UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

T ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2009
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 Number: 0-19961

ORTHOFIX INTERNATIONAL N.V.

(Exact name of registrant as specified in its charter)

Netherlands Antilles	N/A
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7 Abraham de Veerstraat Curaçao Netherlands Antilles	N/A
(Address of principal executive offices)	(Zip Code)

599-9-4658525

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.10 par value	Nasdaq Global Select Market
(Title of Class)	**(Name of Exchange on Which Registered)**

Securities registered pursuant to Section 12(g) of the Act :

None

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

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 T

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 at least the past 90 days.
Yes T No ☐

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 ☐ 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 "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated filer ☐ Accelerated filer T Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

The aggregate market value of registrant’s common stock held by non-affiliates, based upon the closing price of the common stock on the last business day of the registrant’s most recently completed second fiscal quarter, June 30, 2009, as reported by the Nasdaq Global Select Market, was approximately $418 million.

As of February 26, 2010, 17,509,333 shares of common stock were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the registrant's Definitive Proxy Statement to be filed with the Commission in connection with the 2010 Annual General Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

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Forward-Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, relating to our business and financial outlook, which are based on our current beliefs, assumptions, expectations, estimates, forecasts and projections. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “intends,” “predicts,” “potential” or “continue” or other comparable terminology. These forward-looking statements are not guarantees of our future performance and involve risks, uncertainties, estimates and assumptions that are difficult to predict. Therefore, our actual outcomes and results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any of these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any such statement, or the risk factors described in Item 1A under the heading “Risk Factors,” to reflect new information, the occurrence of future events or circumstances or otherwise.

Factors that could cause or contribute to such differences may include, but are not limited to, risks relating to the expected sales of its products, including recently launched products, unanticipated expenditures, changing relationships with customers, suppliers, strategic partners and lenders, changes to and the interpretation of governmental regulations, ongoing governmental investigations of our businesses which could result in civil or criminal liability or findings of violations of law (as further described in the “Legal Proceedings” sections of this Form 10-K and in our quarterly reports on Form 10-Q), risks relating to the protection of intellectual property, changes to the reimbursement policies of third parties, the impact of competitive products, changes to the competitive environment, the acceptance of new products in the market, conditions of the orthopedic industry, credit markets and the economy, corporate development and market development activities, including acquisitions or divestitures, unexpected costs or operating unit performance related to recent acquisitions, and other risks described in Item 1A under the heading “Risk Factors” in this Form 10-K.

PAR T I

Item 1. Business

In this Form 10-K, the terms "we", "us", "our", "Orthofix" and "our Company" refer to the combined operations of all of Orthofix International N.V. and its respective consolidated subsidiaries and affiliates, unless the context requires otherwise.

Company Overview

We are a diversified orthopedic products company offering a broad line of surgical and non-surgical products for the Spine, Orthopedics, Sports Medicine and Vascular market sectors. Our products are designed to address the lifelong bone-and-joint health needs of patients of all ages, helping them achieve a more active and mobile lifestyle. We design, develop, manufacture, market and distribute medical equipment used principally by musculoskeletal medical specialists for orthopedic applications. Our main products are invasive and minimally invasive spinal implant products and related human cellular and tissue based products ("HCT/P products"), non-invasive bone growth stimulation products used to enhance the success rate of spinal fusions and to treat non-union fractures, external and internal fixation devices used in fracture treatment, limb lengthening and bone reconstruction, and bracing products used for ligament injury prevention, pain management and protection of surgical repair to promote faster healing. Our products also include a device for enhancing venous circulation, cold therapy, bone cement and devices for removal of bone cement used to fix artificial implants and airway management products used in anesthesia applications.

We have administrative and training facilities in the United States ("U.S.") and Italy and manufacturing facilities in the U.S., the United Kingdom, Italy and Mexico. We directly distribute our products in the U.S., the United Kingdom, Italy, Germany, Switzerland, Austria, France, Belgium, Mexico, Brazil and Puerto Rico. In several other markets we distribute our products through independent distributors.

Orthofix International N.V. is a limited liability company, organized under the laws of the Netherlands Antilles on October 19, 1987. Our principal executive offices are located at 7 Abraham de Veerstraat, Curaçao, Netherlands Antilles, telephone number: 599-9-465-8525. Our filings with the Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Annual Proxy Statement on Schedule 14A and amendments to those reports, are available free of charge on our website as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Information on our website or connected to our website is not incorporated by reference into this Form 10-K. Our Internet website is located at http://www.orthofix.com . Our SEC filings are also available on the SEC Internet website as part of the IDEA database (http://www.sec.gov).

2009 and 2010 Business Highlights

Product Portfolio Highlights

We continued to expand our products with several new product developments and acquisitions. We also continued to expand our global distribution of our broad product portfolios.

- We began the full market release of Trinity® Evolution™ in collaboration with Musculoskeletal Transplant Foundation ("MTF"). Trinity® Evolution™ is a stem cell-based bone growth matrix designed to advance the surgical use of allografts by providing characteristics similar to an allograft in spinal and orthopedic procedures.
- In 2009, we began the full market release of three of our new products: PILLAR™ SA spine interbody device, Firebird™ Spinal Fixation System, and Ascent® LE Posterior Occipital Cervico-Thoracic ("POCT") system.
- We expanded our line of Breg FUSION® function knee braces with the introduction of the new Lateral OA Brace. The new Lateral OA Brace is designed to improve comfort and reduce arthritis pain.

- We launched Vectra™ Premium Air Walker Boots which are an innovative new line of foot and ankle products designed to improve comfort and promote healing.
- We entered into a license and product development agreement with Stout Medical Group, LP for the development and marketing of a new expandable vertebral body replacement and corpectomy device. The initial term of the agreement is 15 years and gives us exclusive global licensing rights to the new device which is expected to be introduced during the second half of 2010.
- In October 2009, we transitioned out of our agreement to distribute the Laryngeal Mask product in Italy. We will transition out of our agreement to distribute the Laryngeal Mask product in the United Kingdom in June 2010.

