For the period July 12, 2007 through May 31, 2008 (Successor)	$ 76.7	$ 27.3	$ 1.2 (B)	$ (24
For the period June 1, 2007 through July 11, 2007 (Predecessor)	$ 84.1	$ 2.3	$ -	$ (9
For the year ended			$ 0.1 (C)	
May 31, 2007 (Predecessor)	$ 69.1	$ 65.1	0.6 (B)	$ (50
Excess and obsolete inventory reserves:				
For the year ended May 31, 2009 (Successor)	$ 164.8	$ 79.1	$ (7.7) (B)	$ (81
For the period July 12, 2007 through May 31, 2008 (Successor)	$ 152.4	$ 31.9	$ 5.5 (B)	$ (25
For the period June 1, 2007 through July 11, 2007 (Predecessor)	$ 153.4	$ 23.2	$ -	$ (24
For the year ended May 31, 2007 (Predecessor)	$ 99.4	$ 67.4	$ 4.6 (B)	$ (18

Notes:

(A) Uncollectible accounts written off

(B) Effect of foreign currency translation

(C) Collection of previously written off accounts

(D) Inventory written off

Quarterly Results (UNAUDITED)

As a result of the Merger, as discussed within these financial statements in Note 1, the Predecessor and Suc
are not comparable due to a new basis of accounting starting July 12, 2007.

	Quarter ended			
(in millions)	**August 31, 2008**	**November 30, 2008**	**February 28, 2009**	**May 31, 2009**
2009				
Net sales	$ 607.0	$ 642.8	$ 615.0	$ 639.3
Gross profit	425.5	447.9	428.9	373.4
Net loss	(59.9)	(39.7)	(478.7)	(170.9)
Fiscal 2009				

Net loss for the third quarter of fiscal 2009 was impacted by a preliminary goodwill and definite
intangible asset impairment charge of $448.5 million associated with the dental reconstructive bu
for the fourth quarter of fiscal 2009 was impacted by the goodwill and definite and indefinite-live
impairment charge adjustment of $102.6 million to agree to the final impairment charge for the y
2009.

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As previously disclosed, the Company s EBI subsidiary is a named defendant in 27 pending law
Court of Putnam County, West Virginia, relating to alleged professional negligence by Dr. John
with the implantation of EBI s Ionic® Spine Spacer System and its bone stimulator devices, the Sp
Stimulator and OsteoGen Bone Growth Stimulator. On May 4, 2009, EBI entered into a mediat
memorandum of understanding with 24 of the 27 plaintiffs to settle all claims against EBI in the
those plaintiffs. The memorandum of understanding requires each of the 24 plaintiffs to execute
as a condition to receipt of the confidential settlement payments. The proposed releases contain r
wrongdoing by the Company or any of its subsidiaries. Seven of the releases require court approv
state law. The settlement does not encompass the three remaining lawsuits relating to Dr. King ar
Spacer System in which EBI is a named defendant. As a result of the memorandum of understand
has increased its reserve by $60.5 million in the fourth quarter of fiscal 2009 with respect to its p
estimated exposure in the cases relating to Dr. King. The releases for the 24 plaintiffs have been
executed and the cash settlement payments paid to date have been funded out of the Company s
balances and were paid during the first quarter of fiscal 2010.

(in millions)	June 1, 2007 to July 11, 2007 (Predecessor)	July 12, 2007 to August 31, 2008 (Successor)	November 30, 2008 (Successor)	February 28, 2009 (Successor)	May 31, 2 (Successo
2008					
Net sales	$ 248.8	$ 288.6	$ 607.2	$ 603.1	$ 635
Gross profit	146.5	181.8	362.6	341.0	434
Net loss	(54.6)	(482.2)	(302.0)	(88.5)	(91
Fiscal 2008					

Net loss for the period June 1, 2007 to July 11, 2007 was impacted by the Merger. The primary c
million related to the payout of in-the-money stock options as a result of the merger.

Net loss for the period July 12, 2007 to May 31, 2008 was impacted by the Merger. Charges rela
IPRD, interest expense, inventory step-up, property, plant and equipment step-up, amortization o
intangibles, and financing expenses, including accounting, legal, and financing fees on the new d
facilities provided for a total of $1,452.9 million of additional charges to our results of operation

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
Not applicable.

Item 9A. (T) Controls and Procedures.
(a) Evaluation of Disclosure Controls and Procedures. The Company maintains disclosure controls and pro in Rule 13a- 15(e) of the Securities Exchange Act of 1934, as amended (the Act)) that are designed to p assurance that information required to be disclosed by the Company, including the Company s consolidate reports that the Company files or submits under the Act, is recorded, processed, summarized and reported, periods specified in the SEC s rules and forms and that such information is accumulated and communicate including the President and Chief Executive Officer (the Principal Executive Officer) and the Chief Fin Principal Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. Pri report, the Company completed an evaluation under the supervision and with the participation of senior ma the Company s Principal Executive Officer and its Principal Financial Officer, of the effectiveness of the c of the Company s disclosure controls and procedures as of May 31, 2009. Based on this evaluation, Biome Officer and its Principal Financial Officer concluded that Biomet s disclosure controls and procedures wer May 31, 2009.

(b) Management s Report on Internal Control over Financial Reporting. Management of Biomet is respons and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-1 Exchange Act). Biomet s internal control over financial reporting is a process designed to provide reasona regarding the reliability of financial reporting and the preparation of financial statements for external purpo with GAAP. Internal control over financial reporting includes those policies and procedures that (1) pertain of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the ass (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financ accordance with GAAP, and that receipts and expenditures of Biomet are being made only in accordance w management and directors of the Company; and (3) provide reasonable assurance regarding prevention or t unauthorized acquisition, use, or disposition of Biomet s assets that could have a material effect on the int consolidated financial statements. Because of its inherent limitations, internal control over financial reporti or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to controls may become inadequate because of changes in conditions, or that the degree of compliance with th procedures may deteriorate.

Biomet s management conducted an assessment of the effectiveness of Biomet s internal control over fin May 31, 2009. In making this assessment, management used the criteria established in the report entitled Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway C Report). Management concluded that Biomet did maintain effective internal control over financial reporti 2009, based on the criteria established in the COSO Report.

This annual report does not include an attestation report of the Company s independent registered public a regarding internal control over financial reporting. Management s report was not subject to attestation by t independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange C permit the Company to provide only management s report in this annual report.

(c) Changes in Internal Control. During the fourth quarter of fiscal year 2009, Biomet remediated the mater previously disclosed in our interim and prior year periodic reports. Except for the remediation of the materi above, there were no changes in Biomet s internal control over financial reporting that have materially aff reasonably likely to materially affect, Biomet s internal control over financial reporting.

Item 9B. Other Information.
Not applicable.

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Part III.

Item 10. Directors, Executive Officers and Corporate Governance.
Directors

The following information sets forth, with respect to each individual, the name, age as of July 31, 2009, bu
current principal occupation or employment, and business experience for the past five years of Biomet s B

Jeffrey R. Binder, age 46 Director since 2007
Mr. Binder has been President and Chief Executive Officer since February 2007. Prior to this appointment,
as Senior Vice President of Diagnostic Operations of Abbott Laboratories from January 2006 to February 2
previously served as President of Abbott Spine from June 2003 to January 2006, and as President and Chie
of Spinal Concepts from 2000 to June 2003.

Jonathan J. Coslet, age 44 Director since 2007
Mr. Coslet has been a Partner of TPG since 1993 and is currently a senior partner and member of the firm
Management and Investment Committees. Mr. Coslet serves on the board of directors of IASIS Healthcare
Marcus Group, Inc., J. Crew Group, Inc., PETCO Animal Supplies, Inc. and Quintiles Transnational Corp.

Michael Dal Bello, age 38 Director since 2007
Mr. Dal Bello is a Managing Director in the Private Equity Group of The Blackstone Group and has been v
2002. Mr. Dal Bello serves on the board of directors of Alliant, Apria Healthcare Group, Catalent Pharma S
Global Power, LLC, Team Finance LLC and Vanguard Health Systems, Inc.

Adrian Jones, age 45 Director since 2007
Mr. Jones has been a Managing Director of Goldman, Sachs & Co. since 2002 and has worked at Goldman
1994. Mr. Jones serves on the board of directors of Dollar General Corporation, Education Management Co
HealthMarkets, Inc, and Signature Hospitals Corp.

David McVeigh, age 42 Director since 2007
Mr. McVeigh is an executive director at Blackstone in the private equity group. Mr. McVeigh recently join
McKinsey & Company, where he spent 12 years and was a partner. At McKinsey, Mr. McVeigh was one o
North American Chemicals practice and the Northeast Energy and Materials practice. Mr. McVeigh serves
directors of Michaels Stores, Inc.

Michael Michelson, age 58 Director since 2007
Mr. Michelson has been a member of the limited liability company that serves as the general partner of KK
prior thereto, was a general partner of KKR. Mr. Michelson serves on the board of directors of Accellent In
Pharmaceuticals, Inc. and HCA, Inc.

Dane A. Miller, Ph.D., age 63 Director since 2007
Dr. Miller is one of our four founders and served as our President, Chief Executive Officer and a director fr
Dr. Miller serves on the board of directors of 1st Source Corporation, ForeTravel, Inc., the Indiana Econom
Corporation, the University of Chicago Health Systems and the World Craniofacial Foundation.

John Saer, age 52 Director since 2007
Mr. Saer has been a member of the limited liability company that serves as the general partner of KKR sinc
executive since 2001. Mr. Saer serves on the board of directors of KSL Holdings Corporation and Aveos C

Todd Sisitsky, age 37 Director since 2007
Mr. Sisitsky has been a Partner of TPG since 2007. From 2003 until 2007, he was an Investor at TPG. Fron
was an Investor/Associate at Forstmann Little & Co. Mr. Sisitsky serves on the board of directors of IASIS
Fenwal, Inc., Surgical Care Affiliates and Axcan Pharma.

Gregory L. Summe, age 52 Director since 2008
Mr. Summe is a Senior Advisor to GS Capital Partners. From 1999 until April 2009, Mr. Summe was the C
Board of PerkinElmer, Inc. and from 1999 until 2008, Mr. Summe was the Chief Executive Officer of Perk
from 1998 to 2007, he was the President of PerkinElmer, Inc. Mr. Summe also serves on the board of direc
Street Corporation and Automatic Data Processing, Inc.

Biomet s Board of Directors consists of ten directors. Pursuant to the amended and restated limited liabilit
of Holding, each of Biomet s Sponsors has the right to nominate, and have nominated, two directors to ser
Directors. Following Purchaser s purchase of the Biomet s shares tendered in the Offer, the Sponsors join
and Jeffrey R. Binder to the Board of Directors in addition to the two directors appointed by each of the Sp
Board of Directors presently considers none of our directors to be independent (as independence is defined
(a) (15) of the NASDAQ Stock Market LLC marketplace rules). As discussed in Executive Compensation
Transactions Biomet s common stock was no longer listed on the NASDAQ National Market. For more in
the rights of the Sponsors to nominate directors and other related arrangements, see Certain Relationships
Transactions Amended and Restated Limited Liability Company Operating Agreement of LVB Acquisitic
Because of these requirements, together with Parent s 100% ownership of our common stock, we do not c
or procedures with respect to shareholder recommendations for nominees to our Board of Directors.

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Each of Messrs. Coslet, Dal Bello, Jones, McVeigh, Michelson, Saer, Sisitsky and Summe is a partner, me
an entity affiliated with one of the investment funds that indirectly own all of the equity interests in LVB A
LLC and generally is entitled to be indemnified by such entity for his service on Biomet s Board pursuant
governing documents or other arrangements, in each case in accordance with such entities policies.

None of the directors (other than Mr. Binder) currently holds any position with Biomet. Except as describe
directors or any of his or her affiliates (1) has a familial relationship with any directors or executive officer
(2) has been involved in any transactions with Biomet or any of its directors, officers or affiliates which are
disclosed pursuant to the rules and regulations of the SEC, except as may be disclosed herein.

Audit Committee Financial Expert

Our Audit Committee is composed of David McVeigh, Dane A. Miller, John Saer, Todd Sisitsky and Greg
light of our status as a privately held company and the absence of a public listing or trading market for our
Board has not designated any member of the Audit Committee as an audit committee financial expert. T
considered by our Board given that our securities are not traded on any national securities exchange, based
standards of the NASDAQ National Market, the national securities exchange upon which our common stoc
the Merger, we do not believe that any of Messrs. McVeigh, Saer, Sisitsky or Summe would be considered
of their relationships with certain affiliates of the Sponsors which hold significant interests in Holding, whi
more than 95% of our outstanding common stock, and, in the case of Mr. Miller, other relationships with u
Certain Relationships and Related Transactions.

Executive Officers

The following table sets forth the name, age and position of our executive officers.

Name	Age	Position
Jeffrey R. Binder	46	President and Chief Executive Officer
Daniel P. Florin	45	Senior Vice President and Chief Financial Officer
Glen A. Kashuba	46	Senior Vice President; President of Biomet Trauma and Biomet Spine
Gregory W. Sasso	47	Senior Vice President; President of Biomet SBU Operations
Maggie Anderson	44	Senior Vice President; President of Biomet 3i, LLC
Jon C. Serbousek	48	Senior Vice President; President of Biomet Orthopedics, LLC
Bradley J. Tandy	50	Senior Vice President, General Counsel and Secretary
Peggy Taylor	53	Senior Vice President, Human Resources
Roger P. Van Broeck	60	Senior Vice President; President of Biomet Europe, Middle East and Africa
Robert E. Durgin	50	Senior Vice President, Quality, Regulatory and Clinical Affairs
Robin T. Barney	48	Senior Vice President, World Wide Operations
Sujata Dayal	46	Corporate Vice President and Chief Compliance Officer

Jeffrey R. Binder has been a director and President and Chief Executive Officer since February 2007. Prior
Mr. Binder served as Senior Vice President of Diagnostic Operations of Abbott Laboratories from January
2007. Mr. Binder previously served as President of Abbott Spine from June 2003 to January 2006, and as P
Executive Officer of Spinal Concepts from 2000 to June 2003.

Daniel P. Florin has been Senior Vice President and Chief Financial Officer since June 2007. Prior thereto
as Vice President and Corporate Controller for Boston Scientific Corporation since 2001. Prior to being ap
Controller in 2001, Mr. Florin served in financial leadership positions within Boston Scientific Corporatio
business units since July 1995.

Glen A. Kashuba has been Senior Vice President and President of Biomet Trauma and Biomet Spine since
thereto, Mr. Kashuba served as Worldwide President of Cordis Endovascular, a division of Johnson & Joh
had been with Johnson & Johnson since 1998, also holding the positions of Worldwide President of Codm

(from December 2002 to November 2005) and U.S. President of DePuy AcroMed, now known as DePuy S

Gregory W. Sasso has been Senior Vice President; President of Biomet SBU Operations since June 2007. P
Mr. Sasso served as Senior Vice President Corporate Development and Communications since June 2006.
Vice President Corporate Development and Communications from April 1997 to June 2006.

