

BIOMET INC
Form 10-K/A
September 10, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

(Mark One)

b ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2008.

OR

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

For the transition period from _____ to _____.

Commission file No. 001-15601.

BIOMET, INC.

(Exact name of registrant as specified in its charter)

Indiana
(State of incorporation)

35-1418342
(IRS Employer Identification No.)

56 East Bell Drive, Warsaw, Indiana
(Address of principal executive offices)

46582
(Zip Code)

(574) 267-6639

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by checkmark whether the registered is a shell company (as defined in Rule 12b-2 of the Act). Yes No

As of November 30, 2007, the last business day of the registrant's most recently completed second fiscal quarter, there was no established public trading market for any of the common stock of the registrant. As of May 31, 2008, there were 1,000 shares of common stock of the registrant outstanding, all of which were owned by LVB Acquisition, Inc.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

Biomet, Inc. (the Company) is filing this Amendment No. 1 on Form 10-K/A (Amendment No. 1 on Form 10-K/A) to the Company's Annual Report on Form 10-K for the year ended May 31, 2008, which was originally filed on August 28, 2008 (the Original Filing), to:

amend the disclosure in Part III, Item 10 (Directors, Executive Officers and Corporate Governance) of the Original Filing to amend and restate the information provided under the Directors heading to correct a typographical error relating to the age of Jeffrey R. Binder;

amend the disclosure in Part III, Item 11 (Executive Compensation) of the Original Filing to amend and restate the Director Compensation Table to reference the Company's previously disclosed Separation, Release and Consultancy Agreement dated May 8, 2006 with Dane A. Miller, Ph.D. and the payments made thereunder; and

amend and restate the Exhibit Index of the Original Filing to incorporate by reference as Exhibit 10.31 the Company's Separation, Release and Consultancy Agreement dated May 8, 2006 with Dane A. Miller, Ph.D., which agreement was originally filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 10, 2006.

In addition, this amendment includes the following exhibits:

Exhibit 31.1 Certification of President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)

Exhibit 31.2 Certification of Senior Vice President and Chief Financial Officer under Rule 13(a)-14(a)/15d-14(a)

Exhibits 31.1 and 31.2 hereto have been provided with respect to and in light of the disclosure being amended. This Amendment No. 1 on Form 10-K/A does not reflect events occurring after the filing of the Original Filing or include, or otherwise modify or update, the disclosure contained therein in any way except as expressly indicated above.

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, 2008, business address and current principal occupation or employment, and business experience for the past five years of Biomet's Board of Directors.

Jeffrey R. Binder, age 45 Director since 2007

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

Jonathan J. Coslet, age 42 Director since 2007

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

Michael Dal Bello, age 36 Director since 2007

Mr. Dal Bello has been a Principal in the Private Equity Group of The Blackstone Group since December 2005 and was an Associate in this group from 2002 until December 2005. Prior to joining Blackstone, Mr. Dal Bello received an M.B.A. from Harvard Business School in 2002. Mr. Dal Bello serves on the board of directors of Catalent Pharma Solutions, Inc., Global Tower Partners, Sithe Global Power, LLC, Team Finance LLC and Vanguard Health Systems, Inc.

Adrian Jones, age 43 Director since 2007

Mr. Jones has been a Managing Director of Goldman, Sachs & Co. since 2002 and has worked at Goldman, Sachs & Co. since 1994. Mr. Jones serves on the board of directors of Burger King Holdings, Inc., Dollar General Corporation, Education Management Corporation, and HealthMarkets, Inc.

David McVeigh, age 40 Director since 2007

Mr. McVeigh is an executive director at Blackstone in the private equity group. Mr. McVeigh recently joined Blackstone from McKinsey & Company, where he spent 12 years and was a partner. At McKinsey, Mr. McVeigh was one of the leaders of the North American Chemicals practice and the Northeast Energy and Materials practice. Mr. McVeigh serves on the board of directors of Michaels Stores, Inc.

Michael Michelson, age 56 Director since 2007

Mr. Michelson has been a member of the limited liability company that serves as the general partner of KKR since 1996 and, prior thereto, was a general partner of KKR. Mr. Michelson serves on the board of directors of Accellent Inc., Jazz Pharmaceuticals, Inc. and HCA, Inc.