Global Distribution Highlights

- We committed $2.0 million in funding to MTF in conjunction with its plans to significantly increase the production capacity of Trinity® Evolution™, the new adult stem cell-based bone growth allograft the Company developed with MTF and launched on July 1, 2009.
- Our subsidiary, Orthofix Inc., was awarded accreditation status by the Accreditation Commission for Health Care, Inc. for the provision of Durable Medical Equipment, Prosthetics, Orthotics, and Supplies services. This demonstrates our commitment to maintain a higher level of competency and strive for excellence in our products, services, and customer satisfaction.
- We entered into a five year agreement with the MBA Group to expand distribution of the Company's spinal implant and biologic devices in the United Kingdom.
- We entered into an expanded three-year supply agreement with Novation where under the terms of the agreement, Breg will continue to supply Novation with its comprehensive lines of functional, osteoarthritic ("OA"), patellofemoral and postoperative knee braces. Additionally, under this new agreement Breg will also provide the Voluntary Hospitals of America ("VHA"), University Health System Consortium ("UHC"), and Provista member hospitals with its bracing products for the upper and lower extremities, including shoulder bracing, walkers, and ankle bracing.

Business Highlights

Key Management Changes – We made several key management changes recently. In 2009, we appointed Kevin L. Unger to the position of President of Orthofix Spinal Implants and Eric Brown to the position of President, Spine Stimulation. In addition, Bradley R. Mason transitioned from the position of Group President, North America and into the role as Strategic Advisor to the Company during 2009.. Also in 2009, we announced Michael Mainelli has joined our Board of Directors.

Consolidation and Reorganization of Businesses – During 2009, we continued our plan to consolidate and reorganize our spine business which will combine the current operations of our Spine Implants business in New Jersey and Massachusetts into our Texas facility which currently houses our spine stimulation and U.S. orthopedics operations. This initiative is part of our effort to increase our operating efficiency and reduce expenses.

Deleveraging the Balance Sheet – We continue to focus on reducing the balance on our credit facility. In 2009, we made principal payments of approximately $28.3 million on our credit facility, of which, $25.0 million were voluntary prepayments and made in advance of the scheduled maturity date. The outstanding credit facility balance was $252.4 million and $280.7 million at December 31, 2009 and 2008, respectively. Our leverage ratio, as defined in the credit facility was 2.6 at December 31, 2009.

Business Strategy

Our business strategy is to offer innovative products to the Spine, Orthopedics, Sports Medicine, and Vascular market sectors that reduce both patient suffering and healthcare costs. Our strategy for growth and profitability includes the following initiatives by market sector:

Spine: Provide a portfolio of non-invasive and implantable products that allow physicians to successfully treat a variety of spinal conditions. Our main tactics and objectives are:

- Increase revenues with market penetration of spine stimulation;
- Continue new product introductions of spinal implants and biologics with a focus on building a strong foundation of competitive core fusion products to ensure that our product portfolio addresses all aspects of spinal fusion therapy including degenerative disc disease, deformity and tumor/trauma market segments;
- Improve gross margins on spinal implants and biologic products with the efficient use of research and development resources, increasing operating leverage with original equipment manufacturer ("OEM") vendors, and the continued ramp up and introduction of Trinity® Evolution™; and
- Decrease sales and marketing and general and administrative expenses with the previously mentioned consolidation and reorganization plan.

Orthopedics: Provide a portfolio of non-invasive and implantable products that allow physicians to successfully treat a variety of Orthopedic conditions ranging from trauma to deformity correction. Our main tactics and objectives are:

- Continue new product introductions;
- Maintain focus on sales of internal fixation, external fixation along with deformity correction devices by expanding sales into the U.S., Latin America, Europe, and Asia;
- Optimize product offerings within each of our geographic markets;
- Focus on sales of long-bone stimulation and biologics in U.S.;
- Continue the ramp up and introduction of Trinity® Evolution™; and
- Decrease sales and marketing and general and administrative expenses with the previously mentioned consolidation and reorganization plan.

Sports Medicine: Provide a portfolio of non-invasive products that allow physicians and clinicians to treat a variety of Orthopedic conditions in order to minimize pain and restore mobility to their patients. Our main tactics and objectives are:

- Leverage strong distribution channels with well-established distributor partners;
- Leverage strong market share in high growth areas such as Osteoarthritis knee bracing and cold therapy; and
- Launch innovative products and services into new and existing market segments.

Other Financial and Business Initiatives:

- Reduce operating losses and improve cash flow at Spinal Implants and Biologics;
- Continue deleveraging the balance sheet;
- Continue to expand applications for our products by utilizing synergies among our core technologies;
- Continue to enhance physician relationships through extensive product education and training programs; and
- Continue to strengthen contracting and reimbursement relationships.

Business Segments and Market Sectors

Our business is divided into four reportable segments: Domestic, Spinal Implants and Biologics, Breg, and International. Domestic consists of operations of our subsidiary Orthofix Inc., which uses both direct and distributor sales representatives to sell Spine and Orthopedic products to hospitals, doctors, and other healthcare providers in the U.S. market. Spinal Implants and Biologics consists of Blackstone Medical, Inc., and its two subsidiaries, Blackstone GmbH and Goldstone GmbH. Spinal Implants and Biologics specializes in the design, development and marketing of spinal implant and related HCT/P products. Spinal Implants and Biologics distributes its products through a network of domestic and international distributors, sales representatives and affiliates. Breg designs, manufactures, and distributes orthopedic products for post-operative reconstruction and rehabilitative patient use and sells those Sports Medicine products through a network of domestic and international distributors, sales representatives, and affiliates. International consists of locations in Europe, Mexico, Brazil, and Puerto Rico, as well as independent distributors outside the U.S. International uses both direct and distributor sales representatives to sell Spine, Orthopedics, Sports Medicine, Vascular, and Other products to hospitals, doctors and other healthcare providers.