Maggie Anderson has been Senior Vice President; President of Biomet 3i, LLC since August 6, 2009. Prior
Director at TPG Capital from 2006 to 2009 and a Director at AlixPartners from 2001 to 2006. Ms. Anderso
as an engineer at General Motors Powertrain Division, and took roles of increasing responsibility there in o
product development from 1988 to 1998.

Jon C. Serbousek has been Senior Vice President; President of Biomet Orthopedics, LLC since March 2008
years, Mr. Serbousek held diverse general management roles with Medtronic in the areas of Spinal Reconst
International, New Technology Development and most recently, worldwide Vice-President and General M

Bradley J. Tandy has been Senior Vice President, General Counsel and Secretary since April 2007. Prior th
served as Senior Vice President, Acting General Counsel and Secretary from January 2007 to April 2007, a
President, Acting General Counsel, Secretary and Corporate Compliance Officer from March 2006 to Janu
previously served as Vice President, Assistant General Counsel and Corporate Compliance Officer at Biom
1999 to March 2006.

Peggy Taylor has been Senior Vice President, Human Resources since August 2007. Prior thereto, Ms. Tay
President of Human Resources for Diagnostics Division of Abbott Laboratories from April 2000 to August

Roger P. Van Broeck has been Vice President since July 2007 and President of Biomet Europe, Middle Eas
March 2004. For a brief period during 2007, Mr. Van Broeck also served as President of International Oper
September 1998 to March 2004, he was Chief Executive Officer of BioMer C.V. and Biomet Merck B.V.,
venture with Merck KGaA (Darmstadt).

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Robert E. Durgin has been Senior Vice President, Quality/Regulatory/Clinical Affairs since January 2009.
Mr. Durgin served as Corporate Vice President, Global Quality/Clinical/Regulatory Affairs from June 200
and Corporate Vice President, Global Regulatory Affairs from May 2006 to June 2007. Mr. Durgin previou
President, Regulatory Affairs and Quality Assurance from September 2003 to May 2006 and in positions i
department from June 1998 to September 2003.

Robin T. Barney has been Senior Vice President, World Wide Operations since September, 2008. Prior to j
2007, Ms. Barney served as Vice President, Worldwide Operations of DePuy, a Johnson & Johnson compa
joined Johnson & Johnson in 1992 and held various leadership roles within Operations for their Codman &
Orthopeadics and DePuy Spine units.

Sujata Dayal has been Corporate Vice President and Chief Compliance Officer since February 2009. Prior
was a Partner at Karmact, LLC, a regulatory and compliance consulting firm from July 2008 to February 2
she was an Ethics and Compliance Officer Pharmaceutical Products, Abbot Laboratories from Septembe

Code of Ethics

We have a Code of Business Conduct and Ethics which is applicable to all of our directors, officers and tea
Code of Conduct). The Code of Conduct is available on the Corporate Compliance pages of our website
To the extent required pursuant to applicable SEC regulations, we intend to post amendments to or waivers
Conduct (to the extent applicable to our chief executive officer, principal financial officer or principal acco
location on our website or report the same on a Current Report on Form 8-K. Our Code of Conduct is avail
upon request to our Investor Relations Department at 56 East Bell Drive, Warsaw, IN 46582.

Item 11. Executive Compensation.
Introduction

Compensation and related matters during the 2009 fiscal year were reviewed and approved by the Compen
Parent and our Board of Directors which we refer to, collectively or individually as the context requires, as
Committee.

Compensation Discussion and Analysis

This section includes information regarding, among other things, the overall objectives of our compensatio
element of compensation that we provided, in each case with respect to the 2009 fiscal year. The goal of th
provide a summary of our executive compensation practices and the decisions that we made during this per
compensation package payable to our executive officers, including the five executives in the Summary Co
Each of the five executives listed in the Summary Compensation Table is referred to herein as a named e
Compensation Discussion and Analysis should be read in conjunction with the detailed tables and narra
Executive Compensation Tables below.

Compensation Methodology

During the 2009 fiscal year, the Compensation Committee was responsible for administering the compensa
programs for our team members, including our named executive officers. The Compensation Committee a
evaluates cash compensation and equity award recommendations for our executive officers along with the
recommendations, as well as summary information regarding the aggregate compensation provided to our
The Compensation Committee examines these recommendations in relation to our overall objectives and r
President and Chief Executive Officer was not a member of the Compensation Committee during the 2009
not participate in the decisions as to his compensation package.

The most significant development in our executive compensation philosophy following the consummation
including during the 2009 fiscal year, has been a greater emphasis on correlating compensation to long-ter
Compensation Committee has provided significant equity investment opportunities in our Parent tied to fi

through (1) offering certain of our employees one-time opportunities to purchase shares of Parent at a purcl
the higher of fair market value and $10.00 per share (subject to the employee s execution of a Managemen
Agreement, as described below under The Elements of Biomet s Compensation Program Stock Options
Awards) and (2) granting of options to purchase shares of Parent and has modified the structure of non-eq
provide greater incentives for management performance. The Compensation Committee s decisions for the
were made after considering compensation data of an informal peer group comprised of privately owned po
the Sponsors and other companies in the orthopedics industry, including Zimmer Holdings Inc., Stryker Co
Inc. We refer to this group of companies throughout this Annual Report on Form 10-K as our informal pe
the Compensation Committee did not engage in formal benchmarking as part of this informal review in ma
decisions. In addition, as more fully discussed below, our annual non-equity incentive program has been re
to more closely align awards to our and our executives performance. The philosophy and target levels of o
compensation elements, including base salary, perquisites, health and welfare and retirement benefits durin
year have largely continued to correspond to the levels of such awards, as compared to our informal peer gr
prior to the Transactions.

Executive Compensation Philosophy and Objectives

Our executive compensation practices are affected by the highly competitive nature of the orthopedics indu
of our executive offices in Warsaw, Indiana. The fact that a number of the leading orthopedic manufacturer
significant operations in and around Warsaw, Indiana means that there are continuing opportunities for exp
executives who reside in this area. On the other hand, the fact that Warsaw, Indiana, is a small town in a pr
area can present challenges to attracting executive talent from other industries and parts of the country.

Our executive compensation policies and practices during the 2009 fiscal year reflected the compensation p
founders and were designed to help achieve the superior performance of our executive officers and manage
accomplishing the following goals:

- attracting, retaining and rewarding highly qualified and productive persons;
- relating compensation to company, business unit and individual performance;
- encouraging strong performance without incentivizing inappropriate or excessive risk-taking;
- establishing compensation levels that are internally equitable and externally competitive; and
- encouraging an ownership interest and instilling a sense of pride in Biomet.

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This compensation methodology was based upon one of our founding philosophies: equity incentives in the
options are an excellent motivation for all team members, including executive officers, and serve to align th
members, management and our equity investors.

Based on these objectives, the compensation package of our executive officers during the 2009 fiscal year
each of the following three criteria: (1) market levels competitive with companies of similar size and perfor
the companies discussed above as our informal peer group; (2) performance based, at risk pay that is bas
long-term goals; and (3) incentives that are structured to create alignment between our equity investors and

The Elements of Biomet s Compensation Program

As a result of our compensation philosophies and objectives, the compensation package of our executive of
2009 fiscal year consisted of five primary elements: (1) base salary (2) non-equity incentive plan awards (3
leveraged share awards (4) participation in employee benefit plans and (5) deferred compensation elections

Base Salary. Consistent with prior fiscal years, our practice during the 2009 fiscal year was to provide base
we believed to be comparable with the rates paid to executives with companies of similar size and perform
the companies discussed above as our informal peer group, in each case with responsibilities similar to the
our executives. The Compensation Committee reviewed our performance, the executive officers performa
objectives and challenges and the current competitive environment and set the base salary for each executiv
beginning of the fiscal year. We consider our 2009 base salaries to have been in line with our compensation

Non-equity Incentive Plan. Annual cash incentive awards to our named executive officers for the 2009 fisc
under the terms of a non-equity incentive plan approved by our Compensation Committee following consu
Transactions. The principal objective sought to be achieved by our non-equity incentive plan is to align aw
predetermined objectives and thereby improve performance in targeted areas. Payments under the plan are
upon a percentage of the executive s base salary, which percentages are targeted to be competitive with co
size and performance to us, such as the companies discussed above as our informal peer group.

Potential payments under the non-equity incentive plan for the 2009 fiscal year could have ranged from 0%
executive s base salary, based on corporate, business unit and individual performance. Corporate and busi
the 2009 fiscal year were adjusted EBITDA, net sales and operational objectives (including manufacturing
optimization and implementation of Six Sigma, lean manufacturing, working capital improvements and pro
offshoring initiatives). Individual performance of named executive officers was determined by the Compen
after considering each executive s leadership ability and contributions to our business during the 2009 fisc
to named executive officers other than the Chief Executive Officer, the Compensation Committee also cons
Executive Officer s assessment of their individual performance in determining an individual named execut
performance. The relative weighting of company, business unit and/or individual performance goals for eac
officer is described below.

The chart below includes information about the named executive officers 2009 fiscal year non-equity ince
maximum award opportunities and actual payouts.

	Non-Equity Incentive Plan Target		Non-Equity Incentive Plan Maximum		Non
	% of Base Salary	Amounts ($)	% of Base Salary	Amount ($)	% S
Jeffrey R. Binder	100%	$ 682,500	180%	$ 1,228,500	
Daniel P. Florin	80%	321,430	144%	578,575	
Roger Van Broeck[(1)]	80%	354,702	144%	638,464	
Glen Kashuba	80%	322,950	144%	581,311	
Jon C. Serbousek	80%	315,120	144%	567,216	

(1) Mr. Van Broeck is employed in the Netherlands and paid in Euros. To calculate the U.S. dollar equiva
purposes, we used a currency conversion rate of 1 Euro to $1.4154, which represents the currency exc
Euros to U.S. dollars on May 31, 2009 as published on www.oanda.com.

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The following chart shows the weighting assigned to the various company, business unit and individual per
discussed above for each named executive officers:

Goals	Jeffrey R. Binder		Daniel P. Florin		Roger Van Broeck		Glen Kashuba		Jo
	Target	Max	Target	Max	Target	Max	Target	Max	T
Biomet Financials	80%	160%	80%	160%	70%	140%	10%	20%	1
Business Unit Financials					10%	20%	70%	140%	7
Individual Strategic Objectives	20%	20%	20%	20%	20%	20%	20%	20%	2
TOTAL	100%	180%	100%	180%	100%	180%	100%	180%	1
Leadership / Discretionary	+/- 10%		+/- 10%		+/- 10%		+/- 10%		+/

Since corporate and business unit target performance goals are generally set consistent with our confidentia
the fiscal year, actual performance above our confidential operating plan would generally result in incentiv
the target level. Conversely, performance below our confidential operating plan would generally result in i
below the target level. The Compensation Committee and management believe that the metrics for the non-
plan align well with our objective of relating compensation to company, business unit and individual perfo
corporate and business unit targets and ranges of acceptable performance set under the non-equity incentiv
disclosed because we believe disclosure of this information would cause competitive harm. These perform
based on our confidential operating plan for the 2009 fiscal year and, therefore, we believe that achieveme
substantially uncertain at the time they were set. The targets are intended to be realistic and reasonable, but
order to drive sustainable, risk appropriate growth and individual performance.

Stock Options and Leveraged Share Awards. In 2007, the Board of Directors of Parent adopted the LVB A
Management Equity Incentive Plan (the 2007 LVB Plan), which provides for the grant of non-qualified
purchase shares of common stock of Parent (the LVB Options) to our and our affiliates key employees
providers and consultants. Generally, 50% of the LVB Options granted to employees vest based on continu
25% vest based on continued employment and have an exercise price that increases by 10% per annum, an
the achievement of annual adjusted EBITDA-based performance criteria established by the Board of Direc
committee appointed by the Board of Directors of Parent. We have also granted LVB Options to certain of
which are eligible to vest based on the achievement of specified sales targets.

In 2008, the Board of Directors of Parent adopted an addendum to the 2007 LVB Plan, which provides the
leveraged equity awards in Parent under the 2007 LVB Plan to eligible employees (the LVB Leveraged A
with the LVB Options, the LVB Awards). LVB Leveraged Awards permit participants to purchase shar
stock using the proceeds of non-recourse loans from Parent, which shares remain subject to forfeiture and c
prior to the participant s repayment of the loan.

In May 2009, the Board of Directors of Parent authorized an exchange offer relating to employee options o
2009 (including the options held by our named executive officers). Outstanding distributor options are not
exchange offer. The exchange offer is expected to provide the holders of such options with the opportunity
options for cancellation in exchange for replacement options, the terms of which will be (1) different from
options with respect to the performance based and accreting exercise price options, and (2) the same as the

with respect to the time based options. The terms of the performance based and accreting exercise price opt
modified in the replacement options as follows:

New Performance Vesting Options (which would replace the surrendered performance based opt
fiscal 2010, the remaining unvested options would vest ratably over four to six years (depending
instead of the three to five years remaining under the terms of the currently outstanding performa
The remaining options will continue to vest contingent upon the Company achieving certain redu
EBITDA targets in each of those years (New options granted subsequent to, and not in connectio
program will vest ratably over 5 years following the grant date contingent upon the Company ach
adjusted EBITDA targets with respect to each such year).

New Extended Time Vesting Options (which would replace the surrendered accreting exercise pr
options would be converted into time vesting options similar to the currently outstanding time ba
exercise price will revert to $10.00 per share (i.e., the original grant date exercise price before it l
will no longer increase by 10% on an annual basis. The remaining unvested options will vest rata
years (depending on the date of grant) instead of the three to five years remaining under the term
outstanding accreting exercise price options.

The goal of the exchange offer is to provide employees who elect to participate with new options, the terms
the original incentive effect of our option program in light of current market-wide economic conditions. Al
Directors of Parent authorized the option exchange program in May 2009, we did not conduct the exchange
2009 fiscal year, so it is not reflected in the compensation tables below or the financial information contain
Report on Form 10-K. We currently expect to conduct the exchange offer during our 2010 fiscal year.

Upon termination of a participant s employment, the 2007 LVB Plan provides that any unvested portion o
Award will be forfeited, and that the vested portion of his or her LVB Award will expire on the earliest of (
participant s employment is terminated for cause, (2) 30 days following the date the participant resigns wi
(3) 90 days after the date the participant s employment is terminated either by us for any reason other than
disability, or by the participant with good reason, (4) one year after the date the participant s employment
reason of death or disability or (5) the tenth anniversary of the grant date of the LVB Award. In no event w
outstanding after the tenth anniversary of the original grant date of such option.

Prior to receiving shares of Parent s common stock (whether pursuant to the exercise of LVB Options, pur
LVB Leveraged Award or otherwise), participants must execute a Management Stockholders Agreement,
the shares are subject to certain transfer restrictions, put and call rights, and tag-along and drag-along rights
to certain senior members of management, limited registration and preemptive rights).