Dane A. Miller, Ph.D., age 62 Director since 2007

Dr. Miller is one of our four founders and served as our President, Chief Executive Officer and a director from 1977 until 2006. Dr. Miller serves on the board of directors of 1st Source Corporation, ForeTravel, Inc., the Indiana Economic Development Corporation, the University of Chicago Health Systems and the World Craniofacial Foundation.

John Saer, age 51

Director since 2007

Mr. Saer has been an executive of the limited liability company that serves as the general partner of KKR since 2001. Mr. Saer serves on the board of directors of KSL Holdings Corporation and ACTS Corporation.

Todd Sisitsky, age 36

Director since 2007

Mr. Sisitsky has been a Partner of TPG since 2007. From 2003 until 2007, he was an Investor at TPG. From 2001 until 2003, he was an Investor/Associate at Forstmann Little & Co. Mr. Sisitsky serves on the board of directors of IASIS Healthcare Corp., Fenwal, Inc., Surgical Care Affiliates, and Axcan Pharma.

Gregory L. Summe, age 51

Director since 2008

Mr. Summe is the Executive Chairman of the Board of PerkinElmer, Inc. and a Senior Advisor to Goldman Sachs Capital Partners. From 1999 until 2008, Mr. Summe was the Chief Executive Officer and Chairman and from 1998 to 2007, he was the President of PerkinElmer, Inc. Mr. Summe also serves on the board of directors of the State Street Corporation and Automatic Data Processing, Inc.

Biomet's Board of Directors consists of ten directors. Each of Biomet's Sponsors has the right to nominate, and have nominated, two directors to serve on the Board of Directors. Following Purchaser's purchase of the Biomet's shares, the Sponsors jointly appointed Dr. Miller and Jeffrey R. Binder to the Board of Directors in addition to the two directors appointed by each of the Sponsors. Because of these requirements, together with the Sponsors' ownership of Biomet's outstanding common shares through Parent, Biomet does not currently have a policy or procedure with respect to shareholder nominees to the Board of Directors. Though not formally considered by the Board given that Biomet's securities are not registered or traded on any national securities exchange, based upon the listing standards of the NASDAQ National Market, the national securities exchange upon which Biomet's common stock was listed prior to the Transactions, Biomet currently does not believe that any of Messrs. Coslet, Dal Bello, Jones, McVeigh, Michelson, Saer, Sisitsky or Summe would be considered independent because of their relationships with the Sponsors, who own Biomet's outstanding common shares through Parent, and that Messrs. Binder and Miller would not be considered independent because of their relationships with Biomet. See Item 13, Certain Relationships and Related Transactions.

Each of Messrs. Coslet, Dal Bello, Jones, McVeigh, Michelson, Saer, Sisitsky and Summe is a partner, member or employee of an entity affiliated with one of the investment funds that indirectly own all of the equity interests in LVB Acquisition, LLC (LVB) and generally is entitled to be indemnified by such entity for his service on Biomet's Board pursuant to such entities' 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 described below, none of the directors or any of his or her affiliates (1) has a familial relationship with any directors or executive officers of Biomet or (2) has been involved in any transactions with Biomet or any of its directors, officers or affiliates which are required to be disclosed pursuant to the rules and regulations of the SEC, except as may be disclosed herein.

Item 11. Executive Compensation.

Introduction

Throughout fiscal 2007 and the first four months of fiscal 2008, we were a public company, with our common stock traded on the NASDAQ National Market. As such, the Compensation Committee of our Board of Directors was responsible for developing, implementing and administering our cash and equity compensation policies. As a result of the Transactions, however, many of our compensation arrangements that had been in place during the 2007 fiscal year and the beginning of the 2008 fiscal year were discontinued in connection with

the Transactions. In connection with the Transactions, each member of our Board of Directors (other than Mr. Binder, our President and Chief Executive Officer) serving prior to the Transactions resigned from our Board of Directors and all committees thereof (including our Compensation Committee) and new members of the Board were appointed by our sole shareholder, Parent, on behalf of the Sponsors.

Compensation and related matters during the 2008 fiscal year were reviewed and approved by (1) the Compensation Committee of the Company with respect to periods prior to consummation of the Transactions and (2) the Compensation Committees of Holding, Parent and the Company with respect to periods after consummation of the Transactions, which we refer to, collectively, as the Compensation Committee.