Business Segment:

	Year ended December 31, (US$ in thousands)					
	2009		2008		2007	
	Net Sales	Percent of Total Net Sales	Net Sales	Percent of Total Net Sales	Net Sales	Percent of Total Net Sales
Domestic	$ 210,703	38%	$ 188,807	36%	$ 166,727	34%
Spinal Implants and Biologics	118,680	22%	108,966	21%	115,914	24%
Breg	92,188	17%	89,478	17%	83,397	17%
International	124,064	23%	132,424	26%	124,285	25%
Total	$ 545,635	100%	$ 519,675	100%	$ 490,323	100%

Additional financial information regarding our business segments can be found in Part II, Item 7 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as well as in Part II, Item 8 under the heading “Financial Statements and Supplementary Data”.

We maintain our books and records by business segment; however, we use market sectors to describe our business. The Company’s segment information is prepared on the same basis that the Company’s management reviews the financial information for operational decision making purposes. Market sectors, which categorize our revenues by types of products, describe the nature of our business more clearly than our business segments.

Our market sectors are Spine, Orthopedics, Sports Medicine, Vascular, and Other.

Market Sector:

	Year ended December 31, (US$ in thousands)					
	2009		2008		2007	
	Net Sales	Percent of Total Net Sales	Net Sales	Percent of Total Net Sales	Net Sales	Percent of Total Net Sales
Spine	$ 279,425	51%	$ 252,239	49%	$ 243,165	49%
Orthopedics	131,310	24%	129,106	25%	111,932	23%
Sports Medicine	96,366	18%	94,528	18%	87,540	18%
Vascular	18,710	3%	17,890	3%	19,866	4%
Other	19,824	4%	25,912	5%	27,820	6%
Total	$ 545,635	100%	$ 519,675	100%	$ 490,323	100%

Additional financial information regarding our business segments can be found in Part II, Item 7 under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, as well as in Part II, Item 8 under the heading “Financial Statements and Supplementary Data”.

Products

Our revenues are generally derived from the sales of products in four market sectors, Spine (51%), Orthopedics (24%), Sports Medicine (18%) and Vascular (3%), which together accounted for 96% of our total net sales in 2009. Sales of Other products, including airway management products for use during anesthesia, woman's care and other products, accounted for 4% of our total net sales in 2009.

The following table identifies our principal products by trade name and describes their primary applications:

Product	Primary Application
Spine Products	
Cervical-Stim ®	Pulsed electromagnetic field ("PEMF") non-invasive cervical spine bone growth stimulator
Spinal-Stim ®	PEMF non-invasive lumbar spine bone growth stimulator
Alloquent ® Allografts	Interbody devices made of cortical bone that are designed to restore the space that has been lost between two or more vertebrae due to a degenerated disc
Trinity ® Evolution™ Viable Cryopreserved Cellular Bone Matrix	An adult stem cell-based bone growth matrix used during surgery that is designed to enhance the success of a spinal fusion procedure
3 Degree™ / Reliant™ Anterior Cervical Plating Systems	Plating systems implanted during anterior cervical spine fusion procedures
Hallmark ® Anterior Cervical Plate System	A cervical plating system implanted during anterior cervical spine fusion procedures
Ascent ® LE Posterior Occipital Cervico-Thoracic ("POCT") System	A system of pedicle screws and rods implanted during a posterior spinal fusion procedure involving the stabilization of several degenerated or deformed cervical vertebrae
NewBridge ® Laminoplasty Fixation System	A device implanted during a posterior surgical procedure designed to expand the cervical vertebrae and relieve pressure on the spinal canal
Construx ® Mini Polyetheretherketones ("PEEK") Vertebral Body Replacement ("VBR") System	Smaller, unibody versions of the Construx PEEK VBR System, implanted during the replacement of degenerated or deformed spinal vertebrae
Construx ® PEEK VBR System	A modular device implanted during the replacement of degenerated or deformed spinal vertebrae to provide additional anterior support
NGage ® Surgical Mesh System	A modular metallic interbody implant placed between two vertebrae designed to restore disc space and increase stability that has been lost due to degeneration or deformity

Product	Primary Application
Spine Products (continued)	
PILLAR™ PL & TL PEEK VBR System	Interbody devices for Posterior Lumbar Interbody Fusion (“PLIF”) and Trans-laminar Lumbar Interbody Fusion (“TLIF”) procedures
PILLAR™ AL PEEK Partial VBR System	An intervertebral body fusion device for Anterior Lumbar Interbody Fusion (“ALIF”) procedures
PILLAR™ SA PEEK Spacer System	An intervertebral body fusion device that incorporates screw fixation to optimize implant stability
Firebird™ Spinal Fixation System	A system of rods, crossbars and modular pedicle screws designed to be implanted during a minimally invasive posterior lumbar spine fusion procedure
ProView™ Minimal Access Portal (“MAP”) System	An instrument system for minimally invasive posterior lumbar spinal fusion, including tubular and expandable retractors, a percutaneous screw delivery system and the ONYX™ System for Disc removal and interbody space preparation
Unity ® Lumbosacral Fixation System	A plating system implanted during anterior lumbar spine fusion procedures
Orthopedic Products	
Fixation	External fixation and internal fixation, including the Sheffield Ring, limb-lengthening systems, DAF, ProCallus ®, XCaliber™, Contours VPS ®, VeroNail ®, Centronail ®, PREFIX ™, and Gotfried PC.C.P ®
Physio-Stim ®	PEMF long bone non-invasive bone growth stimulator
Trinity ® Evolution™ Viable Cryopreserved Cellular Bone Matrix	An adult stem cell-based bone growth matrix used during surgery that is designed to facilitate bone fusion
Eight-Plate Guided Growth System ®	Treatment for the bowed legs or knock knees of children
ISKD ®	Internal limb-lengthening device
Limb Reconstruction System (“LRS”) and LRS ADVanced	External fixation for lengthenings and corrections of deformity
TrueLok ™	Ring fixation system for limb lengthening and deformity correction
Origen™ DBM with Bioactive Glass	A bone void filler
Cemex ®	Bone cement
OSCAR	Ultrasonic bone cement removal

Product	Primary Application
Sports Medicine Products	
Breg ® Bracing	Bracing products which are designed to provide support and protection of limbs, extremities and back during healing and rehabilitation
Polar Care ® and KODIAK ®	Cold therapy products that are designed to reduce swelling, pain and accelerate the rehabilitation process
Vision ™ Inventory Management System	Web based inventory system customized to enable efficient management of orthopedic devices in physician office and remote inventory locations
Vascular Products	
A-V Impulse System ®	Enhancement of venous circulation, used principally after orthopedic procedures to prevent deep vein thrombosis
Non-Orthopedic Products	
Laryngeal Mask	Maintenance of airway during anesthesia
Other	Several non-orthopedic products for which various Orthofix subsidiaries hold distribution rights

We have proprietary rights in all of the above products with the exception of the Laryngeal Mask, Cemex ®, ISKD ®, and Eight-Plate Guided Growth System ®. We have the exclusive distribution rights for the Cemex ® in Italy, for the Laryngeal Mask in the United Kingdom and Ireland through June 2010, and for the ISKD ®, Eight-Plate Guided Growth System ® and Contour VPS ® worldwide.