When the 2007 LVB Plan became effective, there were 37,520,000 shares of LVB common stock reserved
connection with LVB Awards to be granted thereunder. The Compensation Committee is responsible for ac
2007 LVB Plan and authorizing the grant of LVB Awards pursuant thereto, and may amend the 2007 LVB
Awards) at any time. LVB Awards may not be granted under the 2007 LVB Plan on or after November 16,
Transactions, a total of 28,373,500 LVB Options were granted to employees and distributors under the 200
the 2008 fiscal year, and 769,500 LVB Leveraged Awards were granted to employees under the 2007 LVB
2008 fiscal year. Of the 28,373,500 LVB Options granted during the 2008 fiscal year, 7,245,000 were gran
executive officers, and of the 769,500 LVB Leveraged Awards granted during the 2008 fiscal year, none w
named executive officers. During the fiscal 2009 year, a total of 2,744,000 LVB Options were granted to e
non-employee distributors under the 2007 LVB Plan, of which none were granted to our named executive o
no LVB Leveraged Awards granted under the 2007 LVB Plan in fiscal 2009.

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Perquisites. We believe that our approach to perquisites has historically been, and continues to be, compara
companies in our informal peer group discussed above. Our President and Chief Executive Officer and othe
officers have been historically and generally been permitted, when practical, to use company aircraft for bu
travel for security reasons. On a case by case basis, we have historically reimbursed certain executives for s
offered to provide a travel allowance in connection with Biomet related travel, and offered to provide reloc
certain members of our senior management team who relocate their principal residence at our request. For e
historically, at times, provided reimbursement of moving expenses and protection against a loss on the sale
home.

Health and Welfare Benefits. Named executive officers have historically received similar benefits to those p
salaried U.S. employees, such as medical, dental, vision, life insurance and disability coverage.

Post Termination Compensation and Management Continuity Agreements. As described in further detail be
2009 fiscal year, our named executive officers were party to agreements which specify payments in the eve
employment is terminated under certain circumstances. The type and amount of payments under such agree
executive level and the nature of the termination. These severance benefits, which are competitive with the
discussed above as our informal peer group and general industry practices, are payable if and only if the ex
employment terminates as specified in the applicable plan document or agreement. For more information, r
Agreements and Potential Post Termination Payments.

Historically, we did not offer management continuity agreements to members of senior management. Durin
year, however, we engaged The Kinsley Group to assist with the preparation and execution of change in co
with members of our senior management team including Mr. Van Broeck. These agreements were intended
continuity of management in the context of a prospective change in control of Biomet. We believe that thes
necessary to reinforce and encourage the continued attention and dedication of members of our senior mana
assigned duties without distraction in the face of a possible change in control. In addition, we entered into c
agreements with Messrs. Binder and Florin, each of whom joined our team after the Transactions were ann
such executives with benefits if the Transactions did not close as expected and a new change in control tran
consummated. Each of the agreements with Messrs. Binder and Florin terminated upon consummation of th
agreement with Mr. Van Broeck remained outstanding during our 2009 fiscal year, and expired on July 11,
information on the terms of Mr. Van Broeck s change in control agreement, refer to Employment Agreem
Termination Payments Change in Control Agreements below.

Retirement Plans. We do not sponsor or maintain any pension plans applicable to our U.S. based named ex
however, we do have defined benefit retirement plans for certain of our foreign subsidiaries, discussed here
pension plans, which cover certain of our overseas employees. One of these foreign pension plans, sponso
B.V. (Biomet Europe), was applicable to Mr. Van Broeck during the 2009 fiscal year.

During the 2009 fiscal year Biomet Europe provided all of its employees, whether salaried or hourly, with t
build up benefits under pension plans as part of Biomet Europe s standard conditions for working in the N
provide a level of retirement benefits competitive with European market conditions. The benefits under this
plan are generally based on years of service and a calculation of the employee s weighted average final ba
explanations of these terms and calculations can be found in the narrative discussion accompanying the Pen
in Executive Compensation Tables Retirement And Non-Qualified Defined Contribution And Deferred C
Plans Pension Plans below. Biomet Europe s investment objective with respect to plan assets is to enabl
payout to the employee at the time of the employee s retirement, except, in the case of Mr. Van Broeck, fo
sharing provision, which may affect him by providing an additional benefit based on the collective return o
assets covered by the pension plan are managed by independent investment professionals; however, due to
payout, policyholders are relatively unaffected by poor performance and are affected by positive investmen
the profit sharing provision (to the extent applicable). The net assets of these foreign pension plans did not
common shares as of May 31, 2009 (the same measurement date used for the 2009 fiscal year with respect
subsidiaries). For information about Mr. Van Broeck s pension benefits, refer to the Pension Benefits Tabl
Compensation Tables Retirement And Non-Qualified Defined Contribution And Deferred Compensation P
below.

In addition, during the 2009 fiscal year our executive officers were eligible to participate in our 401(k) plan
All team members residing in the United States who are at least 18 years of age and complete at least 90 da

service, or work for us at least 1,000 hours per year were also eligible during the 2009 fiscal year to partici
Plan. Each year we, in our sole discretion, may match 75% of each team member s contributions, up to a n
equal to 5% of the team member s annual cash compensation. All contributions to the 401(k) Plan are allo
maintained on behalf of each participating team member and, to the extent vested, are available for distribu
member or beneficiary upon retirement, death, disability or termination of service. The Company generally
contributions to the plan in cash. Executive officers have also historically participated in our Employee Sto
ESBP), which was merged into and with our 401(k) Plan during the 2008 fiscal year.

In addition, we maintain The Biomet, Inc. Deferred Compensation Plan (the Deferred Compensation Plan
deferred compensation plan, which is available for our senior management. The Deferred Compensation Pl
participants to defer pre-tax compensation to reduce current tax liability and assist those team members in t
retirement and other long-term savings goals in a tax effective manner. We do not make any contributions t
Compensation Plan. Under the Deferred Compensation Plan, eligible participants may defer up to 100% of
annual cash incentive award. Participants receive scheduled distributions from the Deferred Compensation
treated as ordinary income subject to federal and state income taxation at the time of distribution. Except in
hardship, unscheduled withdrawals are not permitted. Amounts contributed to the Deferred Compensation
participant s election and are treated as deemed investments, which means that the participants have no
investment alternative selected. The participants deferrals and any notional investment gains thereon are n
financial statements and are part of our unsecured general assets. The Deferred Compensation Plan is an un
promise to pay by us. Neither Biomet nor the Deferred Compensation Plan record keeper provides any gu
return. We do not pay above-market interest rates on deferred amounts of compensation. For more informa
Executive Compensation Tables Retirement and Non-Qualified Defined Contribution and Deferred Com
Plans Non-Qualified Deferred Compensation below.

Policy with Respect to Deductibility of Compensation over $1 Million. Section 162(m) of the Code general
million the tax deductibility of annual compensation paid by publicly held corporations (as defined in the C
executives. However, performance based compensation can be excluded from this limit if it meets certain r
the Transactions, Biomet s Compensation Committee s policy was historically to consider the impact of S
establishing compensation for our senior executives. However, the committee historically retained the discr
compensation, even if such compensation was not deductible under Section 162(m), if, in the committee s
compensation was in our best interest and was reasonably expected to increase shareholder value. Followin
and through the 2009 fiscal year, because we currently are not a publicly held corporation (as defined in the
publicly held equity, the restrictions of Section 162(m) have not and do not presently apply to us.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and An
management. Based on such review and discussion, the Compensation Committee recommended to the Bo
the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

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Compensation Committee

Jonathan J. Coslet

Adrian Jones

Michael Dal Bello

Michael Michelson

Executive Compensation Tables

Summary Compensation Table

The following narrative, tables and footnotes describe the total compensation earned during the 2008 an our named executive officers. The total compensation presented below does not reflect the actual compens named executive officers or the target compensation of our named executive officers during the 2008 and 2 actual value realized by our named executive officers during the 2008 and 2009 fiscal years from long-tern is presented in the Option Exercises and Stock Vested Table below.

The individual components of the total compensation calculation reflected in the Summary Compensation fiscal 2009 are broken out below:

Salary. Base salary earned during the 2009 fiscal year. Refer to The Elements of Biomet s Compensatio above for further information concerning this element of our compensation program.

Bonus. For the 2009 fiscal year, we did not have any bonus plans applicable to our named executive office executive officer, however, earned an annual performance based cash incentive award as described under Plan Compensation below.

Option Awards. The awards disclosed under the heading Option Awards consist of grants of stock optio 2007 LVB Plan. For further information about our stock option programs, refer to The Elements of Biom Program Stock Options and Leveraged Share Awards above. In addition, details about option awards ma fiscal year are included in the Grants of Plan-Based Awards Table below. The dollar amounts for the awar Compensation Table below represent the compensation expense recognized during the 2009 fiscal year un each named executive officer. The recognized compensation expense of the option awards for financial rep likely vary from the actual amount ultimately realized by the named executive officer based on a number o include our actual operating performance, common share price fluctuations, differences from the valuation and the timing of exercise or applicable vesting.

Stock Awards. The only equity-based compensation that we recognized under SFAS 123(R) with respect to executive officers for the 2009 fiscal year was in relation to stock option awards. For information about sto our named executive officers, see Option Awards immediately above.

Non-equity Incentive Plan Compensation. Our named executive officers earned annual cash incentive awa year. Refer to The Elements of Biomet s Compensation Program Non-equity Incentive Plan above for concerning this element of our compensation program.

Change in Pension Value and Non-Qualified Deferred Compensation Earnings. We do not sponsor or mai plans applicable to our U.S. based named executive officers. For Mr. Van Broeck, the change in pension va aggregate change in the actuarial present value of his accumulated benefit under the pension plan in which sponsored by Biomet Europe, from May 31, 2008 to May 31, 2009 (the same measurement dates used for f reporting purposes with respect to our audited financial statements for the 2008 and 2009 fiscal years with foreign subsidiaries). For information on Mr. Van Broeck s retirement benefits and certain material featur in which he participates, refer to The Elements of Biomet s Compensation Program Retirement Plans a

Non-Qualified Defined Contribution And Deferred Compensation Plans Pension Plans below.

None of our named executive officers participated in the Deferred Compensation Plan during the 2009 fisc
we do not pay above-market or preferential earnings on non-qualified deferred compensation and, accordin
under applicable SEC disclosure rules to report any amounts in the Change in Pension Value and Non-Qu
Compensation Earnings column of the summary compensation table in connection with our Deferred Con
fiscal 2009. For information on the Deferred Compensation Plan, refer to The Elements of Biomet s Con
Program Retirement Plans above and Retirement and Non-Qualified Defined Contribution and Deferre
Plans Non-Qualified Deferred Compensation below.

All Other Compensation. The amounts included under the All Other Compensation heading represent the su
perquisites and other personal benefits; (2) Biomet-paid contributions to retirement plans; (3) Biomet-paid
(4) certain tax reimbursements made by us; and (5) certain other amounts more fully described in footnote
Compensation Table.

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Options Awards (1) ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Comp (:
Jeffrey R. Binder,	2009	682,500	4,661,056	636,090	-	
President and Chief Executive Officer	2008	682,500	4,334,395	840,000	-	1
Daniel P. Florin,	2009	401,788	738,001	297,002	-	
Senior Vice President and Chief Financial Officer	2008	401,788	686,279	356,708	-	
Roger van Broeck, (2) President,	2009	443,378	638,121	390,485	263,328	
Biomet Europe	2008	410,251	593,399	278,985	-	
Glen A. Kashuba President	2009	403,688	998,798	390,641	-	
Biomet Trauma Biomet Spine	2008	397,722	928,799	310,223	-	
Jon C. Serbousek President	2009	393,900	1,187,631	388,001	-	
Biomet Orthopedics	2008	95,031	102,698	83,429	-	

(1) For each named executive officer listed in the Summary Compensation Table above, the value reflects expense recognized by us during the 2009 and 2008 fiscal years under SFAS 123(R). We did not gran to our named executive officers during fiscal 2009.

We use the Black-Scholes option-pricing model to determine the fair value of options to calculate compens information about the assumptions used in determining the compensation expense we recognized during th and the periods from June 1, 2007 to July 11, 2007, and July 12, 2007 to May 31, 2008, refer to Note 9 to t financial statements elsewhere in this Annual Report on Form 10-K.

(2) Mr. Van Broeck is employed in the Netherlands and paid in Euros. To calculate the U.S. dollar equiva purposes, we used a currency conversion rate of 1 Euro to $1.4154, which represents the currency exc Euros to U.S. dollars on May 31, 2009 as published on www.oanda.com.

(3) The table below presents an itemized account of All Other Compensation provided during the 2009 period from June 1, 2007 to July 11, 2007, and July 12, 2007 to May 31, 2008. For each named execu below, the sum of the amounts listed in the columns in the table below reflects the total value included Compensation heading in the table above.

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	Year	Life Insurance Premiums ($)	Retirement Plan Contributions ($)	Medical Flex ($)		Travel Allowance ($) (a)	Personal Use of Company Aircraft (b)	Other
Jeffrey R. Binder	2009	63	-	-		13,000	241,425	
	2008	63	-	250		13,000	289,890	1,320
Daniel P. Florin	2009	63	-	-		13,000	-	
	2008	63	-	250		13,000	-	
Roger Van Broeck	2009	-	28,694	27,148	(d)	30,564	-	
	2008	-	44,960	5,648	(d)	28,501	-	
Glen A, Kashuba	2009	63	-	-		13,000	-	
	2008	63	-	250		13,000	-	
Jon C. Serbousek	2009	63	-	-		13,250	32,005	
	2008	63	-	125		-	5,950	

(a) Represents the cost to us of providing car lease payments to Mr. Van Broeck and a car allowance to M
Florin, Kashuba, and Serbousek.

(b) Represents our incremental costs incurred for personal use of our aircraft. This amount is calculated b
aircraft s hourly variable operating cost by a trip s flight time, which includes any flight time used fo
flight. Variable operating costs are based on industry standard rates of our variable operating costs, inc
costs, maintenance and repairs, landing/ramp fees and other miscellaneous variable costs. On certain o
or other family member may accompany one of our named executive officers on a flight. No additiona
incurred in such situations under the foregoing methodology. We do not pay our named executive offi
connection with taxes on income imputed to them for personal use of our aircraft.

Pursuant to the employment agreement between us and Mr. Binder, dated February 26, 2007, we agreed to
expense, for Mr. Binder to fly once per week to and from Mr. Binder s Texas home and our headquarters o
as may be reasonably specified by us during the term of the employment agreement. We will not provide M
gross up for taxes incurred in connection with these benefits. If, however, Mr. Binder uses a commercial
imputed in connection with the commercial flight exceeds the amount that would have been imputed to Mr
used our aircraft, we will provide to Mr. Binder a gross up for taxes incurred on the amount of such exce
costs associated with extending these benefits to Mr. Binder are capped at $500,000 in any twelve-month p
purposes of applying this limitation, our incremental cost for commercial flights shall be the cost of Mr. Bi
flights on Biomet-operated aircraft shall be the incremental per-hour cost associated with Mr. Binder s flig
incremental costs related to such flights, such as landing fees, transportation and housing costs of aircrew a
costs. The amount that appears under the Personal Use of Company Aircraft heading reflects the amount of
twelve-month allowance that Mr. Binder used during fiscal 2009.

During fiscal 2009, pending Mr. Serbousek s relocation to the Warsaw, Indiana area, we arranged for him
between his Tennessee home and our headquarters. Our incremental cost associated with providing this ben
Mr. Serbousek were calculated as described above with respect to Mr. Binder.