Compensation Discussion and Analysis

This section includes information regarding, among other things, the overall objectives of our compensation programs and each element of compensation that we provided, in each case with respect to the 2008 fiscal year. The goal of this section is to provide a summary of our executive compensation practices and the decisions that we made during this period concerning the compensation package payable to our executive officers, including the six executives in the Summary Compensation Table. Each of the six executives listed in the Summary Compensation Table is referred to herein as a named executive officer. This Compensation Discussion and Analysis should be read in conjunction with the detailed tables and narrative descriptions under Executive Compensation Tables below.

Compensation Methodology

During the 2008 fiscal year, the Compensation Committee was responsible for administering the compensation and benefit programs for our team members, including named executive officers. The Compensation Committee annually reviews and evaluates cash compensation and equity award recommendations along with the rationale for such recommendations, as well as summary information regarding the aggregate compensation, provided to our executive officers. The Compensation Committee examines these recommendations in relation to our overall objectives. The President and Chief Executive Officer was not a member of the Compensation Committee during the 2008 fiscal year and did not participate in the decisions as to his compensation package.

The most significant development in our executive compensation philosophy during the 2008 fiscal year following the consummation of the Transactions has been a greater emphasis on correlating compensation to long-term equity growth. The Compensation Committee has provided significant equity investment opportunities in our Parent tied to financial objectives through grants of options to purchase shares of Parent and has modified the structure of non-equity awards to provide greater incentives for management performance. The Compensation Committee's decisions for the 2008 fiscal year were made after considering compensation data of an informal peer group of other orthopedic manufacturing companies in our industry and privately owned portfolio companies of the Sponsors. However, the Compensation Committee did not engage in formal benchmarking as part of this informal review in making compensation decisions. In addition, as more fully discussed below, our annual cash bonus program has been redesigned in an effort to more closely align awards to our and our executives' performance. The philosophy and target levels of each of the other compensation elements, including base salary, perquisites, health and welfare and retirement benefits during the 2008 fiscal year have largely continued to correspond to the levels of such awards compared to our informal peer group for periods prior to the Transactions.

Executive Compensation Philosophy and Objectives

Our executive compensation practices are affected by the highly competitive nature of the orthopedics industry and the location of our executive offices in Warsaw, Indiana. The fact that a number of the leading orthopedic manufacturers in the world have significant operations in and around Warsaw, Indiana means that

there are continuing opportunities for experienced orthopedic executives who reside in this area. On the other hand, the fact that Warsaw, Indiana, is a small town in a predominantly rural area can present challenges to attracting executive talent from other industries and parts of the country.

Our executive compensation policies and practices during the 2008 fiscal year reflected the compensation philosophies of our founders and were designed to help achieve the superior performance of our executive officers and management team by accomplishing the following goals:

attracting, retaining and rewarding highly qualified and productive persons;

relating compensation to both company and individual performance;

establishing compensation levels that are internally equitable and externally competitive; and

encouraging an ownership interest and instilling a sense of pride in Biomet.

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

Based on these objectives, the compensation package of our executive officers during the 2008 fiscal year was intended to meet each of the following three criteria: (1) market competitive levels with companies of similar size and performance to us, such as the companies discussed above as our informal peer group; (2) performance based, at risk pay that is based on both short and long-term goals; and (3) incentives that are structured to create alignment between our equity investors and executives.

The Elements of Biomet's Compensation Program

As a result of our compensation philosophies and objectives, the compensation package of our executive officers during the 2008 fiscal year consisted of five primary elements: (1) base salary; (2) non-equity incentive plan awards; (3) stock options and 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 2008 fiscal year was to provide base salaries at rates that we believed to be comparable with positions of executives in the orthopedics industry and other sponsor backed companies outside of the orthopedics industry, in each case of similar responsibility to our executives and other companies of similar size to us. The Compensation Committee reviewed our performance, the executive officer's performance, our future objectives and challenges and the current competitive environment and set the base salary for each executive officer at the beginning of the fiscal year. We consider our 2008 base salaries to have been in line with our compensation objectives.

Non-equity Incentive Plan. Annual cash incentive awards to our named executive officers for the 2008 fiscal year were paid under the terms of a non-equity incentive plan approved by our Compensation Committee following consummation of the Transactions. The principal objective sought to be achieved by our non-equity incentive plan is to align awards with predetermined objectives and thereby improve performance in targeted areas. Payments under the plan are calculated based upon a percentage of an executive's base salary, which are targeted to be competitive with other orthopedic manufacturing companies in our industry and after considering annual cash incentive programs at privately owned portfolio companies of the Sponsors.