We have numerous trademarked products and services including but not limited to the following: Orthofix ®, Blackstone ®, Breg ®, Spinal-Stim ®, Cervical-Stim ®, Origen™ DBM, 3 Degree™, Reliant™, Hallmark ®, Firebird™, Ascent ®, Construx ®, Unity ®, Ngage ®, Newbridge ®, Trinity ® Evolution™, PILLAR™, Alloquent ®, ProView™, ProCallus ®, XCaliber™, VeroNail ®, Centronail ®, PREFIX ™, Gotfried PC.C.P ®, Physio-Stim ®, TrueLok™, Polar Care ®, and Fusion ®.

Spine

Spine product sales represented 51% of our total net sales in 2009.

Neck and back pain is a common health problem for many people throughout the world and often requires surgical or non-surgical intervention for improvement. Neck and back problems are usually of a degenerative nature and are generally more prevalent among the older population. As the population ages, we believe physicians will see an increasing number of patients with degenerative spine issues who wish to have a better quality of life than that experienced by previous generations. Treatment options for spine disorders are expected to expand to fill the existing gap between conservative pain management and invasive surgical options, such as spine fusion.

We believe that our Spine products are positioned to address the needs of spine patients at many points along the continuum of care, offering non-operative, pre-operative, operative and post-operative products. Our products currently address the cervical fusion segment as well as the lumbar fusion segment which is the largest sub-segment of the spine market.

Our Spinal Implants and Biologics division offers a wide array of spinal implants used during surgical procedures intended to treat a variety of spine conditions. Many of these surgeries are fusion procedures in the cervical, thoracic and lumbar spine that utilize Spinal Implants and Biologics' metal plates, rods and screws, interbody spacers, or vertebral body replacement devices, and HCT/P, as well as interbody spacers to promote bone growth.

Additionally, bone growth stimulators used in spinal applications are designed to enhance the success rate of certain spinal fusions by stimulating the body's own natural healing mechanism post-surgically. These non-invasive portable devices are intended to be used as part of a home treatment program prescribed by a physician.

Spinal Implants

The human spine is made up of 33 interlocking vertebrae that protect the spinal cord and provide structural support for the body. The top seven vertebrae make up the cervical spine, which bears the weight of the skull and provides the highest range of motion. The next 17 mobile vertebrae encompass the thoracic and lumbar, or thoracolumbar, sections of the spine. The thoracic spine (12 vertebrae) helps to protect the organs of the chest cavity by attaching to the rib cage, and is the least mobile segment of the spine. The lumbar spine (five vertebrae) carries the greatest portion of the body's weight, allowing a degree of flexion, extension and rotation thus handling the majority of the bending movement. Additionally five fused vertebrae make up the sacrum (part of the pelvis) and four vertebrae make up the final part of the spine, the coccyx.

Spinal bending and rotation are accomplished through the vertebral discs located between each vertebra. Each disc is made up of a tough fibrous exterior, called the annulus, which surrounds a soft core called the nucleus. Excess pressure, deformities, injury or disease can lead to a variety of conditions affecting the vertebrae and discs that may ultimately require medical intervention in order to relieve patient pain and restore stability in the spine.

Spinal fusion is the permanent union of two or more vertebrae to immobilize and stabilize the affected portion of the spine. Most fusion surgeries involve the placement of a bone graft between the affected vertebrae, which is typically held in place by metal implants that also provide stability to the spine until the desired growth of new bone can complete the fusion process. These implants typically consist of some combination of rods, screws and plates that are designed to remain in the patient even after the fusion has occurred.

Most fusion procedures performed on the lumbar area of the spine are done from the posterior, or back, while the majority of cervical fusions are performed from the anterior, or front, of the body. However, the growing use of mesh cages and other interbody devices has resulted in the increasing use of an anterior, or frontal, approach to many lumbar surgeries. Interbody devices are small hollow implants typically made of either bone, metal or a thermoplastic compound called Polyetheretherketones ("PEEK") that are placed between the affected vertebrae to restore the space lost by the degenerated disc. The hollow spaces within these interbody devices are typically packed with some form of bone grafting material designed to accelerate the formation of new bone around the graft which ultimately results in the desired fusion.

Spinal Implants and Biologics provides a wide array of implants designed for use primarily in cervical, thoracic and lumbar fusion surgeries. These implants are made of metal, bone, or PEEK. Additionally, Spinal Implants and Biologics' product portfolio includes a unique adult stem cell-based HCT/P bone grafting product called Trinity ® Evolution™.

The majority of implants offered by Spinal Implants and Biologics are made of titanium metal. This includes the 3 Degree™, Reliant™ and Hallmark ® cervical plates. Additionally, the Spinal Fixation System ("SFS"), the Firebird™ Spinal Fixation Systems, the Ascent ® and Ascent® LE POCT Systems are sets of rods, crossbars and screws which are implanted during posterior fusion procedures. The Firebird™ Modular and pre-assembled Spinal Fixation System are designed to be used in either open or minimally-invasive posterior lumbar fusion procedures with Spinal Implants and Biologics' ProView™ MAP System. The Company also offers specialty plates that are used in less common procedures, and as such, are not manufactured by many device makers. These specialty plates include the Newbridge ® Laminoplasty Fixation System that is designed to expand the cervical vertebrae and relieve pressure on the spinal canal, as well as the Unity ® plate which is used in anterior lumbar fusion procedures.