(c) Pursuant to the employment agreement between us and Mr. Binder dated February 26, 2007 (which ha
by his employment agreement dated February 28, 2009), we agreed to reimburse Mr. Binder up to $1,
Mr. Binder is required to pay his former employer in connection with the termination of his previous e
September 21, 2007, we paid $1,320,000 to Mr. Binder in connection with this obligation.

Also pursuant to Mr. Binder s employment agreement dated February 26, 2007, we agreed to purchase Mr
residence in Illinois at its appraised value, to be determined by an independent appraiser, up to $2,199,000.
agreed to reimburse Mr. Binder for certain capital gains taxes, if any, incurred as a result of the sale of Mr.
residence. As a result of the independent appraisal, we purchased Mr. Binder s prior residence on October
significantly less than the maximum amount specified above, and Mr. Binder has not recognized any gain o
prior residence to us. As a result of our subsequent sale of Mr. Binder s former residence for more than the
Mr. Binder for such residence, the amount paid by us to Mr. Binder is not reflected in the amount shown in
Mr. Binder under the All Other Compensation heading. In addition, because Mr. Binder recognized a lo
house, we have not paid any gross up amounts to Mr. Binder in connection with the sale of his house.

(d) Represents the Biomet-paid portion of Mr. Van Broeck s government mandated health and wellness c
In addition to the foregoing compensation, named executive officers also participated in health and welfare
including vacation and medical, dental, prescription drug and disability coverage. These programs are gene
comparable to those programs provided to all U.S. salaried employees.

Grants of Plan-Based Awards Table

During the 2009 fiscal year, we granted cash incentive awards to our named executive officers under our no
plan. Information with respect to each of these payments is set forth in the table below. For additional discu
non-equity incentive plan, refer to The Elements of Biomet s Compensation Program Non-Equity Incen
grant equity-based awards to our named executive officers during fiscal 2009.

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GRANTS OF PLAN-BASED AWARDS

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Othe Option Awards Number o Securitie Underlyin Options (
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)		
Jeffrey R. Binder		-	682,500	1,228,500	-	-	-	-	
Daniel P. Florin		-	321,430	578,575	-	-	-	-	
Roger van Broeck		-	348,892	628,006	-	-	-	-	
Glen A. Kashuba		-	322,950	581,311	-	-	-	-	
Jon C. Serbousek		-	315,120	567,216	-	-	-	-	

Outstanding Equity Awards at Fiscal Year-End Table

For further information on our stock option awards and their material terms, refer to The Elements of Bio Program Stock Options and Leveraged Share Awards. We did not grant any equity awards to our named during fiscal 2009.

The following table shows the equity awards granted to our named executive officers, which are comprised option awards under the 2007 LVB Plan (vested and unvested) that were outstanding as of the end of the 20

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

Name	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (2)		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (3) (#)	Option Exercise Price (4) ($)	Option Expiration Date (5)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have No Vested ($)
Jeffrey R. Binder	420,000	1,680,000	(a)	-	10.00	July 11, 2017	-	
	210,000	840,000	(b)	-	11.00	July 11, 2017	-	
	210,000	210,000		630,000	10.00	July 11, 2017	-	
Daniel P. Florin	66,500	266,000	(a)	-	10.00	July 11, 2017	-	
	33,250	133,000	(b)	-	11.00	July 11, 2017	-	
	33,250	33,250		99,750	10.00	July 11, 2017	-	
Roger Van Broeck	57,500	230,000	(a)	-	10.00	July 11, 2017	-	
	28,750	115,000	(b)	-	11.00	July 11, 2017	-	
	28,750	28,750		86,250	10.00	July 11, 2017	-	
Glen A. Kashuba	90,000	360,000	(a)	-	10.00	July 11, 2017	-	
	45,000	180,000	(b)	-	11.00	July 11, 2017	-	
	45,000	45,000		135,000	10.00	July 11, 2017	-	
Jon C. Serbousek	85,000	340,000	(a)	-	10.00	May 8, 2018	-	
	42,500	170,000	(b)	-	11.00	May 8, 2018	-	
	-	21,250		191,250	10.00	May 8, 2018	-	

(1) On an award-by-award basis, reflects the number of common shares underlying unexercised options t
and that are not reported in Column 3 Number of Securities Underlying Unexercised Unearned Opt

(2) On an award-by-award basis, reflects the number of common shares underlying unexercised options t
and that are not reported in Column 3 Number of Securities Underlying Unexercised Unearned Opt
schedules of the outstanding unvested options are listed below:

(a) Represents time-based options, which generally vest ratably over 5 years.
With respect to Mr. Binder, represents the outstanding unvested portion of the time-based option granted o
The unvested portion is scheduled to vest in increments of 420,000 common shares on July 11 in each of 2
2012.

With respect to Mr. Florin, represents the outstanding unvested portion of the time-based option granted on
The unvested portion is scheduled to vest in increments of 66,500 common shares on July 11 in each of 20
2012.

With respect to Mr. Van Broeck, represents the outstanding unvested portion of the time-based option gran
2007. The unvested portion is scheduled to vest in increments of 57,500 common shares on July 11 in each
and 2012.

With respect to Mr. Kashuba, represents the outstanding unvested portion of the time-based option granted
2007. The unvested portion is scheduled to vest in increments of 90,000 common shares on July 11 in each
and 2012.

With respect to Mr. Serbousek, represents the outstanding unvested portion of the time-based option grante
The unvested portion is scheduled to vest in increments of 85,000 common shares on May 8 in each of 201
2013.

(b) Represents time based options that have an exercise price which increases by 10% per annum, which
ratably over 5 years (which we refer to below as accreting exercise price options).

With respect to Mr. Binder, represents the outstanding unvested portion of the accreting exercise price opti
December 4, 2007. The unvested portion is scheduled to vest in increments of 168,000 common shares on
2009, 2010, 2011 and 2012.

With respect to Mr. Florin, represents the outstanding unvested portion of the accreting exercise price optic
December 4, 2007. The unvested portion is scheduled to vest in increments of 26,600 common shares on Ju
2009, 2010, 2011 and 2012.

With respect to Mr. Van Broeck, represents the outstanding unvested portion of the accreting exercise price
December 4, 2007. The remaining unvested portion is scheduled to vest in increments of 23,000 common s
each of 2009, 2010, 2011 and 2012.

With respect to Mr. Kashuba, represents the outstanding unvested portion of the accreting exercise price op
December 4, 2007. The remaining unvested portion is scheduled to vest in increments of 36,000 common s
each of 2009, 2010, 2011 and 2012.

With respect to Mr. Serbousek, represents the outstanding unvested portion of the accreting exercise price o
May 1, 2008. The remaining unvested portion is scheduled to vest in increments of 28,750 common shares
2010, 2011, 2012 and 2013.

(3) Represents, on an award-by-award basis, the total number of common shares underlying unexercised o
under any equity incentive plan that have not been earned. Performance awards vest based on our achi
EBITDA targets established by the Compensation Committee.

With respect to Mr. Binder, represents the outstanding unvested portion of the performance-based option g
December 4, 2007. The unvested portion is eligible to vest in increments of 157,500 common shares on Jul
2010, 2011 and 2012.

With respect to Mr. Florin, represents the outstanding unvested portion of the performance-based option gr
December 4, 2007. The unvested portion is eligible to vest in increments of 24,938 common shares on July
2010, 2011 and 2012.

With respect to Mr. Van Broeck, represents the outstanding unvested portion of the performance-based opt
December 4, 2007. The unvested portion is eligible to vest in increments of 21,563 common shares on July
2010, 2011 and 2012.

With respect to Mr. Kashuba, represents the outstanding unvested portion of the performance-based option
December 4, 2007. The unvested portion is eligible to vest in increments of 33,750 common shares on July
2010, 2011 and 2012.

With respect to Mr. Serbousek, represents the outstanding unvested portion of the original option granted o
remaining unvested portion of the original award vests in increments of 34,000 common shares on July 11,
2011, 2012, 2013, and 2014.

(4) The exercise price, as it was recorded in the applicable stock option award agreement at the time of gr
reported in Columns 1 and 2 Number of Securities Underlying Unexercised Options and Column
Underlying Unexercised Unearned Options. The options have an exercise price that is at least equiva
value of the underlying shares on the date of grant. Since our common stock is not currently traded on
exchange, fair market value was determined by the Compensation Committee.

(5) Represents the tenth year anniversary for each option award reported in Columns 1 and 2 Number o
Unexercised Options and Column 3 Number of Securities Underlying Unexercised Unearned Opti
the vesting schedule of unvested portions of outstanding option awards, see sub-footnotes (a)-(b) of fo
footnote (3), above.

Option Exercises and Stock Vested Table

During the 2009 fiscal year, no option awards were exercised and no stock awards vested applicable to Bio
executive officers.

Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans

Pension Plans

We do not sponsor or maintain any pension plans applicable to our U.S.-based named executive officers. O
executive officers, only Mr. Van Broeck, who is based in the Netherlands, participated in a foreign pension
2009 fiscal year. The foreign pension plan in which Mr. Van Broeck participated during fiscal year 2009 is
Biomet Europe. Biomet Europe offers certain of its employees, whether salaried or hourly, the opportunity
under pension plans as part of Biomet Europe s standard conditions for working in order to provide a level
competitive with European market conditions. Biomet Europe provides employees with pension benefits be
completion of twelve consecutive months of employment with Biomet Europe. Once this minimum conditi
the employee is credited with accrued time of service for the first twelve months of employment.

Under the foreign pension plan applicable to Mr. Van Broeck, the contribution for Mr. Van Broeck during
was an amount equal to the fixed premium due with respect to such fiscal year for Mr. Van Broeck s annu
amount of this premium was contributed in part by Mr. Van Broeck (7% of his annual base salary, up to a s
$164,937) and in part by Biomet Europe (the remainder of the fixed premium). Mr. Van Broeck s annual c
was not included for the purposes of pension calculations or contributions. Certain employees (including M
noted above) are affected by a maximum pensionable salary condition, which imposes a cap on the amount
calculations that affect certain amounts, such as premiums and benefits. The benefits provided under this fo
are based on the following formula:

years of service × 1.75% × final salary

Under this foreign pension plan, years of service is calculated on a monthly basis from the date correspo
the employee first signed a contract with the plan provider providing the underlying coverage, which is me
the first day of the employee s employment at Biomet Europe. The maximum number of years of credited
even if employed longer than 40 years. Biomet Europe does not allow additional years of service credits to
employees under this plan. For the purpose of the benefits formula, the calculation presumes the employee
credited service and then the value is adjusted downward if the employee remains employed with us for les

In addition, under this foreign pension plan, final salary is calculated as the average of the employee s b
five calendar years of his or her employment at Biomet Europe, subject to the salary cap described above.

Benefits under the plan do not provide the employee with a lump sum following retirement. The plan provi
of an annuity, which in operation provides a monthly retirement allowance. The full benefits are payable or
retirement age and early retirement results in a reduction in benefits. Retirement age under the plan is age 6

The benefits provided by this foreign pension plan provide a guaranteed payout, which is intended to be ba
annual payout of an annuity purchased at the time of retirement. Mr. Van Broeck joined this plan in 1998, a
for him to receive a guaranteed annuity beginning on September 1, 2013.

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Pension Benefits Table

The following table describes the estimated actuarial present value of accrued pension benefits through the
fiscal year for each of the named executive officers listed in the table. The calculation of actuarial present v
consistent with the methodology and assumptions outlined in our audited financial statements, except that t
not assume an average salary increase of 3.0%, a discount rate of 4.9% or an inflation rate of 2.0% because
salary is frozen for the purposes of the pension plan and because the payout amount is guaranteed. In additi
presumes an implied rate of return on the plan assets during the 2009 fiscal year of 4.0%. The expected rate
plan assets is 4.9%, as assumed in conjunction with the preparation of our audited financial statements. The
value of benefits is calculated in accordance with the following assumptions: (1) assumed retirement age: 6
pre-retirement decreases; and (3) assumed form of payment: lump sum. The actuarial increase during the 2
projected retirement benefits can be found in the Summary Compensation Table under the Change in P
Non-Qualified Deferred Compensation Earnings heading. For Mr. Van Broeck, the amount reported unde
represents actuarial increases in Mr. Van Broeck s projected retirement benefits under the foreign pension

PENSION BENEFITS

Name	Plan Name	Number of Years of Credited Service (1) (#)	Present Value of Accumulated Benefit (2) ($)
Roger van Broeck	Biomet Europe Pension Plan	11	847,554

(1) Mr. Van Broeck s eleven years of accrued service under the Biomet Europe Pension Plan started in 1
C.V., which was a joint venture between Biomet, Inc. and Merck KGaA, and then later with Biomet E
company to BioMer C.V. Prior to 1998, Mr. Van Broeck was with Biomet in different positions in dif
which he did not carry over any build up of pension benefits to the pension plan in which he currently

(2) For Mr. Van Broeck, represents the actuarial present value of the accumulated benefit under the Biom
plan, which was computed as of May 31, 2009, which is the same pension plan measurement date use
statement reporting purposes with respect to our audited financial statements for the fiscal year ended
the purposes of the Pension Benefits Table above, to calculate the actuarial present value of Mr. Van B
benefit in U.S. dollars, we used a currency conversion rate of 1 Euro to $1.4154, which represents the
rate from Euros to U.S. dollars on May 31, 2009 as published on www.oanda.com.

(3) For Mr. Van Broeck, represents the portion of the annual premium contributed by Biomet Europe to th
Pension Plan (after Mr. Van Broeck s contribution of 7% of his annual base salary, up to the applicab

Non-Qualified Deferred Compensation

Biomet s Deferred Compensation Plan is a non-qualified deferred compensation plan, which is available fo
senior management. The Plan allows eligible participants to defer pre-tax compensation to reduce current ta
those team members in their plan for retirement and other long-term savings goals in a tax-effective manne
eligible participants may defer up to 100% of their base salary and annual cash incentive payments, as well
non-employee Directors, as applicable. We do not make any contributions to the Plan. For further informat
Compensation Plan, refer to The Elements of Biomet s Compensation Program Retirement Plans abov

During the 2009 fiscal year, none of Biomet s named executive officers participated in the Deferred Comp
not pay above-market or preferential earnings on non-qualified deferred compensation.

Employment and Change in Control Agreements and Potential Post-Termination Payments

We have employment agreements with each of Messrs. Binder, Florin, Van Broeck, Kashuba and Serbouse
contain severance and change in control provisions. In addition, during fiscal 2009, we had a change in con
Mr. Van Broeck.

In addition, on September 21, 2006, we adopted the Biomet, Inc. Executive Severance Pay Plan, or the Sev
provided each of our participating executives with severance benefits in the event of certain terminations o
employment. The following narrative describes the terms of these various agreements and the Severance Pl

Employment Agreement with Jeffrey R. Binder

On June 11, 2008, we entered into an amended and restated employment agreement, which we refer to
agreement, with Mr. Binder, our President and Chief Executive Officer. The employment agreement supers
employment agreement with Mr. Binder dated as of February 26, 2007, which we refer to as the original em
agreement. The employment agreement has an initial three-year term that provides for automatic twelve-mo
beginning on the first anniversary of the date of the employment agreement, unless either we or Mr. Binder
termination. Mr. Binder will receive a base salary at a rate no less than $650,000 per year, which shall be in
discretion. Mr. Binder s employment agreement provides that he will also have the opportunity to earn an
award in an amount no less than 100% of his base salary for on-target performance, with the possibility of
high achievement. For a further discussion of our non-equity incentive plan, see The Elements of Biomet
Program Non-Equity Incentive Plan.