Potential payments under the non-equity incentive plan for the 2008 fiscal year could have ranged from 0% to 180% of the an executive's base salary, as a result of corporate, business unit and individual performance. Greater emphasis for Messrs. Binder, Florin, Kashuba and Richardson was placed on corporate performance, while a more significant factor for Messrs. Van Broeck and Scheiss was business unit performance. Corporate and business unit targets for the 2008 fiscal year were EBITDA, net sales and operational objectives (including

manufacturing footprint optimization and implementation of Six Sigma, lean manufacturing, and procurement and offshoring initiatives). Individual performance of named executive officers was determined after considering each executive's leadership ability and contributions to our business during the 2008 fiscal year. With respect to named executive officers other than the Chief Executive Officer, the Compensation Committee also considered the Chief Executive Officer's assessment of their individual performance in determining an individual named executive officer's performance.

The chart below includes information about 2008 fiscal year opportunities and actual payout.

	Non-Equity Incentive Plan Target		Non-Equity Incentive Plan Maximum		Non-Equity Incentive Plan Payout (Paid in July 2008)	
	% of Base Salary	Amount (\$)	% of Base Salary	Amount (\$)	% of Base Salary	Amount (\$)
Jeffrey R. Binder	100%	682,500	180%	1,228,500	131%	840,000
Daniel P. Florin	80%	321,430	144%	578,575	89%	356,708
J. Pat Richardson	60%	155,904	108%	280,627	68%	176,087
Roger Van Broeck(1)	80%	328,201	144%	590,761	68%	278,985
Glen A. Kashuba	80%	318,178	108%	429,540	78%	310,223
Steven F. Schiess	80%	238,968	108%	322,607	78%	232,086

- (1) Mr. Van Broeck is employed in the Netherlands and paid in Euros. To calculate the U.S. dollar equivalent for disclosure purposes, we used a currency conversion rate of 1 Euro to \$1.5557, which represents the currency exchange rate from Euros to U.S. dollars on May 31, 2008 as published in The Wall Street Journal.

Since corporate and business unit target performance goals are generally set consistent with our confidential operating plan for the fiscal year, actual performance above our confidential operating plan would generally result in incentive payments above the target level. Conversely, performance below our confidential operating plan would generally result in incentive payments below the target level. The Compensation Committee and management believe that the metrics for the non-equity incentive plan align well with our objective of relating compensation to both company and individual performance. The specific corporate and business unit targets and ranges of acceptable performance set under the non-equity incentive plan are not disclosed because we believe disclosure of this information would cause competitive harm. These targets and ranges of acceptable performance are based on our confidential operating plan for the 2008 fiscal year and, therefore, achievement is substantially uncertain at the time they are set. The targets are intended to be realistic and reasonable, but challenging, in order to drive sustainable growth and individual performance.

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

In 2008, the Board of Parent adopted an addendum to the 2007 LVB Plan, which provides the ability to grant leveraged equity awards in Parent under the 2007 LVB Plan (the LVB Leveraged Awards, and together with the LVB Options, the LVB Awards). LVB Leveraged Awards permit participants to purchase shares of LVB common stock using the proceeds of non recourse loans from Parent, which shares remain subject to forfeiture 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 of a participant's LVB Award will be forfeited, and that the vested portion of his or her LVB Award will expire on the earlier of (1) the date participant's employment is terminated for cause, (2) 30 days following the date the participant resigns without good reason, (3) 90 days after the date the participant's employment is terminated by us for any reason other than cause, death, disability or the participant's resignation with good reason, (4) one year after the date the participant's employment is terminated by reason 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, purchased pursuant to an LVB Leveraged Award or otherwise), participants must execute a Management Stockholders' Agreement, which provides that the shares are subject to certain transfer restrictions, put and call rights, and tag along and drag along rights (and, with respect to certain senior members of management, limited re offer registration and preemptive rights).

There were 37,520,000 shares of LVB common stock reserved for issuance in connection with LVB Awards to be granted pursuant to the 2007 LVB Plan. The Compensation Committee is responsible for administering the 2007 LVB Plan and authorizing the grant of LVB Awards pursuant thereto, and may amend the 2007 LVB Plan (and any LVB Awards) at any time. LVB Awards may not be granted under the 2007 LVB Plan on or after November 16, 2017. Following the Transactions, a total of 28,373,500 LVB Options were granted to employees and distributors under the 2007 LVB Plan during the 2008 fiscal year and 769,500 LVB Leveraged Awards were granted to employees under the 2007 LVB Plan during the 2008 fiscal year. Of the 23,373,500 LVB Options granted during the 2008 fiscal year, 7,245,000 were granted to our named executive officers and of the 769,500 LVB Leveraged Awards granted during the 2008 fiscal year, none were granted to our named executive officers.