Spinal Implants and Biologics also offers a variety of devices made of PEEK, including vertebral body replacements and interbody devices. Vertebral body replacements are designed to replace a patient's degenerated or deformed vertebrae. On the other hand, interbody devices, or cages, are designed to replace a damaged disc, restoring the space that had been lost between two vertebrae. Spinal Implants and Biologics also offers the NGage ® Surgical Mesh System made of titanium metal.

Spinal Implants and Biologics is also a distributor of HCT/P products including interbody implants made of human cadaveric bone that have been harvested from donors and carved by a machine into a desired shape, and a unique adult stem cell-based product that is intended to enhance a patient's ability to quickly grow new bone around a spinal fusion site. This product contains live adult stem cells harvested from human cadaveric donors and is intended to be a safer, simpler alternative to an autograft, which is commonly performed in connection with a spine fusion procedure. An autograft involves a separate surgical incision in the patient's hip area in order to harvest the patient's own bone to be used during the fusion procedure. An autograft procedure adds risk of an additional surgical procedure and related patient discomfort in conjunction with the spinal fusion.

Spinal Bone Growth Stimulators

Separate from Spinal Implants and Biologics, we offer two spinal bone growth stimulation devices, Spinal-Stim® and Cervical-Stim®, through our subsidiary, Orthofix Inc. Our stimulation products use a PEMF technology designed to enhance the growth of bone tissue following surgery and are placed externally over the site to be healed. Clinical data shows our PEMF signal enhances the body's enzyme activities, induces mineralization, encourages new vascular penetration and results in a process that generates new bone growth at the spinal fusion site. We have sponsored independent research at the Cleveland Clinic, where scientists conducted animal and cellular studies to identify the influence of our PEMF signals on bone cells. From this effort, a total of six studies have been published in peer-reviewed journals. Among other insights, the studies illustrate the positive effects of PEMF on bone loss, callus formation, and collagen. Furthermore, we believe that characterization and visualization of the Orthofix PEMF waveform is paving the way for signal optimization for a variety of applications and indications.

Spinal-Stim ® is a non-invasive spinal fusion stimulator system commercially available in the U.S. Spinal-Stim ® is designed for the treatment of the lower thoracic and lumbar regions of the spine. Some spine fusion patients are at greater risk of not generating new bone around the damaged vertebrae after the operation. These patients typically have one or more risk factors such as smoking, obesity or diabetes, or their surgery involves the revision of a previously attempted fusion procedure that failed, or the fusion of multiple levels of vertebrae in one procedure. For these patients, post-surgical bone growth stimulation using Spinal-Stim ® has been shown to increase the probability of fusion, without the need for additional surgery. According to internal sales data, more than 288,000 patients have been treated using Spinal-Stim ® since the product was introduced in 1990. The device uses proprietary technology and a wavelength to generate a PEMF signal. Our approval from the U.S. Food and Drug Administration ("FDA") to market Spinal-Stim ® commercially is for both failed fusions and healing enhancement as an adjunct to initial spinal fusion surgery.

On December 28, 2004, we received approval from the FDA to market our Cervical-Stim ® bone growth stimulator for use as an adjunct to cervical (upper) spine fusion in certain high-risk patients.

Orthopedics

Orthopedics products represented 24% of our total net sales in 2009.

The medical devices offered in the Company's Orthopedics market sector are used for two primary purposes: bone fracture management and bone deformity correction.

Bone Fracture Management

Fixation

Our fracture management products consist of fixation devices designed to stabilize a broken bone until it can heal, as well as non-invasive post-surgical bone growth stimulation devices designed to accelerate the body's formation of new bone. Our fixation products come in two main types: external devices and internal devices. With these devices, we can treat both simple and complex fracture patterns.

External Fixation

External fixation devices are used to stabilize fractures from outside the skin with minimal invasion into the body. These fixation devices use screws that are inserted into the bone on either side of the fracture site, to which the fixator body is attached externally. The bone segments are aligned by manipulating the external device using patented ball joints and, when aligned, are locked in place for stabilization. We believe that external fixation allows micromovement at the fracture site, which is beneficial to the formation of new bone. External fixation may also be used as temporary devices in complex trauma cases to stabilize the fracture prior to treating it definitively. We believe that external fixation is among the most minimally invasive and least complex surgical options for fracture management.

External devices are designed in large part to be used for the same types of conditions that can be treated by internal fixation devices. The difference is that the external fixator is a monolateral or circular device attached with screws to the fractured bone from outside the skin of the arm or leg. The choice of whether to use an internal or external fixation device is driven in large part by physician preference although it may also be related to the fracture complexity and anatomical location. Some patients, however, favor internal fixation devices for aesthetic reasons.

An example of one of our external fixation devices is the XCaliber™ fixator, which is made from a lightweight radiolucent material and provided in three configurations to cover long bone fractures, fractures near joints and ankle fractures. The radiolucency of XCaliber™ fixators allows X-rays to pass through the device and provides the surgeon with improved X-ray visualization of the fracture and alignment. In addition, these three configurations cover a broad range of fractures with very little inventory. The XCaliber™ fixators are provided pre-assembled in sterile kits to decrease time in the operating room.

Our proprietary XCaliber™ bone screws are designed to be compatible with our external fixators and reduce inventory for our customers. Some of these screws are covered with hydroxyapatite, a mineral component of bone that reduces superficial inflammation of soft tissue and improves bone grip. Other screws in this proprietary line do not include the hydroxyapatite coating, but offer different advantages such as patented thread designs for better adherence in hard or poor quality bone. We believe we have a full line of bone screws to meet the demands of the market.

Another example of an external fixation device designed for the rapid stabilization of complex fractures is PREFIX ™. PREFIX ™ offers free pin placement in any desired plane to rapidly create a solid stabilization using radiolucent components. We believe the PREFIX ™ fixator provides the necessary temporary stabilization to allow the surgeon to reduce the fracture, move the patient or attend to more urgent matters.