Mr. Binder s employment agreement provides that we will arrange, at our expense, for Mr. Binder to fly o
from his Texas home and our headquarters or such other location as may be reasonably specified by us dur
employment agreement. We will not provide Mr. Binder with a gross up for taxes incurred in connectio
however, Mr. Binder uses a commercial flight and the income imputed in connection with the commercial
amount that would have been imputed to Mr. Binder if he had used our aircraft, we will provide to Mr. Bin
taxes incurred on the amount of such excess. Our incremental costs associated with extending these benefit
capped at $500,000 in any twelve month period.

The employment agreement further provides that, upon any termination of Mr. Binder s employment, his r
any equity or equity-related awards will be governed by the applicable terms of the related plan or award ag
Mr. Binder could be entitled to certain severance benefits following a termination of employment prior to a
(as defined in the agreement) or within two years following a change in control. Severance payable to Mr. B
circumstances was previously provided for under the Change in Control Agreement entered into between u
of February 26, 2007, which expired by its terms on July 11, 2007 upon consummation of the Transactions

Under the employment agreement, if Mr. Binder s employment is terminated at any time within the two-y
change in control either (1) by us for any reason other than for cause, death or disability, or (2) by Mr. Bind
then (a) his severance multiple would be increased from 1.5 times his base salary and annual cash incentive
his base salary and annual cash incentive award and (b) his pro rated annual cash inventive award for the y
employment would be based on his target annual cash incentive award for such year rather than the actual a
award he would have received for such year (as determined based on the Company s performance to the d
employment, extrapolated through the end of such fiscal year). The employment agreement further provide
is subject to the golden parachute excise tax under Section 4999 of the Code, the Company will pay him
such that he is placed in the same after-tax position as if no excise tax had been imposed. See Severance B

Employment and Change in Control Agreements with Roger P. Van Broeck

Employment Agreement. On February 1, 2008, we entered into an employment agreement with Mr. Van Br
President and President of Biomet Europe. The agreement has an initial three-year term that provides for au
twelve-month extensions, beginning on the first anniversary of the date of the agreement, unless we or Mr.
prior notice of termination. Mr. Van Broeck will receive a base salary at a rate no less than $410,251 per ye
increased at our discretion. Mr. Van Broeck will also have the opportunity to earn an annual cash incentive
no less than 80% of his base salary for on-target performance, with the possibility of exceeding 80% for hig
a further discussion of our non-equity incentive plan, see The Elements of Biomet s Compensation Progr
Incentive Plan.

If we terminate Mr. Van Broeck s employment after July 11, 2009, the employment agreement provides th
could be entitled to certain severance benefits under the employment agreement following a termination of
a change in control (as defined in the agreement) or within two years following a change in control. If we te
Broeck s employment prior to July 11, 2009, the employment agreement provides that Mr. Van Broeck s
benefits (if any) would have been governed by the change in control agreement described below.

Change in Control Agreement. On September 20, 2006, we entered into change in control agreements with
executive officers, including Mr. Van Broeck. The agreements were intended to provide for continuity of m
context of a prospective change in control (as defined therein) of Biomet. Upon a change in control, which
purposes of the change in control agreements on July 11, 2007 as a result of the Transactions, the agreemen
for a period of 24 months following the change in control. Accordingly, Mr. Van Broeck s change in contr
on July 11, 2009. For a description of the benefits provided for under Mr. Van Broeck s change in control
Severance Benefits below.

Employment Agreements with Daniel P. Florin and Glen A. Kashuba

On February 28, 2008, we entered into employment agreements with Mr. Florin, our Senior Vice President
Officer, and with Mr. Kashuba, our Senior Vice President and President of Biomet Trauma and Biomet Spi
Mr. Florin and Mr. Kashuba will be referred to in this section as Executive. Both agreements have an in
provides for automatic twelve-month extensions, beginning on the first anniversary of the date of the agree
party gives prior notice of termination. Mr. Florin and Mr. Kashuba will receive a base salary at a rate no le
and $397,722 per year, respectively, which shall be increased at our discretion. Executive will also have th
an annual cash incentive award in an amount no less than 80% of his base salary for on-target performance
of exceeding 80% for high achievement. For a further discussion of our non-equity incentive plan, see Th
Compensation Program Non-equity Incentive Plan.

The agreements further provide that Executive could be entitled to certain severance benefits following ter
employment prior to a change in control (as defined in the agreements) or within two years following a cha
Severance Benefits below.

Employment Agreement with Jon C. Serbousek

On March 3, 2008, we entered into an employment agreement with Mr. Serbousek, our Senior Vice Preside
Biomet Orthopedics, LLC. The agreement has an initial three-year term that provides for automatic twelve-
beginning on the first anniversary of the date of the agreement, unless either party gives prior notice of term
Mr. Serbousek will receive a base salary at a rate no less than $390,000 per year, which shall be increased a
Mr. Serbousek will also have the opportunity to earn an annual cash incentive award in an amount no less t
salary for on-target performance, with the possibility of exceeding 80% for high achievement. For a further
non-equity incentive plan, see The Elements of Biomet s Compensation Program Non-equity Incentive

The agreement further provides that Mr. Serbousek could be entitled to certain severance benefits followin
employment prior to a change in control (as defined in the agreement) or within two years of a change in co
Benefits below.

Severance Benefits Provided Under Employment and Change in Control Agreements

Each of our employment agreements with Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek, an
control agreement with Mr. Van Broeck, contains provisions which entitle the executive to certain severanc
termination of employment prior to a change in control (as defined in the agreement) or within two years fo
control.

The following summary provides a description of the severance arrangements contained in our employmen
Messrs. Binder, Florin, Kashuba and Serbousek, and our change in control agreement with Mr. Van Broeck
respect to Mr. Binder as described in Termination Within Two Years Following a Change in Control by B
Cause, Death or Disability, or by Executive for Good Reason, the following summary does not discuss th
with respect to any equity related awards, as such awards are governed by the applicable terms of the relate
agreement.

Termination Prior to a Change in Control by Biomet Other Than For Cause, Death or Disability, or by I Reason

With respect to Messrs. Binder, Florin, Kashuba and Serbousek, in the event of a termination of the executi
prior to a change in control either (1) by us for any reason other than for cause (which generally include
to substantially perform his duties, willful misconduct or gross negligence, willful or grossly negligent brea
duties to

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Biomet, commission of any felony or other serious crime involving moral turpitude, material breach of any
the executive and Biomet or material breach of our written policies), executive s death or executive s disa
executive for good reason (which generally includes any material diminution in duties and responsibiliti
include, in the case of Messrs. Kashuba and Serbousek, a change in duties and responsibilities that results f
of a larger organization following a change in control), reduction in base salary or bonus opportunity or rel
work location by more than 50 miles), our employment agreements with Messrs. Binder, Florin, Kashuba a
provide that such executive would be entitled to the following:

An amount equal to (a) 1.5 times his base salary in effect at the date of termination (with respect
Van Broeck, Kashuba and Serbousek, the Severance Benefit, and with respect to Mr. Binder,
plus, with respect to Mr. Binder, (b) 1.5 times the average of (x) the annual cash incentive award
Mr. Binder for the preceding fiscal year and (y) the annual cash incentive award Mr. Binder wou
the current fiscal year had his employment not been terminated, based on Biomet s performance
termination extrapolated through the end of such fiscal year (the Bonus Component, and with
together with the Base Component, the Severance Benefit). The total amount of the Severance
equal, ratable installments in accordance with our regular payroll policies over the course of the
non-compete period provided for in the agreement. If Mr. Binder becomes employed by another
period, the Bonus Component will cease and his Severance Benefit will be limited to the Base C

An amount equal to the pro rated portion (based on the percentage of Biomet s current fiscal yea
the date on which the executive s employment is terminated) of the annual cash incentive award
executive would have received for the current fiscal year, based on Biomet s performance to the
termination extrapolated through the end of the current fiscal year. The total amount of the pro ra
cash incentive award will be paid in a lump sum at the time we pay annual cash incentive awards
similarly situated active employees;

If the executive is eligible for and elects continuation coverage pursuant to COBRA, we will pay
such coverage (or reimburse the executive for such premiums) until the earlier of (a) the end of t
during which, under the employment agreement, the executive agrees not to engage in certain act
competition with us or (b) the date the executive becomes eligible for coverage under another gro

Any accrued benefits (as defined in the agreement), which generally include any vested comp
executive and not yet paid by the Company, any amounts or benefits owing to the executive unde
benefit plans of the Company, and any amounts owing to the executive for reimbursement of exp
incurred by the executive; and

With respect to Mr. Binder, continued payment of Mr. Binder s company-provided car allowanc
of 12 months from the termination date.

As described above under Employment and Change in Control Agreements and Potential Post-Terminatio
Employment and Change in Control Agreements with Roger P. Van Broeck, if Mr. Van Broeck s emp
terminated during fiscal 2009, his rights to severance benefits (if any) would have been governed by his ch
agreement rather than his employment agreement. Under the change in control agreement (as amended by
employment agreement), if, within 24 months following a change in control (which occurred for this purpo
as a result of the Transactions), Mr. Van Broeck s employment was terminated either (1) by us for any rea
cause (which was generally defined as willful failure to substantially perform his duties, willfully engag
to us or conviction of a felony) or disability, or (2) by Mr. Van Broeck for good reason (generally define
assignment of duties inconsistent with his title, certain relocations or any failure to pay or provide benefits
Mr. Van Broeck would have been entitled to the following:

A lump sum severance payment equal to two times the sum of his annual base salary, target annu
award (or, in certain circumstances, the annual cash incentive award he earned during a different
period), our annual contributions to all qualified retirement plans on his behalf and his total annu

Payout of his unpaid annual base salary, the higher of his target annual cash incentive award for
year in which the termination occurred or the actual annual cash incentive award he received for
year preceding the year of termination and other accrued compensation and benefits through the
fiscal year containing the termination date;

A lump sum cash stipend equal to 24 times the monthly premium then charged for family covera
and dental plans;

Life insurance and long-term disability benefits, or the cash equivalent thereof if not available, su
to those he was receiving immediately prior to the notice of termination for a 24-month period fo
termination; and

Reimbursement of up to $25,000 for outplacement services for a period of 12 months following
In the event that any payments made to Mr. Van Broeck in connection with a change in control and termin
would be subject to excise taxes under the Code, the change in control agreement provided that we would
Broeck s compensation to offset certain of such excise taxes. Severance benefits under the change in contr
than the life insurance and long-term disability benefits, generally were not subject to mitigation or reducti
severance benefits provided under the change in control agreements, Mr. Van Broeck would have been req
general release of claims. In connection with the execution of the change in control agreement, Mr. Van Br
customary confidentiality, non-competition and non-solicitation agreement with us.

Termination Within Two Years After a Change in Control by Biomet Other Than For Cause, Death or D
Executive for Good Reason

With respect to Messrs. Binder, Florin, Kashuba and Serbousek, in the event of a termination of the executi
within two years after a change in control either (1) by us for any reason other than for cause, executive s
disability, or (2) by executive for good reason, such executive would be entitled to the following:

An amount equal to (a) two times his base salary in effect at the date of termination plus (b) two
(x) the annual cash incentive award earned by executive for the preceding fiscal year and (y) the
incentive award executive would have received for the current fiscal year had his employment no
based on Biomet s performance to the date of termination extrapolated through the end of such f
(collectively, the Change-in-Control Severance Benefit). The total amount of the Change-in-C
Benefit will be paid in a lump sum as soon as administratively practicable following the terminat
employment;

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An amount equal to the pro rated portion (based on the percentage of Biomet s current fiscal yea
the date on which executive s employment is terminated) of the annual cash incentive award the
would have received for the current fiscal year, based on Biomet s performance to the date of te
extrapolated through the end of the current year. The total amount of the pro rated annual cash in
award will be paid in a lump sum at the time we pay annual cash incentive awards to similarly si
active employees;

If the executive is eligible for and elects continuation coverage pursuant to COBRA, we will pay
such coverage (or reimburse executive for such premiums) until the earlier of (a) the end of the 1
during which, under the employment agreement, the executive agrees not to engage in certain ac
competition with us or (b) the date the executive becomes eligible for coverage under another gr

Any accrued benefits (as defined in the agreement)**,** which generally include any vested comp
executive and not yet paid by the Company, any amounts or benefits owing to the executive und
benefit plans of the Company, and any amounts owing to the executive for reimbursement of exp
incurred by the executive; and

With respect to Mr. Binder, continued payment of Mr. Binder s company-provided car allowanc
of 12 months from the termination date and immediate vesting of any unvested options held by M
date his employment is terminated.

To receive the severance benefits provided under the agreement, the executive must sign a general release o
agreement contains customary confidentiality, non-competition and non-solicitation provisions. Messrs. Bi
Kashuba s and Serbousek s non-competition period is 18 months following the date of termination of emp

Furthermore, in the event that any payments made to Mr. Binder in connection with a termination of emplo
subject to excise taxes under the Code, subject to certain conditions, Biomet will gross up his compensa
excise taxes.

If Mr. Van Broeck s employment was terminated during fiscal 2009 either (1) by us for any reason other th
defined) or disability, or (2) by Mr. Van Broeck for good reason (as defined), Mr. Van Broeck would ha
his change in control agreement to receive the benefits described above under Termination Prior to a Cha
Biomet Other Than For Cause, Death or Disability, or by Executive for Good Reason.

Termination Due to Death or Disability

If any of Messrs. Binder, Florin, Kashuba or Serbousek s employment is terminated due to his death or dis
to receive the following:

His base salary in effect through the date of termination;

A pro-rated portion (based on the percentage of our fiscal year preceding the date of termination)
average of (x) the annual cash incentive award earned by such Executive for the preceding year a
annual cash incentive award such Executive would have received in the current year if his emplo
not been terminated, based on our performance to the date of termination extrapolated through th
the current year; and

Any accrued benefits (as defined in the agreement).

Under Mr. Van Broeck s change in control agreement, if, within 24 months following a change in control
this purpose on July 11, 2007 as a result of the Transactions), Mr. Van Broeck died, his estate and/or benef
been entitled to receive the benefits described above under Termination Prior to a Change in Control by E
Cause, Death or Disability, or by Executive for Good Reason. If his employment terminated during the te
(whether before or after a change in control) due to his disability, he would have been entitled to receive pa
obligations (defined as payout of his unpaid annual base salary, the higher of his target annual cash incent
fiscal year in which the termination occurred or the actual annual cash incentive award he received for the f
the year of termination and other accrued compensation and benefits through the end of the fiscal year cont
termination date) in a lump sum, and the timely payment or provision of other benefits (defined as any a
required to be paid or provided, or which the executive is eligible to receive, under any of our plans, progra
practices or agreements, including without limitation disability and other benefits at least equal to the most
generally provided by us and our affiliates to disabled executives and/or their families).