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

Health and Welfare Benefits. Named executive officers have historically received similar benefits to those provided to all other 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 below, during the 2008 fiscal year, named executive officers were provided arrangements which specified payments in the event the executive's employment is terminated. The type and amount of payments varied by executive level and the nature of the termination. These severance benefits, which are competitive with the companies discussed above as our informal peer group and general industry practices, are payable if and only if the executive's employment terminates as specified in the applicable plan document or employment agreement. For more information, refer to Employment Agreements and Potential Post Termination Payments.

Historically, we did not offer management continuity agreements to members of senior management. During the 2007 fiscal year, however, we engaged The Kinsley Group to assist with the preparation of and execution of change in control agreements with members of our senior management team. These agreements were intended to provide for continuity of management in the context of a prospective change in control of Biomet. These agreements were necessary to reinforce and encourage the continued attention and dedication of members of our senior management to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control. In addition, we entered into change

in control agreements with Messrs. Binder, Florin and Richardson, each of whom joined after the Transactions were announced, to provide such executives benefits if the Transactions did not close as expected and a new change in control transaction was consummated. Each of the agreements with Messrs. Binder, Florin and Richardson terminated upon consummation of the Transactions. For further information on the terms of the change in control agreements, refer to Employment Agreements and Potential Post 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 executive officers; however, we do have defined benefit retirement plans for certain of our foreign subsidiaries, discussed herein as our foreign pension plans, which covered certain of our overseas employees. One of these foreign pension plans was applicable to Mr. Van Broeck during the 2008 fiscal year and sponsored by Biomet Europe B.V. (Biomet Europe). During the 2008 fiscal year Biomet Europe provided all employees, whether salaried or hourly, with the opportunity to build up benefits under pension plans as part of Biomet Europe s standard conditions for working in the Netherlands in order to provide a level of retirement benefits competitive with European market conditions. The benefits under this foreign pension plan are generally based on years of service and a calculation of the employee s weighted average final base salary. Detailed explanations of these terms and calculations can be found in the narrative discussion accompanying the Pension Benefits Table in Executive Compensation Tables Retirement And Non-Qualified Defined Contribution And Deferred Compensation Plans Pension Plans below. The investment objective is to enable a fixed, guaranteed payout to the employee at the time of the employee s retirement, except, in the case of Mr. Van Broeck, for a moderate profit sharing provision, which may affect him by providing an additional benefit based on the collective return of the plan assets. The assets covered by the pension plan are managed by independent investment professionals, however, due to the guaranteed payout, policyholders are relatively unaffected by poor performance and affected only by positive investment returns under the profit sharing provision. The net assets of these foreign pension plans did not include any of our common shares as of April 30, 2008 (the same measurement dates used for the 2008 fiscal year with respect to our foreign subsidiaries). For information about Mr. Van Broeck s pension benefits, refer to the Pension Benefits Table in Executive Compensation Tables Retirement And Non-Qualified Defined Contribution And Deferred Compensation Plans Pension Plans below.

In addition, during the 2008 fiscal year our executive officers were eligible to participate in our 401(k) plan (the 401(k) Plan). All team members residing in the United States who are at least 18 years of age and complete at least 90 days of continuous service or work at least 1,000 hours per year were also eligible during the 2008 fiscal year to participate in the 401(k) Plan. Each year we, in our sole discretion, may match 75% of each team member s contributions, up to a maximum amount equal to 5% of the team member s compensation in cash. All contributions to the 401(k) Plan are allocated to accounts maintained on behalf of each participating team member and, to the extent vested, are available for distribution to the team member or beneficiary upon retirement, death, disability or termination of service. The 401(k) Plan generally purchased common shares of Biomet with our matching contribution. Executive officers have also historically participated in our Employee Stock Bonus Plan (the 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), a non-qualified deferred compensation plan, which is available for our senior management. The Deferred Compensation Plan allows eligible participants to defer pre tax compensation to reduce current tax liability and assist those team members in their planning for retirement and other long-term savings goals in a tax effective manner. We do not make any contributions to the Deferred Compensation Plan. Under the Deferred Compensation Plan, eligible participants may defer up to 100% of their base salary and cash bonus payments. Participants received scheduled distributions from the Deferred Compensation Plan are available, which are treated as ordinary income subject to federal and state income taxation at the time of distribution. Except in circumstances of hardship, unscheduled withdrawals are not permitted. Amounts contributed to the Deferred Compensation Plan are at the participant s election and deemed investments, which means that the participants have no ownership interest in the investment alternative selected. The participants deferrals and gains are reflected on our financial statements and are our unsecured general assets. The Deferred Compensation Plan is an