Internal Fixation

Internal fixation devices come in various sizes, depending on the bone which requires treatment, and consist of either long rods, commonly referred to as nails, or plates that are attached with the use of screws. A nail is inserted into the medullary canal of a fractured long bone of the human arms and legs, i.e., humerus, femur and tibia. Alternatively, a plate is attached by screws to an area such as a broken wrist or hip. Examples of our internal fixation devices include:

- The Centronail ® is a new nailing system designed to stabilize fractures in the femur, tibia, supracondylar and humerus. We believe that it has all the attributes of the Orthofix Nailing System but has additional advantages: it is made of titanium, has improved mechanical distal targeting and instrumentation and a design which requires significantly reduced inventory.

- The VeroNail ® marks Orthofix's entry into the intramedullary hip nailing market. For use in hip fractures, it provides a minimally-invasive screw and nail design intended to reduce surgical trauma and allow patients to begin walking again shortly after the operation. It uses a dual screw configuration that we believe provides more stability than previous single screw designs.

- The Gotfried Percutaneous Compression Plating or Gotfried PC.C.P ® System is a method of stabilization and fixation for hip-fracture surgery developed by Y. Gotfried, M.D. that we believe is minimally invasive. Traditional hip-fracture surgery can require a 5-inch-long incision down the thigh, but the Gotfried PC.C.P ® System involves two smaller incisions, each less than one inch long. The Gotfried PC.C.P ® System then allows a surgeon to work around most muscles and tendons rather than cutting through them. We believe that major benefits of this new approach to hip-fracture surgery include (1) a significant reduction of complications due to a less traumatic operative procedure; (2) reduced blood loss and less pain (important benefits for the typically fragile and usually elderly patient population, who often have other medical problems); (3) faster recovery, with patients often being able to bear weight a few days after the operation; and (4) improved post-operative results.

Bone Growth Stimulation

Our Physio-Stim ® bone growth stimulator products use PEMF technology similar to that described previously in the discussion of our spine stimulators. The primary difference is that the Physio-Stim ® physical configuration is designed for use on bones found in areas other than the spine.

A bone's regenerative power results in most fractures healing naturally within a few months. In certain situations, however, fractures do not heal or heal slowly, resulting in "non-unions." Traditionally, orthopedists have treated such fracture conditions surgically, often by means of a bone graft with fracture fixation devices, such as bone plates, screws or intramedullary rods. These are examples of "invasive" treatments. Our patented bone growth stimulators are designed to use a low level of PEMF signals to activate the body's natural healing process. The stimulation products that we currently market are external and apply bone growth stimulation without implantation or other surgical procedures.

Our systems offer portability, rechargeable battery operation, integrated component design, patient monitoring capabilities and the ability to cover a large treatment area without factory calibration for specific patient application. According to internal sales data, more than 159,000 patients have been treated using Physio-Stim ® for long bone non-unions since the product was introduced.

Bone Deformity Correction

In addition to the treatment of bone fractures, we also design, manufacture and distribute devices that are intended to treat congenital bone conditions, such as limb length discrepancies, angular deformities (e.g., bowed legs in children), or degenerative diseases, as well as conditions resulting from a previous trauma. Examples of products offered in these areas include the Eight-Plate Guided Growth System ®, the Intramedullary Skeletal Kinetic Distractor, or ISKD ®, the Limb Reconstruction System ("LRS") and TrueLoK™ Ring Fixation System.

The ISKD ® system is a patented, internal limb-lengthening device that uses a magnetic sensor to monitor limb-lengthening progress on a daily basis. ISKD ® is an expandable tubular device that is completely implanted inside the bone to be lengthened. The ISKD® system is designed to lengthen the patient's bone gradually, and, after lengthening is completed, stabilize the lengthened bone. ISKD ® is an FDA-approved intramedullary bone lengthener on the market, and we have the exclusive worldwide distribution rights for this product.

LRS uses callus distraction to lengthen bone in a variety of procedures. It can be used in monofocal lengthenings and corrections of deformity. Its multifocal procedures include bone transport, simultaneous compression and distraction at different sites, bifocal lengthening and correction of deformities with shortening. In 2009, recent improvements on size, flexibility and ease of use were implemented for the release of the LRS ADVanced.

The TrueLoK ™ Ring Fixation System is a surgeon-designed, lightweight external fixation system for limb lengthening and deformity correction. Created with pre-assembled function blocks, we believe TrueLoK ™ is a simple, stable, versatile ring fixation system superior to the traditional Ilizarov ring system.

Sports Medicine

Sports Medicine product sales represented 18% of our total net sales in 2009.

We believe Breg Inc., one of Orthofix's wholly-owned subsidiaries, is a market leader in the sale of orthopedic post-operative reconstruction and rehabilitative products to hospitals and orthopedic offices. Breg's products are grouped primarily into two product categories: Breg ® Bracing and Polar Care ® . Approximately 64% of Breg's net revenues were attributable to the sale of bracing products in 2009, including: (1) functional braces for treatment and prevention of ligament injuries, (2) load-shifting braces for osteoarthritic pain management, (3) post-operative braces for protecting surgical repair and (4) foot and ankle supports that provide an alternative to casting. Approximately 34% of Breg's 2009 net revenues came from the sale of cold therapy products used to minimize the pain and swelling following knee, shoulder, elbow, ankle and back injuries or surgery. Approximately 2% of Breg's 2009 net revenues came from the sale of other rehabilitative products. Breg sells its products through a network of domestic and international independent distributors, 15 employee sales representatives and related international subsidiaries.

Breg ® Bracing

We design, manufacture and market a broad range of rigid knee bracing products, including ligament braces, post-operative braces and osteoarthritic braces. The rigid knee brace products are either customized braces or standard adjustable off-the-shelf braces.

Ligament braces are designed to provide durable support for moderate to severe knee ligament instabilities and help stabilize the joint so that patients may successfully complete rehabilitation and resume their daily activities. The product line includes premium custom braces and off-the-shelf braces designed for use in all activities. Select premium ligament braces are also available with a patellofemoral option to address tracking and subsequent pain of the patellofemoral joint. We market the ligament product line under the Fusion ® and X2K ® brand names.