Termination With Cause or Without Good Reason

If any of Messrs. Binder, Florin, Kashuba or Serbousek s employment is terminated with cause or witho
defined in the employment agreement) we will pay such executive his base salary in effect through the term
accrued benefits (as defined in the agreement) when due.

Mr. Van Broeck s change in control agreement does not provide for any payments in the event of a termin
employment by us for cause or by him without good reason.

Severance Pay Plan

On September 21, 2006, we adopted the Biomet, Inc. Executive Severance Pay Plan for the executives who
change in control agreements, which have since expired. Of our named executive officers, only Mr. Van Br
change in control agreement during fiscal 2009, so he is the only named executive officer who was eligible
this plan during fiscal 2009. Our change in control agreements (including Mr. Van Broeck s change in con
expired on July 11, 2009 and, accordingly, as of that date, our executives are no longer eligible to participa
Severance Plan provided each of our participating executives with severance benefits in the event of a term
executive s employment unrelated to the executive s (1) performance of his employment duties or (2) con
acts outside of the scope of his employment duties that would constitute the basis of a termination for cause
control agreement.

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Severance benefits under the Severance Plan generally consisted of the following: (1) payment of a pro-rat
incentive award (based on the elapsed portion of the year of termination) in a lump sum; (2) continued pay
for 52 weeks plus one week per full year of service with us, up to a maximum of 78 weeks following the te
our expense, continuation of coverage under our health insurance plans pursuant to COBRA for a period no
months from the termination date; and (4) continuation of any Biomet-provided car allowance for a period
from the termination date.

As a condition to receiving severance benefits under the Severance Plan, the executive was required to exe
release of claims in favor of us and enter into a customary confidentiality, non-competition and non-solicit
us. Severance benefits under the Severance Plan were generally intended to be the sole source of severance
upon a termination of the executive s employment and were generally not subject to mitigation or reductio

Potential Payments Upon Certain Terminations

This table shows the potential compensation that we would have to pay to certain named executive officers
of employment related or unrelated to a change in control by us without cause or by the executive w
defined in the applicable agreements), due to the executive s death or disability, and by us with cause o
without good reason (as defined in the applicable agreements). The table excludes certain amounts paya
that are available generally to all salaried employees. In the event of the death or disability of any of the na
officers listed in the following table, the deceased or disabled named executive officer, or his designated be
also receive a payment pursuant to the terms of Biomet-funded life or disability plans, respectively, in addi
set forth below. The amounts shown assume that termination of employment was effective May 31, 2009. T
are only estimates of the amounts that would be payable to the executives upon termination of employment
tax positions we may take or the accounting treatment of such payments. Actual amounts to be paid can on
the time of separation. Although the calculations are intended to provide reasonable estimates of the potent
based on numerous assumptions and do not represent the actual amount an executive would receive if an el
event were to occur.

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POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTRO

Potential Payments Upon Termination or Change in Control

	Termination in Connection with a Change in Control				Termination in Abse Cont		
Name of Executive Officer	**Termination without Cause or with Good Reason (1)**	**Termination with Cause or Resignation without Good Reason (2)**	**Disability (3)**	**Death (4)**	**Termination without Cause or with Good Reason (5)**	**Termination with Cause or Resignation without Good Reason (6)**	**I**
Jeffrey R. Binder (9)							
Estimated Value of Non-Equity Benefits and Accrued Obligations	$ 3,506,576	$ -	$ 738,045	$ 738,045	$ 2,796,304	$ -	$
Estimated Value of Options & Equity Awards	-	-	-	-	-	-	
Total	3,506,576	-	738,045	738,045	2,796,304	-	
Daniel P. Florin (9)							
Estimated Value of Non-Equity Benefits and Accrued Obligations	1,770,683	-	326,855	326,855	916,080	-	
Estimated Value of Options & Equity Awards	-	-	-	-	-	-	
Total	1,770,683	-	326,855	326,855	916,080	-	
Roger Van Broeck (9)							
Estimated Value of Non-Equity Benefits and Accrued Obligations	2,198,192	-	334,735	2,173,192	2,173,192	-	
Estimated Value of Options & Equity Awards	-	-	-	-	-	-	
Total	2,198,192	-	334,735	2,173,192	2,173,192	-	
Glen A. Kashuba (9)							
Estimated Value of Non-Equity Benefits and	1,915,277	-	350,432	350,432	1,012,569	-	

Accrued Obligations						
Estimated Value of Options & Equity Awards	-	-	-	-	-	-
Total	1,915,277	-	350,432	350,432	1,012,569	-
Jon C. Serbousek (9)						
Estimated Value of Non-Equity Benefits and Accrued Obligations	1,663,627	-	235,715	235,715	995,247	-
Estimated Value of Options & Equity Awards	-	-	-	-	-	-
Total	1,663,627	-	235,715	235,715	995,247	-

(1) **With respect to Messrs. Binder, Florin, Kashuba and Serbousek**:
Non-Equity Benefits and Accrued Obligations represents: (i) an amount equal to (a) two times the executiv
effect at the date of termination plus (b) two times the average of (x) the annual cash incentive award earne
for the preceding fiscal year and (y) the annual cash incentive award the executive would have received for
year had his employment

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not been terminated, based on Biomet s performance to the date of termination extrapolated through the er
(ii) an amount equal to the pro-rated portion of the annual cash incentive award the executive would have r
current fiscal year, based on Biomet s performance to the date of termination extrapolated through the end
(iii) if the executive is eligible for and elects continuation coverage pursuant to COBRA, the premiums for
the earlier of (a) the end of the 18-month period during which executive agrees, under his employment agre
engage in certain activities in competition with us or (b) the date the executive becomes eligible for covera
group plan; (iv) any accrued benefits, which generally include any vested compensation deferred by the
paid by the Company, any amounts or benefits owing to the executive under the then applicable benefit pla
and any amounts owing to the executive for reimbursement of expenses properly incurred by the executive
to Mr. Binder, continued payment of Mr. Binder s company provided car allowance, if any, for a period of
termination date.

With respect to Mr. Van Broeck:

Non-Equity Benefits and Accrued Obligations represents: (i) a lump sum severance payment equal to two t
annual base salary, target annual cash incentive award, our annual contributions to all qualified retirement p
and his total annual car allowance; (ii) payout of his unpaid annual base salary, the higher of his target annu
award for the current fiscal year or the actual annual cash incentive award he received for the preceding fis
accrued compensation and benefits through the end of the current fiscal year; (iii) a lump sum cash stipend
monthly premium charged for family coverage under our medical and dental plans; (iv) life insurance and l
benefits, or the cash equivalent thereof if not available, substantially similar to those he was receiving imm
notice of termination for a 24-month period following the date of termination; and (v) reimbursement of up
outplacement services for a period of 12 months following termination.

With respect to Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek:

Options and Equity Awards represents the difference between the exercise price and the value of LVB s co
May 31, 2009 with respect to any vested options held by the executive as of May 31, 2009.

(2) **With respect to Messrs. Binder, Florin, Van Broeck, Kashuba, and Serbousek:**
Non-Equity Benefits and Accrued Obligations represents (i) base salary in effect through the termination da
accrued benefits (as defined in the employment agreements), which generally include any vested compe
executive and not yet paid by the Company, any amounts or benefits owing to the executive under the then
plans of the Company and any amounts owing to the executive for reimbursement of expenses properly inc
executive.

(3) **With respect to Messrs. Binder, Florin, Kashuba and Serbousek:**
Non-Equity Benefits and Accrued Obligations represents: (i) the executive s base salary in effect through d
(ii) a pro-rated portion (based on the percentage of our fiscal year preceding the date of termination) of the
annual cash incentive award bonus earned by the executive for the preceding year and (y) the annual cash i
executive would have received in the current year if his employment had not been terminated, based on our
date of termination extrapolated through the end of the current year; and (iii) any accrued benefits, whic
vested compensation deferred by the executive and not yet paid by the Company, any amounts or benefits o
executive under the then applicable benefit plans of the Company, and any amounts owing to the executive
of expenses properly incurred by the executive.

With respect to Mr. Van Breock:

Non-Equity Benefits and Accrued Obligations represents: (i) any accrued obligations, which generally in
unpaid annual base salary, the higher of his target annual cash incentive award for the current fiscal year or
cash incentive award he received for the preceding fiscal year and other accrued compensation and benefits
the current fiscal year) and (ii) other benefits, which generally include any amounts or benefits required

under any of our plans or arrangements, including disability and other benefits at least equal to the most fav
generally provided by us and our affiliates to disabled executives and/or their families.

With respect to Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek:

Options and Equity Awards represents the difference between the exercise price and the value of LVB s co
May 31, 2009 with respect to any vested options held by the executive as of May 31, 2009.

(4) **With respect to Messrs. Binder, Florin, Kashuba and Serbousek**:
Non-Equity Benefits and Accrued Obligations represents the payments as described in footnote 3 of this tab

With respect to Mr. Van Broeck:

Non-Equity Benefits and Accrued Obligations represents the payments as described in footnote 1 of this tab

With respect to Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek:

Options and Equity Awards represents the difference between the exercise price and the value of LVB s co
May 31, 2009 with respect to any vested options held by the executive as of May 31, 2009.

(5) **With respect to Messrs. Binder, Florin, Kashuba and Serbousek**:
Non-Equity Benefits and Accrued Obligations represents: (i) an amount equal to (a) 1.5 times his base salar
date of termination plus, with respect to Mr. Binder (b) 1.5 times the average of (x) the annual cash incentiv
executive for the preceding fiscal year and (y) the annual cash incentive award executive would have receiv
fiscal year had his employment not been terminated, based on Biomet s performance to the date of termina
through the end of such fiscal year; (ii) an amount equal to the pro-rated portion (based on the percentage o
fiscal year preceding the date on

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which executive s employment is terminated) of the annual cash incentive award executive would have rec
fiscal year, based on Biomet s performance to the date of termination extrapolated through the end of the c
executive is eligible for and elects continuation coverage pursuant to COBRA, the premiums for such cove
reimbursement to the executive for such premiums) until the earlier of (a) the end of the 18-month period d
the employment agreement, the executive agrees not to engage in certain activities in competition with us o
executive becomes eligible for coverage under another group plan; (iv) any accrued benefits, which gen
vested compensation deferred by the executive and not yet paid by the Company, any amounts or benefits o
executive under the then applicable benefit plans of the Company, and any amounts owing to the executive
of expenses properly incurred by the executive; and (v) with respect to Mr. Binder, continued payment of M
provided car allowance, if any, for a period of 12 months from the termination date and immediate vesting
options held by Mr. Binder as of the date his employment is terminated.

With respect to Mr. Van Broeck:

Non-Equity Benefits and Accrued Obligations represents the payments as described in footnote 1 of this tab

With respect to Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek:

Options and Equity Awards represents the difference between the exercise price and the value of LVB s co
May 31, 2009 with respect to any vested options held by the executive as of May 31, 2009.

(6) **With respect to Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek**:
Non-Equity Benefits and Accrued Obligations represents: (i) base salary in effect through the termination d
accrued benefits, which generally include any vested compensation deferred by the executive and not ye
any amounts or benefits owing to the executive under the then applicable benefit plans of the Company and
to the executive for reimbursement of expenses properly incurred by the executive.

(7) **For Messrs. Binder, Florin, Kashuba and Serbousek:**
Non-Equity Benefits and Accrued Obligations represents: (i) the executive s base salary in effect through c
(ii) a pro-rated portion (based on the percentage of our fiscal year preceding the date of termination) of the
annual cash incentive award earned by the executive for the preceding year and (y) the annual cash incentiv
executive would have received in the current year if his employment had not been terminated, based on our
date of termination extrapolated through the end of the current year; and (iii) any accrued benefits, whic
vested compensation deferred by the executive and not yet paid by the Company, any amounts or benefits o
executive under the then applicable benefit plans of the Company and any amounts owing to the executive
of expenses properly incurred by the executive.

For Mr. Van Broeck:

Non-Equity Benefits and Accrued Obligations represents the payments as described in footnote 3 of this tab

For Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek:

Options and Equity Awards represents the difference between the exercise price and the value of LVB s co
May 31, 2009 with respect to any vested options held by the executive as of May 31, 2009.

(8) **With respect to Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek**:
Non-Equity Benefits and Accrued Obligations represents the payments described in footnote 4 of this table.

For Mr. Van Broeck:

Non-Equity Benefits and Accrued Obligations represents the payments as described in footnote 1 of this tab

With respect to Messrs. Binder, Florin, Van Broeck, Kashuba and Serbousek:

Options and Equity Awards represents the difference between the exercise price and the value of LVB s co
May 31, 2009 with respect to any vested options held by the executive as of May 31, 2009.

(9) The payments described in this table represent payments provided under the executive s employment
respect to Mr. Van Broeck, his change in control agreement) and the 2007 LVB Plan. As of July 11, 2
Broeck s change in control agreement expired. If his severance arrangements would have been gover
employment agreement (instead of his change in control agreement) in the event of a termination of hi
May 31, 2009, then he would have received $1,782,707 for termination by us without cause or by Mr.
good reason, zero for termination by us with cause or Mr. Van Broeck s resignation without good rea
event of Mr. Van Broeck s disability, and $1,782,707 upon Mr. Van Broeck s death. For more inform
employment and change in control agreements, refer to Employment Agreements and Potential Post
Payments, and for more information on the 2007 LVB Plan, refer to The Elements of Biomet s Co
Program Stock Options and Leveraged Share Awards above.

Non-Employee Director Compensation and Benefits

Our directors have not received cash retainers or committee fees or stock option awards for their services a

Business Expenses

The directors are reimbursed for their business expenses related to their attendance at our meetings, includi
transportation to and from Board and committee meetings. On rare occasions, a director s spouse may acc
when traveling on Biomet business. At times, a director may travel to and from our meetings on our corpor
Directors are also eligible to be reimbursed for attendance at qualified director education programs.

Director and Officer Liability (or D&O) Insurance and Travel Accident Insurance

D&O insurance individually insures our directors and officers against certain losses that they are legally re
result of their actions while performing duties on our behalf. Our D&O insurance policy does not break out
directors versus officers and, therefore, a dollar amount cannot be assigned to the coverage provided for in

We also maintain an Aviation Insurance Policy that provides benefits to each director in the event of death
(permanent and total) during travel on our corporate aircraft. This policy also covers employees and others
our corporate aircraft and, therefore, a dollar amount cannot be assigned to the coverage provided for indiv

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Non-Employee Directors Compensation Table

The following table shows information regarding the compensation of our non-employee directors for the 2
Mr. Binder is not included in the table below because, as President and Chief Executive Officer, disclosure
compensation is presented in the Summary Compensation Table. Furthermore, as an employee director, Mr
receive compensation in his capacity as a director.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (4)	All Comp
Jonathon J. Coslet	-	-	-	-	-	
Michael Dal Bello	-	-	-	-	-	
Adrian Jones	-	-	-	-	-	
Michael Michelson	-	-	-	-	-	
Dane Miller, Ph.D. (5)	-	-	-	-	-	2,
John Saer	-	-	-	-	-	
Todd Sisitsky	-	-	-	-	-	
David McVeigh	-	-	-	-	-	
Gregory L. Summe	-	-	-	-	-	

(1) Represents the aggregate dollar amount of all fees earned or paid in cash for services as a director, inc
and committee chair retainer fees, and committee meeting fees, in each case including amounts deferr
director elections.