unfunded future promise to pay by us. Neither Biomet nor the Deferred Compensation Plan record keeper provides any guarantee of investment return. We do not pay above market interest rates on deferred amounts of compensation. For more information, refer to Executive Compensation Tables Retirement and Non-Qualified Defined Contribution and Deferred Compensation Plans Non-Qualified Deferred Compensation below.

Policy with Respect to Deductibility of Compensation over \$1 Million. Section 162(m) of the Code generally limits to \$1.0 million the tax deductibility of annual compensation paid to certain executives named in the Summary Compensation Table. However, performance based compensation can be excluded from this limit if it meets certain requirements. Prior to the Transactions, the Compensation Committee's policy was historically to consider the impact of Section 162(m) in establishing compensation for our senior executives. However, the Compensation Committee historically retained the discretion to establish compensation, even if such compensation was not deductible under Section 162(m), if, in the Compensation Committee's judgment, such compensation was in our best interest and was reasonably expected to increase shareholder value. Following the Transactions, because we no longer have publicly held equity, the restrictions of Section 162(m) no longer apply.

Compensation Committee Report

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

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 2007 and 2008 fiscal years by our named executive officers. The total compensation presented below does not reflect the actual compensation received by our named executive officers or the target compensation of our named executive officers during the 2007 and 2008 fiscal years. The actual value realized by our named executive officers during the 2007 and 2008 fiscal years from long-term incentives (options) is presented in the Option Exercises and Stock Vested Table below.

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

Salary. Base salary earned during the 2008 fiscal year. Refer to The Elements of Biomet's Compensation Program Base Salary above for further information concerning this element of our compensation program.

Bonus. For the 2008 fiscal year, we did not have any bonus plans applicable to our named executive officers. Each named executive officer, however, earned an annual performance based cash incentive award as described under Non-equity Incentive Plan Compensation below.

Option Awards. The awards disclosed under the heading Option Awards consist of grants of stock options awarded under the Biomet, Inc. 1998 Qualified and Non-Qualified Stock Option Plan (the 1998 Plan) and 2007

LVB Plan. For further information about our stock option programs, refer to *The Elements of Biomet's Compensation Program Stock Options and Leveraged Share Awards* above. In addition, details about option awards made during the 2008 fiscal year are included in the Grant of Plan Based Awards Table below. The dollar amounts for the awards in the Summary Compensation Table below represent the compensation expense recognized during the 2008 fiscal year under SFAS 123(R) for each named executive officer. The recognized compensation expense of the option awards for financial reporting purposes will likely vary from the actual amount ultimately realized by the named executive officer based on a number of factors. The factors include our actual operating performance, common share price fluctuations, differences from the valuation assumptions used 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 our named executive officers for the 2008 fiscal year was in relation to stock option awards. For information about stock options granted to our named executive officers, see *Option Awards* immediately above.

Non-equity Incentive Plan Compensation. Our named executive officers earned annual incentive bonuses for the 2008 fiscal year. Refer to *The Elements of Biomet's Compensation Program Non-equity Incentive Plan* above for further information concerning this element of our compensation program.

Change in Pension Value and Non-Qualified Deferred Compensation Earnings. We do not sponsor or maintain any pension plans applicable to our U.S. based named executive officers. For Mr. Van Broeck, the change in pension value represents the aggregate change in the actuarial present value of the accumulated benefit under his pension plan sponsored by Biomet Europe from April 30, 2007 to May 31, 2008 (the same measurement dates used for financial statement reporting purposes with respect to our audited financial statements for the 2007 and 2008 fiscal years with respect to our foreign subsidiaries). For information on Mr. Van Broeck's retirement benefits and certain material features of the pension plan in which he participates, refer to *The Elements of Biomet's Compensation Program Retirement Plans* above and *Retirement And 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 2008 fiscal year. Furthermore, we do not pay above market or preferential earnings on non-qualified deferred compensation. For information on the Deferred Compensation Plan, refer to *Compensation Discussion and Analysis Retirement Plans*.