Post-operative braces are designed to limit a patient's range of motion after knee surgery and protect the repaired ligaments and/or joints from stress and strain. These braces are designed to promote a faster and healthier healing process. The products within this line provide both immobilization and/or a protected range of motion. The Breg post-operative family of braces, featuring the patented Quick-Set hinge, offers complete range of motion control for both flexion and extension, along with a simple-to-use drop lock mechanism to lock the patient in full extension. The release lock mechanism allows for easy conversion to full range of motion. The straps, integrated through hinge bars, offer greater support and stability. This hinge bar can be "broken down" to accommodate later stages of rehabilitation. The Breg T-Scope ® is a premium brace in the post-operative bracing market and has every feature available offered in our post-operative knee braces, including telescoping bars, easy application, full range of motion and a drop lock feature.

Osteoarthritic braces are used to treat patients suffering from osteoarthritis of the knee. Osteoarthritis ("OA") is a form of damage to, or degeneration of, the articular surface of a joint. This line of custom and off-the-shelf braces is designed to shift the load going through the knee, provide additional stability and reduce pain. In some cases, this type of brace may serve as a cost-efficient alternative to total knee replacement. Breg's single upright Solus® and lateral offloader which are based on Fusion® technology, are our newest bracing designs delivering optimal comfort and pain relief for patients suffering from OA.

Polar Care ®

We manufacture, market and sell a cold therapy product line, Polar Care ®. Breg entered the market for cold therapy products in 1991 when it introduced the Polar Care ® 500, a cold therapy device used to reduce swelling, minimize the need for post-operative pain medications and generally accelerate the rehabilitation process. Breg's leading cold therapy offering is the KODIAK® cold therapy system which uses Intelliflow® technology to customize treatment for various clinical applications. Today, we believe that cold therapy is a standard of care with physicians despite limited historical reimbursement by insurance companies over the years.

The Polar Care ® product uses a circulation system designed to provide constant fluid flow rates to ensure safe and effective treatment. The product consists of a cooler filled with ice and cold water connected to a pad, which is applied to the affected area of the body; the device flows cold water through the pad to provide continuous cold therapy for the relief of pain. Breg's cold therapy line consists of the Polar Care ® 500, Kodiak ®, Polar Care ® 300, Polar Cub and cold gel packs.

Vascular

Vascular product sales represented 3% of our total net sales in 2009.

Our non-invasive post-surgical vascular therapy product, called the A-V Impulse System ®, is primarily used on patients following orthopedic joint replacement procedures. It is designed to reduce dangerous deep vein thrombosis, or blood clots, and post-surgery pain and swelling by improving venous blood return and improving arterial blood flow. For patients who cannot walk or are immobilized, we believe that this product simulates the effect that would occur naturally during normal walking or hand flexion with a mechanical method and without the side effects and complications of medication.

The A-V Impulse System ® consists of an electronic controller attached to a special inflatable slipper or glove, or to an inflatable bladder within a cast, which promotes the return of blood to the veins and the inflow of blood to arteries in the patient's arms and legs. The device operates by intermittently impulsing veins in the foot, calf or hand, as would occur naturally during normal walking or hand clenching. The A-V Impulse System ® is distributed in the U.S. by Covidien plc. Outside the U.S., the A-V Impulse System ® is sold directly by our distribution subsidiaries in the United Kingdom, Italy and through selected distributors in the rest of the world.

Other Products

Other product sales represented 4% of our total net sales in 2009.

Laryngeal Mask

The Laryngeal Mask, a product of The Laryngeal Mask Company Limited, is an anesthesia medical device designed to establish and maintain the patient's airway during an operation. We have exclusive distribution rights for the Laryngeal Mask in the United Kingdom and Ireland through June 2010.

Other

We hold distribution rights for several other non-orthopedic products at our subsidiaries.

Product Development

Our research and development departments are responsible for new product development. We work regularly with certain institutions referred to below as well as with physicians and other consultants on the long-term scientific planning and evolution of our research and development efforts. Our primary research and development facilities are located in Wayne, New Jersey; Verona, Italy; McKinney, Texas; Vista, California; and Andover, United Kingdom.

We maintain interactive relationships with spine and orthopedic centers in the U.S., Europe, Japan and South and Central America, including research and development centers such as the Musculoskeletal Transplant Foundation ("MTF"), the Orthopedic Research and Education Foundation, The University of Medicine and Dentistry of New Jersey, the National Osteoporosis Institute, the Cleveland Clinic Foundation, Rutgers University and the University of Verona in Italy. Several of the products that we market have been developed through these collaborations. In addition, we regularly receive suggestions for new products from the scientific and medical community, some of which result in Orthofix entering into assignment or license agreements with physicians and third-parties. We also receive a substantial number of requests for the production of customized items, some of which have resulted in new products. We believe that our policy of accommodating such requests enhances our reputation in the medical community.

In 2009, 2008, and 2007 we spent $31.5 million, $30.8 million and $24.2 million, respectively, on research and development **.**

Patents, Trade Secrets, Assignments and Licenses

We rely on a combination of patents, trade secrets, assignment and license agreements as well as non-disclosure agreements to protect our proprietary intellectual property. We own numerous U.S. and foreign patents and have numerous pending patent applications and license rights under patents held by third parties. Our primary products are patented in major markets in which they are sold. There can be no assurance that pending patent applications will result in issued patents, that patents issued or assigned to or licensed by us will not be challenged or circumvented by competitors or that such patents will be found to be valid or sufficiently broad to protect our technology or to provide us with any competitive advantage or protection. Third parties might also obtain patents that would require assignments to or licensing by us for the conduct of our business. We rely on confidentiality agreements with key employees, consultants and other parties to protect, in part, trade secrets and other proprietary technology.

We obtain assignments or licenses of varying durations for certain of our products from third parties. We typically acquire rights under such assignments or licenses in exchange for lump-sum payments or arrangements under which we pay to the licensor a percentage of sales. However, while assignments or licenses to us generally are irrevocable, there is no assurance that these arrangements will continue to be made available to us on terms that are acceptable to us, or at all. The terms of our license and assignment agreements vary in length from a specified number of years to the life of product patents or the economic life of the product. These agreements generally provide for royalty payments and termination rights in the event of a material breach.