(2) For each director listed in the Non-Employee Directors Compensation Table above, reflects the com
recognized during the 2009 fiscal year under SFAS 123(R). For information concerning the assumptio
determining the compensation expense we recognized during the 2009 fiscal year, refer to Note 9 to th
financial statements included in this annual report.

(3) We do not have a non-equity incentive plan for non-employee directors.

(4) We do not have a pension plan for non-employee directors and do not pay above market or preferentia
non-qualified deferred compensation for non-employee directors.

(5) On May 8, 2006, Biomet, Inc. entered into a Separation, Release and Consultancy Agreement with Da
(the Miller Agreement). As previously disclosed in a Current Report on Form 8-K dated May 10, 2
terms of the Miller Agreement, Mr. Miller received $4,000,000 on October 1, 2006, $500,000 on Nov
has received or will receive $500,000 on the last day of each fiscal quarter thereafter through the first
2010 as compensation for his consulting services. Also pursuant to the Miller Agreement, Mr. Miller i
out-of-pocket fees and expenses relating to an off-site office and administrative support, in an amount
$100,000 per year. The Miller Agreement contains certain restrictive covenants prohibiting Mr. Miller
with the Company and soliciting employees of the Company during the term of the Miller Agreement

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stock

Parent owns all of our issued and outstanding capital stock. Holding owns 97.02% of Parent. All equity int
owned, directly or indirectly, by the Sponsor Funds and the Co-Investors.

The following table sets forth information with respect to the ownership of as of May 31, 2009 for (a) each
to own beneficially more than a 5% equity interest in Holdings, (b) each member of our board of directors,
named executive officers, and (d) all of our executive officers and directors as a group. Biomet, Inc. has 1,
common stock outstanding, all of which are owned directly by Parent. Share amounts indicated below refle
ownership, through Holding, by such entities or individuals of these 1,000 shares of Biomet, Inc.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations go
determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a benefici
if that person has or shares voting power or investment power, which includes the power to dispose of or to
disposition of such security. A person is also deemed to be a beneficial owner of any securities of which th
to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstan
computing such person s ownership percentage, but not for purposes of computing any other person s pe
rules, more than one person may be deemed to be a beneficial owner of the same securities and a person m
beneficial owner of securities as to which such person has no economic interest.

Except as otherwise indicated in the footnotes below, each of the beneficial owners has, to our knowledge,
investment power with respect to the indicated shares. Unless otherwise noted, the address of each benefic
Biomet, Inc., 56 East Bell Drive, Warsaw, Indiana 46582.

Name and Address of Beneficial Owner	Beneficial Ownership of Biomet Common Shares
The Blackstone Group(1)	236.8
The Goldman Sachs Group, Inc.(2)	236.8
KKR Biomet, LLC(3)	242.6
TPG Capital(4)	236.8
Jeffrey R. Binder	*
Daniel P. Florin	*
Roger van Broeck	*
Glen A. Kashuba	*
Jon C. Serbousek	*
Jonathan J. Coslet(5)	236.8
Michael Dal Bello(6)	236.8
Adrian Jones(7)	236.8
David McVeigh(6)	236.8
Michael Michelson(8)	242.6
Dane A. Miller(9)	21.7
John Saer(8)	242.6
Todd Sisitsky(5)	236.8
Gregory L. Summe(7)	236.8
All executive officers and directors as a group (21 persons)	958.1

* Represents less than one percent or one share, as applicable.

(1) Biomet, Inc. shares shown as beneficially owned by The Blackstone Group reflect an aggregate of the
ownership: (i) 610,133.52800 membership units of Holding held by Blackstone Capital Partners V, L.
membership units of Holding held by Blackstone Capital Partners V-AC L.P., (iii) 289,050.00000 me
Holding held by BCP V-S L.P., (iv) 32,313.00200 membership units of Holding held by Blackstone F
Partnership V L.P., (v) 3,112.96000 membership units of Holding held by Blackstone Family Investm
L.P., (vi) 2,297.59715 membership units of Holding held by Blackstone Participation Partnership V L

(vii) 273,775.86600 membership units of Holding held by BCP V Co-Investors L.P. The address of Th
is 345 Park Avenue, New York, NY 10154.

(2) Biomet, Inc. shares shown as beneficially owned by The Goldman Sachs Group, Inc. reflect an aggreg
record ownership: (i) 433,679.15808 membership units of Holding held by GS Capital Partners VI Fu
(ii) 15,413.18755 membership units of Holding held by GS Capital Partners VI GmbH & Co. KG, (iii
membership units of Holding held by GS Capital Partners VI Offshore Fund, L.P., (iv) 119,253.84819
of Holding held by GS Capital Partners VI Parallel, L.P., (v) 61,875.99000 membership units of Hold
Co-Invest, L.P., (vi) 63,137.95000 membership units of Holding held by Goldman Sachs BMET Inves
(vii) 184,785.45000 membership units of Holding held by Goldman Sachs BMET Investors Offshore
(viii) 44,463.81600 membership units of Holding held by GS PEP Bass Holdings, L.L.C., (ix) 6,309.8
units of Holding held by Goldman Sachs Private Equity Partners, 2004-Direct Investment Fund, L.P.,
membership units of Holding held by Goldman Sachs Private Equity Partners, 2005-Direct Investmen
(xi) 9,768.00000 membership units of Holding held by Goldman Sachs Private Equity Partners IX-Di
Fund, L.P. The address of The Goldman Sachs Group, Inc. is c/o Goldman, Sachs & Co., 85 Broad St
10004.

(3) The address of KKR Biomet, LLC is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, S
Park, CA 94025.

(4) Biomet, Inc. shares shown as beneficially owned by TPG Capital reflect an aggregate of the following
(i) 50,000.00000 membership units owned by TPG Partners IV, L.P., (ii) 1,015,020.30532 membershi
TPG Partners V, L.P., (iii) 2,655.60483 membership units owned by TPG FOF V-A, L.P., (iv) 2,141.6
units owned by TPG FOF V-B, L.P., (v) 235,843.63020 membership units owned by TPG LVB Co-In
(vi) 2,758.00100 membership units owned by TPG LVB Co-Invest II LLC. The address of TPG Capit
Street, Suite 3300, Fort Worth, TX 76102.

(5) Includes all shares held by TPG Partners IV, L.P., TPG Partners V, L.P., TPG FOF V-A, L.P., TPG F
TPG LVB Co-Invest LLC, and TPG LVB Co-Invest II LLC. Each of Jonathan J. Coslet and Todd Sis
deemed to be a beneficial owner of these interests due to his status as a partner of TPG Capital, and ea
person disclaims beneficial ownership of any such interests in which he does not have a pecuniary int
address of each of Mr. Coslet and Mr. Sisitsky is c/o TPG Capital is 301 Commerce Street, Suite 330
TX 76102.

(6) Includes all shares held by Blackstone Capital Partners V, L.P., Blackstone Capital Partners V-AC L.
Blackstone Family Investment Partnership V L.P., Blackstone Family Investment Partnership V-A L.
Participation Partnership V L.P., and BCP V Co-Investors L.P. Each of Michael Dal Bello, principle,
executive director, may be deemed to be a beneficial owner of these interests due to his status with Th
and each such person disclaims beneficial ownership of any such interests in which he does not have a
The address of each of Mr. Dal Bello and Mr. Mc Veigh is c/o The Blackstone Group is 345 Park Ave
10154.

(7) Includes all shares held by GS Capital Partners VI Fund, L.P., GS Capital Partners VI GmbH & Co. K
Partners VI Offshore Fund, L.P., GS Capital Partners VI Parallel, L.P., GS LVB Co-Invest, L.P., Gol
Investors, L.P., Goldman Sachs BMET Investors Offshore Holdings, L.P., GS PEP Bass Holdings, L.
Private Equity Partners, 2004-Direct Investment Fund, L.P., Goldman Sachs Private Equity Partners,
Investment Fund, L.P., and Goldman Sachs Private Equity Partners IX-Direct Investment Fund, L.P.
Summe, senior advisor, and Adrian Jones, managing director, may be deemed to be a beneficial owne
due to his status with Goldman, Sachs & Co., and each such person disclaims beneficial ownership of
which he does not have a pecuniary interest. The address of Mr. Jones is c/o Goldman, Sachs & Co.,
York, NY 10004 and the address of Mr. Summe is c/o PerkinElmer, Inc., 940 Winter Street, Waltham

(8) Includes all shares held by KKR Biomet, LLC. Each of Michael Michelson and John Saer may be dee
beneficial owner of these interests due to his status as a member of Kohlberg Kravis Roberts & Co. L.
person disclaims beneficial ownership of any such interests in which he does not have a pecuniary int
each of Mr. Michelson and Mr. Saer is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road
Park, CA 94025.

(9) The business address of Dane Miller is 700 Park Avenue, Suite G, Winona Lake, IN 46590.

Item 13. Certain Relationships and Related Transactions and Director Independence.
Amended and Restated Limited Liability Company Operating Agreement of Holding

The Sponsor Funds have entered into an amended and restated limited liability company operating agreem
Agreement, in respect of Holding. The LLC Agreement contains agreements among the parties with respe
our directors and the directors of our parent companies, restrictions on the issuance or transfer of interests i
corporate governance provisions (including the right to approve various corporate actions).

Pursuant to the LLC Agreement, each of the Sponsors has the right to nominate, and has nominated, two di
of Directors and also is entitled to appoint one non-voting observer to the Board of Directors for so long as
remains a member of Holding. In addition to their right to appoint non-voting observers to the Board of Di
Sponsor Funds have certain other management rights to the extent that any such Sponsor Fund is required t
venture capital operating company as defined in the regulations issued by the U.S. Department of Labor
of Part 2510 of Chapter XXV, Title 29 of the Code of Federal Regulations, or any successor regulations. E
nominate directors is freely assignable to funds affiliated with such Sponsor, and is assignable to non-affili
only if the assigning Sponsor transfers its entire interest in Holding not previously transferred and only wit
consent of the Sponsors holding at least 70% of the membership interests in Holding, or Requisite Sponsor
to their rights under the LLC Agreement, the Sponsors may also appoint one or more persons unaffiliated

Sponsors to the Board of Directors. Following Purchaser s purchase of the Shares tendered in the Offer, th
appointed Dr. Miller and Jeffrey R. Binder to the Board of Directors in addition to the two directors appoin
Sponsors.

Pursuant to the LLC Agreement, each director has one vote for purposes of any Board of Directors action,
the Board of Directors require the approval of a majority of the directors designated by the Sponsors. In ad
Agreement provides that certain major decisions regarding us or our parent companies require Requisite Sp

The LLC Agreement includes certain customary agreements with respect to restrictions on the issuance or
in us, including preemptive rights, tag-along rights and drag-along rights.

The Co-Investors have also been admitted as members of Holding, both directly and through Sponsor contr
vehicles. Although the Co-Investors are therefore parties to the LLC Agreement, they have no rights with r
of our directors or the approval of our corporate actions.

The Sponsors have also caused Holding and Parent to enter into a letter agreement with us obligating
all actions necessary to give effect to the corporate governance, preemptive rights, transfer restriction and c
provisions of the LLC Agreement, and prohibiting us and Parent from taking any actions that would be inc
provisions of the LLC Agreement.

Registration Rights Agreement

The Sponsor Funds and the Co-Investors also entered into a registration rights agreement with us upon the
Transactions. Pursuant to this agreement, the Sponsor Funds have the power to cause us to register their, th
certain other persons interests in Biomet under the Securities Act and to maintain a shelf registration state
respect to such interests. The agreement also entitles the Sponsor Funds and the Co-Investors to participate
registration of our equity interests under the Securities Act that we may undertake.

Management Services Agreement

Upon completion of the Transactions, the Company entered into a management services agreement with ce
Sponsors, pursuant to which such affiliates of the Sponsors or their successors assigns, affiliates, officers, e
representatives and third parties (collectively, the Managers) provide management, advisory, and consul
Company. Pursuant to such agreement, the Managers received a transaction fee equal to 1% of total enterp
Transactions for the services rendered by such entities related to the Transactions upon entering into the ag
Sponsors receive an annual monitoring fee equal to 1% of the Company s annual adjusted EBITDA (as de
agreement) as compensation for the services rendered and reimbursement for out-of-pocket expenses incur
in connection with the agreement and the Transactions. The Company is required to pay the Sponsors the m
quarterly basis. The total

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amount of Sponsor fees was $11.6 million for the year ended May 31, 2009, and $10.6 million for the perio
through May 31, 2008. There were no Sponsor fees for the period June 1, 2007 through July 11, 2007. The
pay certain subsequent fees to the Managers for advice rendered in connection with financings or refinanci
acquisitions, dispositions, spin-offs, split-offs, dividends, recapitalizations, an initial underwritten public of
control transactions involving the Company or any of its subsidiaries. The management services agreement
exculpation and indemnification provisions in favor of the Managers and their affiliates. Due to the large p
Sponsors, the Company and its employees may have transactions with the Sponsors and certain affiliates o
independent of transactions described above.

Consulting Agreement

On May 8, 2006, Biomet, Inc. entered into a Separation, Release and Consultancy Agreement with Dane A
Miller Agreement). As previously disclosed in the Company s Current Report on Form 8-K dated May
terms of the Miller Agreement, Dr. Miller received $4.0 million on October 1, 2006, $0.5 million on Nove
has received or will receive $0.5 million on the last day of each quarter thereafter through the first quarter
compensation for his consulting services. Also pursuant to the Miller Agreement, Dr. Miller is reimbursed
out-of-pocket fees and expenses relating to an off-site office and administrative support, in an amount not t
million per year. The Miller Agreement contains certain restrictive covenants prohibiting Dr. Miller from c
Company and soliciting employees of the Company during the term of the Miller Agreement. As of May 3
remaining amount accrued and payable to Dr. Miller was $0.5 million.

Other

The Company currently holds interest rate swaps with Goldman Sachs. As part of this relationship, the Co
information from Goldman Sachs that allows it to perform a regression on the swaps as part of its required
on a quarterly basis.

During the year ended May 31, 2009, the Company received an additional capital contribution of $2.8 mill
parent company from the participation of management under the LVB Acquisition, Inc. 2007 Management
Plan.

Biomet, Inc., its subsidiaries, affiliates, employees and controlling stockholders may from time to time, dep
conditions, seek to purchase debt securities issued by the Company or its subsidiaries or affiliates in open
negotiated transactions or by other means.

Item 14. Principal Accounting Fees and Services.

Fees for professional services provided by Biomet s independent accountants in each of the last two fiscal
following categories are:

(in millions)		2009
Audit fees	$	2.4
Audit-Related fees		-
Tax fees		5.2
Total	$	7.6

Fees for audit services above include those from Deloitte & Touche LLP (audit and consulting related). Fe
include fees associated with the annual audit of consolidated financial statements, the reviews of Biomet s
Form 10-Q, audit-related accounting consultations, audit-related acquisition accounting and statutory audit
internationally. Audit-related fees principally included work related to our Registration Statements on For

diligence in connection with acquisitions, assistance with implementation of various rules and standards an
Tax fees included tax compliance, tax advice and tax planning. The Audit Committee has adopted policies
approving in advance all audit and permitted non-audit services to be performed for Biomet by its indepenc
subject to certain de minimis exceptions approved by the Audit Committee. Prior to the engagement of the
accountants for the next year s audit, management, with the participation of the independent accountants, s
Committee for approval an aggregate request for services expected to be rendered during that year for vario
services.