All Other Compensation. The amounts included under the All Other Compensation heading represent the sum of: (1) certain perquisites and other personal benefits; (2) Biomet paid contributions to retirement plans; (3) Biomet paid insurance premiums; (4) certain tax reimbursements made by us; and (5) certain other amounts more fully described in footnote (2) to the Summary Compensation Table.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Option Awards(1) (\$)	Stock Awards(1) (\$)	Non-Equity Incentive Plan Compen- sation (\$)	Change in Pension Value and Non- Qualified Deferred Compen- sation Earnings (\$)	All Other Compen- sation(2) (\$)	Total (\$)
Jeffrey R. Binder, President and Chief Executive Officer	2008	682,500		4,334,395		840,000		1,766,811	7,623,706
	2007	150,050	162,500					71,858	384,408
Daniel P. Florin, Senior Vice President and Chief Financial Officer	2008	401,788		686,279		356,708		13,313	1,458,088
J. Pat Richardson, Corporate Vice President-Finance and Treasurer and Former Interim Chief Financial Officer	2008	259,840		340,560		176,087		16,863	793,350
	2007	25,834	24,722					3,788	54,344
Roger van Broeck, Vice President and President, Biomet Europe	2008	410,251		593,399		278,985		79,109	1,361,744
	2007	386,741	284,235	119,486			77,073(3)	68,311	935,846
Glen A. Kashuba	2008	397,722		928,799		310,223		13,313	1,658,012
Steven F. Schiess	2008	298,710		593,399		232,086		13,313	1,144,390

- (1) For each named executive officer listed in the Summary Compensation Table above, the value reflects the compensation expense recognized by us during the 2008 and 2007 fiscal years under SFAS 123(R). For information on the full grant-date fair value of awards granted solely during the 2008 and 2007 fiscal years, refer to the Grant of Plan-Based Awards Table below and to footnote (1) of the Grant of Plan-Based Awards Table.

We use the Black-Scholes option-pricing model to determine the fair value of options to calculate compensation expense. For information about the assumptions used in determining the compensation expense we recognized during the 2008 and 2007 fiscal years, refer to Note 9 to the consolidated financial statements elsewhere in this Form 10-K.

- (2) The table below presents an itemized account of All Other Compensation provided during the 2007 and 2008 fiscal years. Consistent with our emphasis on performance-based pay, perquisites and other compensation are limited in scope and primarily comprised of retirement benefit contributions and accruals. For each named executive officer listed below, the sum of each of the columns reflects the total value included under the All Other Compensation heading in the table above.

	Year	Life	Retirement	Medical Flex (\$)	Travel Allowance (\$)	Personal Use of Company Aircraft (a)	Other (\$)
		Insurance Premiums (\$)	Plan Contributions (\$)				
Jeffrey R. Binder	2008	63		250	13,000	433,498	1,320,000(b)
	2007			146		63,600	8,112(c)
Daniel P. Florin	2008	63		250	13,000		
J. Pat Richardson	2008	63		250	13,000		3,550(d)
	2007			104			3,684(d)
Roger Van Broeck	2008		44,960		28,501(e)		5,648(f)
	2007		38,811		24,621(e)		4,879(f)
Glen A. Kashuba	2008	63		250	13,000		
Steven F. Schiess	2008	63		250	13,000		

- (a) Our incremental cost for personal use of our aircraft is calculated by multiplying the aircraft's hourly variable operating cost by a trip's flight time, which includes any flight time of an empty return flight. Variable operating costs are based on industry standard rates of our variable operating costs, including fuel and oil costs, maintenance and repairs, landing/ramp fees and other miscellaneous variable costs. On certain occasions, a spouse or other family member may accompany one of our named executive officers on a flight. No additional operating cost is incurred in such situations under the foregoing methodology. We do not pay our named executive officers any amounts in 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 arrange, at our expense, for Mr. Binder to fly once per week to and from Mr. Binder's Texas home and our headquarters or such other location reasonably specified by us during the term of the employment agreement. We will not provide Mr. Binder with a gross up for taxes incurred in connection with these benefits. If, however, Mr. Binder uses a commercial flight and the income imputed in connection with the commercial flight is greater than the amount that would have been imputed to Mr. Binder if he had used our aircraft, we will provide to Mr. Binder a gross up for taxes incurred on the incremental income associated with the commercial flight. Our incremental costs associated with extending these benefits to Mr. Binder are capped at \$500,000 in any twelve-month period. For the purposes of applying this limitation, our incremental cost for commercial flights shall be the cost of Mr. Binder's tickets and for flights on Biomet-operated aircraft shall be the incremental per-hour cost associated with Mr. Binder's flights and other incremental costs related to such flights, such as landing fees, transportation and housing costs of aircrew and other similar costs. The amount that appears under the Personal Use of Company Aircraft heading reflects the amount of this rolling twelve-month allowance that Mr. Binder has used. In addition, pursuant to the employment agreement between us and Mr. Binder dated February 26, 2007, we agreed to purchase Mr. Binder's prior residence in Illinois at its appraised value, to be determined by an independent appraiser, up to \$2,199,000. Furthermore, we agreed to reimburse Mr. Binder for certain capital gains taxes, if any, incurred as a result of the sale of Mr. Binder's prior residence. As a result of the independent appraisal, we purchased Mr. Binder's prior residence for significantly less than the maximum amount and Mr. Binder has not recognized any gain on the sale of his prior residence. As a result of our subsequent sale of Mr. Binder's former residence, the amount paid by us to Mr. Binder is not reflected in the amount shown in the table above for Mr. Binder under the All Other Compensation heading. In addition, because Mr. Binder recognized a loss on the sale of his house, we have not paid any gross up amounts to Mr. Binder in connection with the sale of his house.

- (b) Also, pursuant to the employment agreement between us and Mr. Binder dated February 26, 2007, we agreed to reimburse Mr. Binder up to \$1,320,000 if Mr. Binder is required to pay his former employer in connection with the termination of his previous employment. On September 21, 2007, we paid \$1,320,000 to Mr. Binder in connection with this obligation.
- (c) Represents the cost to us of providing temporary housing to Mr. Binder in Warsaw, Indiana.
- (d) Represents the cost to us of providing temporary housing to Mr. Richardson in Warsaw, Indiana.
- (e) Represents the cost to us of providing a car to Mr. Van Broeck.
- (f) Represents the Biomet-paid portion of Mr. Van Broeck's government mandated health and wellness expense.

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In addition to the foregoing compensation, named executive officers also participated in health and welfare benefit programs, including vacation and medical, dental, prescription drug and disability coverage. These programs are generally available and comparable to those programs provided to all U.S. salaried employees.

- (3) Mr. Van Broeck is employed in the Netherlands and paid in Euros. To calculate the U.S. dollar equivalent for disclosure purposes, we used a currency conversion rate of 1 Euro to \$1.5566, which represents the currency exchange rate from Euros to U.S. dollars on May 31, 2008 as published in The Wall Street Journal.

Grants of Plan-Based Awards Table

As discussed in further detail in Compensation Discussion and Analysis Introduction above, in connection with the Transactions all stock options outstanding under the 1998 Plan and the Biomet, Inc. 2006 Equity Incentive Plan (the 2006 Plan) (whether held by officers, directors, employees or distributors) were cancelled and the holders thereof became entitled to receive from us an amount equal to the excess, if any, of the \$46.00 offer price over the option exercise price for each share subject to the stock option, in each case, less any applicable withholding taxes and without interest and regardless of whether or not the awards were then vested or exercisable. Following consummation of the Transactions, the 2007 LVB Plan was established. For a further discussion of the 2007 LVB Plan, see The Elements of Biomet s Compensation Program Stock Options and Leveraged Share Awards. During the 2008 fiscal year, we granted stock options to our named executive officers under the 2007 LVB Plan. Information with respect to each of these awards on a grant-by-grant basis is set forth in the table below. For additional discussion of the 2007 LVB Plan and certain material terms of the stock option awards under this plan, refer to The Elements of Biomet s Compensation Program Stock Options and Leveraged Share Awards. All stock option awards to our named executive officers during the 2008 fiscal year were made such that the exercise price of the awards was equal to the fair market value of LVB s common shares on the date of grant.

During the 2008 fiscal year, we also granted cash incentive awards to our named executive officers under our non-equity incentive plan. Information with respect to each of these payments is set forth in the table below. For additional discussion of our non-equity incentive plan, refer to The Elements of Biomet s Compensation Program Non-Equity Incentive Plan.

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 Other Option Awards: Number of Securities Underlying Options (#)	Exercise of Base Price of Option Awards (\$/Sh)
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