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Part IV.

Item 15. Exhibits, Financial Statement Schedules.
(a) The following financial statements and financial statement schedule are included in Item 8 herein

(1) Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of May 31, 2009 and 2008

Consolidated Statements of Operations for the year ended May 31, 2009, for the period June 1, 2007 t
2007, for the period July 12, 2007 to May 31, 2008 and the year ended May 31, 2007

Consolidated Statements of Shareholders Equity for the year ended May 31, 2009, for the period Jur
July 11, 2007, for the period July 12, 2007 to May 31, 2008 and the year ended May 31, 2007

Consolidated Statements of Cash Flows for the year ended May 31, 2009, for the period June 1, 2007
2007, for the period July 12, 2007 to May 31, 2008 and the year ended May 31, 2007

Notes to Consolidated Financial Statements

(2) Financial Statement Schedule:

Schedule II Valuation and Qualifying Accounts

(3) Exhibits:

Refer to the Index to Exhibits immediately following the signature page of this report, which is incorp
by reference.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Biomet, Inc. h
report to be signed on its behalf by the undersigned, thereunto duly authorized on August 21, 2009.

BIOMET, INC.

By: /s/ Jeffrey R. Binder
Jeffrey R. Binder
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by
persons on behalf of Biomet, Inc. and in the capacities indicated on August 21, 2009.

By: /s/ Jonathan J. Coslet
Jonathan J. Coslet, Director

By: /s/ Michael Dal Bello
Michael Dal Bello, Director

By: /s/ Jeffrey R. Binder
Jeffrey R. Binder, President and Chief Executive Officer and Director

(Principal Executive Officer)

By: /s/ Adrian Jones
Adrian Jones, Director

By: /s/ David McVeigh
David McVeigh, Director

By: /s/ Michael Michelson
Michael Michelson, Director

By: /s/ Dane A. Miller
Dane A. Miller, Director

By: /s/ John Saer
John Saer, Director

By: /s/ Todd Sisitsky
Todd Sisitsky, Director

By: /s/ Gregory Summe
Gregory Summe, Director

By: /s/ Daniel P. Florin
Daniel P. Florin, Senior Vice President and Chief Financial Officer

By: /s/ Kevin J. Sierks
Kevin J. Sierks, Vice President Controller

(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Exhibit
2.1	Agreement and Plan of Merger, dated as of December 18, 2006, amended and restated as of Biomet, Inc., LVB Acquisition, LLC and LVB Acquisition Merger Sub, Inc., incorporated h the Company s Current Report on Form 8-K filed on June 7, 2007.
3.1	Amended and Restated Articles of Incorporation, incorporated herein by reference to Exhibi Company s Current Report on Form 8-K filed on September 25, 2007.
3.2	Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.2 to the Comp on Form 8-K filed on September 25, 2007.
4.1	Senior Notes Indenture, dated as of September 25, 2007, among LVB Acquisition Merger S Inc., the Guarantors listed therein and Wells Fargo Bank, National Association, as Trustee, f the Company s Registration Statement on Form S-4 dated May 6, 2008 and incorporated he
4.2	First Supplemental Senior Notes Indenture, dated as of October 16, 2007, among Biomet, In listed therein and Wells Fargo Bank, National Association, as Trustee, filed as Exhibit 4.2 to Registration Statement on Form S-4 dated May 6, 2008 and incorporated herein by referenc
4.3	Senior Subordinated Notes Indenture, dated as of September 25, 2007, among LVB Acquisi Inc., Biomet, Inc., the Guarantors listed therein and Wells Fargo Bank, National Associatior Exhibit 4.3 to the Company s Registration Statement on Form S-4 dated May 6, 2008 and i reference.
4.4	First Supplemental Senior Subordinated Notes Indenture, dated as of October 16, 2007, amo Guarantors listed therein and Wells Fargo Bank, National Association, as Trustee, filed as E Company s Registration Statement on Form S-4 dated May 6, 2008 and incorporated herei
4.5	Form of 10% Senior Notes due 2017, filed as Exhibit 4.1 to the Company s Registration St dated May 6, 2008 and incorporated herein by reference.
4.6	Form of 10 $^{3}/_{8}$% / 11 $^{1}/_{8}$% Senior Toggle Notes due 2017, filed as Exhibit 4.1 to the Compan Statement on Form S-4 dated May 6, 2008 and incorporated herein by reference.
4.7	Form of 11 $^{5}/_{8}$% Senior Subordinated Notes due 2017, filed as Exhibit 4.3 to the Company Statement on Form S-4 dated May 6, 2008 and incorporated herein by reference.
4.8	Registration Rights Agreement, dated as of September 25, 2007, among LVB Acquisition M Biomet, Inc., the Guarantors listed therein, and Banc of America Securities LLC, Goldman, Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wachovia Capi and Bear, Stearns & Co. Inc., filed as Exhibit 4.8 to the Company s Registration Statement May 6, 2008 and incorporated herein by reference.
4.9	Registration Rights Agreement, dated as of October 16, 2007, among Biomet, Inc., the Guar and Banc of America Securities LLC, Goldman, Sachs & Co., Lehman Brothers Inc., Merril Fenner & Smith Incorporated, Wachovia Capital Markets, LLC and Bear, Stearns & Co. Inc to the Company s Registration Statement on Form S-4 dated May 6, 2008 and incorporated

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Exhibit No.	Exhibit
10.1	Credit Agreement, dated as of September 25, 2007, among Biomet, Inc., LVB Acquisitio America, N.A. and the Other Lenders party thereto, filed as Exhibit 10.1 to the Company Statement on Form S-4 dated May 6, 2008 and incorporated herein by reference.
10.2	Guaranty (Cash Flow), dated as of September 25, 2007, among LVB Acquisition, Inc., C of Biomet, Inc. identified therein, and Bank of America, N.A., filed as Exhibit 10.2 to th Registration Statement on Form S-4 dated May 6, 2008 and incorporated herein by refer
10.3	Pledge and Security Agreement (Cash Flow), dated as of September 25, 2007, among Bi Acquisition, Inc., Certain Subsidiaries of Biomet, Inc. identified therein, and Bank of Ar Exhibit 10.3 to the Company s Registration Statement on Form S-4 dated May 6, 2008 a herein by reference.
10.4	Intercreditor Agreement, dated as of September 25, 2007, by and among Bank of Americ Collateral Agent, and Bank of America, N.A., as CF Collateral Agent, filed as Exhibit 10 Registration Statement on Form S-4 dated May 6, 2008 and incorporated herein by refer
10.5	Patent Security Agreement, dated as of September 25, 2007, among LVB Acquisition, In Certain Subsidiaries of Biomet, Inc. and Bank of America, N.A., filed as Exhibit 10.5 to Registration Statement on Form S-4 dated May 6, 2008 and incorporated herein by refer
10.6	Trademark Security Agreement, dated as of September 25, 2007, among LVB Acquisitio Certain Subsidiaries of Biomet, Inc. and Bank of America, N.A., filed as Exhibit 10.6 to Registration Statement on Form S-4 dated May 6, 2008 and incorporated herein by refer
10.7	Credit Agreement, dated as of September 25, 2007, among Biomet, Inc., the Several Sub Party thereto, LVB Acquisition, Inc., Bank of America, N.A. and the Other Lenders Part Exhibit 10.7 to the Company s Registration Statement on Form S-4 dated May 6, 2008 a herein by reference.
10.8	Guaranty (ABL), dated as of September 25, 2007 between LVB Acquisition, Inc. and Ba N.A., filed as Exhibit 10.1 to the Company s Registration Statement on Form S-4 dated incorporated herein by reference.
10.9	Pledge and Security Agreement (ABL), dated as of September 25, 2007 among Biomet, Acquisition, Inc., Certain Subsidiaries of Biomet, Inc. identified therein and Bank of Am Exhibit 10.9 to the Company s Registration Statement on Form S-4 dated May 6, 2008 a herein by reference
10.10	Joint Venture Agreement between Biomet, Inc. and Merck KGaA, dated as of Novembe incorporated herein by reference to Exhibit 2.01 to the Company s Current Report on Fo February 17, 1998.
10.11	Purchase and Substitution Agreement, dated March 19, 2004 by and among Merck KGa BioHoldings UK Ltd. and Biomet Europe Ltd., incorporated herein by reference to Exhib Company s Current Report on Form 8-K filed on March 24, 2004.

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Exhibit No.	Exhibit
10.12	Limited Guarantee, dated June 7, 2007, by TPG Partners V L.P., incorporated herein by r (d)(1)(I) of the Schedule TO filed by LVB Acquisition Merger Sub, Inc. and LVB Acquis June 13, 2007.
10.13	Limited Guarantee, dated June 7, 2007, by KKR 2006 Fund L.P., incorporated herein by r (d)(1)(H) of the Schedule TO filed by LVB Acquisition Merger Sub, Inc. and LVB Acqui June 13, 2007.
10.14	Limited Guarantee, dated June 7, 2007, by GS Capital Partners VI Parallel, L.P., GS Capi GmbH & Co. KG, GS Capital Partners VI Fund, L.P. and GS Capital Partners Offshore F incorporated herein by reference to Exhibit (d)(1)(G) of the Schedule TO filed by LVB A Sub, Inc. and LVB Acquisition LLC on June 13, 2007.
10.15	Limited Guarantee, dated June 7, 2007, by Blackstone Capital Partners V L.P., incorporat reference to Exhibit (d)(1)(F) of the Schedule TO filed by LVB Acquisition Merger Sub, Acquisition LLC on June 13, 2007.
10.16	Deferred Prosecution Agreement, dated as of September 27, 2007, by and between Biome United States Attorney s Office for the District of New Jersey, filed as Exhibit 10.23 to t Registration Statement on Form S-4 dated May 6, 2008 and incorporated herein by refere
10.17	Corporate Integrity Agreement, dated as of September 27, 2007, by and between the Offi General of the Department of Health and Human Services and Biomet, Inc., filed as Exhi Company s Registration Statement on Form S-4 dated May 6, 2008 and incorporated her
10.18	Settlement Agreement, dated as of September 27, 2007, by and between Biomet, Inc. and Inspector General of the Department of Health and Human Services, filed as Exhibit 10.2 Registration Statement on Form S-4 dated May 6, 2008 and incorporated herein by refere
10.19	LVB Acquisition, Inc. 2007 Management Equity Incentive Plan, filed as Exhibit 10.21 to Registration Statement on Form S-4 dated May 6, 2008 and incorporated herein by refere
10.20	Executive Severance Pay Plan, dated as of September 22, 2006, filed as Exhibit 10.4 to th Report on Form 8-K filed on September 26, 2006 and incorporated herein by reference.
10.21	Biomet, Inc. Executive Annual Cash Incentive Plan, filed as Exhibit 10.26 to the Compan Form 10-K filed on August 28, 2008 and incorporated herein by reference.
10.22	Biomet, inc. Deferred Compensation Plan (Post-409A Plan), filed as Exhibit 10.2 to the C Report on Form 10-Q filed on January 14, 2009 and incorporated herein by reference.
10.23	LVB Acquisition Management Stockholders Agreement, dated as of September 13, 200 Acquisition, Inc. and the stockholders party thereto, filed as Exhibit 10.30 to the Compan Form 10-K filed on August 28, 2008 and incorporated herein by reference.
10.24	Employment Agreement, dated as of June 11, 2008, by and among Biomet, Inc. and Jeffr Exhibit 99.1 to the Company s Current Report on Form 8-K filed on June 13, 2008 and i reference.
10.25	First Amendment to Employment Agreement, dated as of December 31, 2008, by and bet and Jeffrey R. Binder, incorporated herein by reference to Exhibit 10.3 to the Company s Form 10-Q filed on January 14, 2009.
10.26	Employment Agreement, dated as of February 28, 2008, by and among Biomet, Inc. and filed as Exhibit 10.16 to the Company s Annual Report on Form 10-K filed on August 2 incorporated herein by reference.
10.27	First Amendment to Employment Agreement, dated as of December 31, 2008, by and bet and Daniel P. Florin, filed as Exhibit 10.4 to the Company s Quarterly Report on Form 1 14, 2009 and incorporated herein by reference.
10.28	Employment Agreement, dated as of February 28, 2008, by and between Biomet, Inc. and filed as Exhibit 10.27 to the Company s Annual Report on Form 10-K filed on August 2 incorporated herein by reference.

10.29	First Amendment to Employment Agreement, dated as of December 31, 2008, by and bet and Glen A. Kashuba, filed as Exhibit 10.5 to the Company s Quarterly Report on Form 14, 2009 and incorporated herein by reference.

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Exhibit No.	Exhibit
10.30	Employment Agreement, dated as of February 28, 2008, by and between Biomet, Inc. a Broeck, filed as Exhibit 10.29 to the Company s Annual Report on Form 10-K filed on incorporated herein by reference.
10.31	First Amendment to Employment Agreement, dated as of December 31, 2008, by and b and Roger P. Van Broeck, filed as Exhibit 10.7 to the Company s Quarterly Report on January 14, 2009 and incorporated herein by reference.
10.32*	Employment Agreement, dated as of March 3, 2008, by and between Biomet, Inc. and J
10.33*	First Amendment to Employment Agreement, dated as of December 31, 2008, by and b and Jon Serbousek.
10.34	Change in Control Agreement, dated as of September 20, 2006, by and between Biomet Van Broeck, filed as Exhibit 10.10 to the Company s Quarterly Report on Form 10-Q f 2009 and incorporated herein by reference.
10.35	First Amendment to Change in Control Agreement, dated as of December 31, 2008, by Biomet, Inc. and Roger P. Van Broeck, filed as Exhibit 10.11 to the Company s Quarte 10-Q filed on January 14, 2009 and incorporated herein by reference.
10.36	Separation, Release and Consultancy Agreement, dated May 8. 2006, by and among Bi A. Miller, Ph. D., filed as Exhibit 10.1 to the Company s Current Report on Form 8-K and incorporated herein by reference.
12*	Computation of Ratio of Earnings to Fixed Charges.
14.1	Code of Business Conduct and Ethics, as amended on May 6, 2009, filed as Exhibit 14. Current Report on Form 8-K filed on May 12, 2009 and incorporated herein by referenc
16	Letter re Change in Certifying Accountant, filed as Exhibit 16 to the Company s Regis Form S-4 dated May 6, 2008 and incorporated herein by reference.
21*	Subsidiaries of Biomet, Inc, filed as Exhibit 21 to the Company s Registration Stateme May 6, 2008 and incorporated herein by reference.
23.1*	Consent of Independent Registered Public Accounting Firm (Predecessor)
23.2*	Consent of Independent Registered Public Accounting Firm (Successor)
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley
32.1*	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 Sarbanes-Oxley Act of 2002.

* Filed herewith.

Management contract or compensatory plan or arrangement.