Corporate Compliance and Government Regulation

Corporate Compliance and Ethics Program

The Company began implementation of its enhanced compliance program, which it branded the *Integrity Advantage*™ Program , in February 2008 at its Spinal Implants and Biologics division. In June 2008, the Company hired a Chief Compliance Officer to oversee implementation of the *Integrity Advantage*™ Program throughout the Company. It is a fundamental policy of the Company to conduct business in accordance with the highest ethical and legal standards.

Our corporate compliance and ethics program is designed to promote legal compliance and ethical business practices throughout the Company's domestic and international businesses.

The Company's *Integrity Advantage*™ Program is designed to meet U.S. Sentencing Commission Guidelines for effective organizational compliance and ethics programs and to prevent and detect violations of applicable federal, state and local laws. Key elements of the *Integrity Advantage*™ Program include:

- Organizational oversight by senior-level personnel responsible for the compliance function within the Company;

- Written standards and procedures, including a Corporate Code of Business Conduct;
- Methods for communicating compliance concerns, including anonymous reporting mechanisms;
- Investigation and remediation measures to ensure prompt response to reported matters and timely corrective action;
- Compliance education and training for employees and agents;
- Auditing and monitoring controls to promote compliance with applicable laws and assess program effectiveness;
- Disciplinary guidelines to enforce compliance and address violations;
- Exclusion Lists screening of employees, agents and distributors; and
- Risk assessment to identify areas of regulatory compliance risk.

Government Regulation

Our research, development and clinical programs, as well as our manufacturing and marketing operations, are subject to extensive regulation in the U.S. and other countries. Most notably, all of our products sold in the U.S. are subject to the Federal Food, Drug, and Cosmetic Act (the "FDCA") as implemented and enforced by the U.S. Food and Drug Administration (the "FDA"). The regulations that cover our products and facilities vary widely from country to country. The amount of time required to obtain approvals or clearances from regulatory authorities also differs from country to country.

Unless an exemption applies, each medical device that we wish to commercially distribute in the U.S. will require either premarket notification ("510(k)") clearance or approval of a premarket approval application ("PMA") from the FDA. The FDA classifies medical devices into one of three classes. Devices deemed to pose lower risks are placed in either class I or II, which typically requires the manufacturer to submit to the FDA a premarket notification requesting permission to commercially distribute the device. This process is generally known as 510 (k) clearance. Some low risk devices are exempted from this requirement. Devices deemed by the FDA to pose the greatest risks, such as life-sustaining, life-supporting or implantable devices, or devices deemed not substantially equivalent to a previously cleared 510(k) device, are placed in class III, requiring approval of a PMA.

Manufacturers of most class II medical devices are required to obtain 510(k) clearance prior to marketing their devices. To obtain 510 (k) clearance, a company must submit a premarket notification demonstrating that the proposed device is "substantially equivalent" in intended use and in technological and performance characteristics to another legally marketed 510(k)-cleared "predicate device." By regulation, the FDA is required to clear or deny a 510(k) premarket notification within 90 days of submission of the application. As a practical matter, clearance may take longer. The FDA may require further information, including clinical data, to make a determination regarding substantial equivalence. After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a major change in its intended use, requires a new 510(k) clearance or could require a PMA approval. With certain exceptions, most of our products are subject to the 510(k) clearance process. On January 27, 2010, the FDA announced that it is requesting comments on actions that the FDA's Center for Devices and Radiological Health ("CDRH") can consider taking to strengthen the 510(k) review process conducted by the CDRH.

Class III medical devices are required to undergo the PMA approval process in which the manufacturer must establish the safety and effectiveness of the device to the FDA's satisfaction. A PMA application must provide extensive preclinical and clinical trial data and also information about the device and its components regarding, among other things, device design, manufacturing and labeling. Also during the review period, an advisory panel of experts from outside the FDA may be convened to review and evaluate the application and provide recommendations to the FDA as to the approvability of the device. In addition, the FDA will typically conduct a preapproval inspection of the manufacturing facility to ensure compliance with quality system regulations. By statute, the FDA has 180 days to review the PMA application, although, generally, review of the application can take between one and three years, or longer. Once approved, a new PMA or a PMA Supplement is required for modifications that affect the safety or effectiveness of the device, including, for example, certain types of modifications to the device's indication for use, manufacturing process, labeling and design. Our bone growth stimulation products are classified as Class III by the FDA, and have been approved for commercial distribution in the U.S. through the PMA process. We also have under development an artificial cervical disk product which is currently classified as FDA Class III. Under such a classification, in order for the product to be approved for commercial distribution in the U.S., compliance with the FDA PMA approval process, including a human clinical trial, will be required. We also have under development other products designed to treat degenerative spinal disc disease but which allow greater post-surgical mobility than standard surgical approaches involving spinal fusion techniques. If certain of these products are classified as FDA Class III, in order for them to be approved for commercial distribution in the U.S., compliance with the FDA PMA approval process, including a human clinical trial, will be required.

In addition, our Spinal Implants and Biologics division is a distributor of a product for bone repair and reconstruction under the brand name Trinity ® Evolution™ Viable Cryopreserved Cellular Bone Matrix which is an allogeneic, cancellous, bone matrix containing viable stem cells. We believe that Trinity ® Evolution™ is properly classified under FDA's Human Cell, Tissues and Cellular and Tissue-Based Products, or HCT/P, regulatory paradigm and not as a medical device or as a biologic or as a drug. We believe it is regulated under Section 361 of the Public Health Service Act and C.F.R. Part 1271. Spinal Implants and Biologics also distributes certain surgical implant products known as "allograft" products which are derived from human tissues and which are used for bone reconstruction or repair and are surgically implanted into the human body. We believe that these products are properly classified by the FDA as minimally-manipulated tissue and are covered by FDA's "Good Tissues Practices" regulations, which cover all stages of allograft processing. There can be no assurance that our suppliers of the Trinity ® Evolution™ and allograft products will continue to meet applicable regulatory requirements or that those requirements will not be changed in ways that could adversely affect our business. Further, there can be no assurance that these products will continue to be made available to us or that applicable regulatory standards will be met or remain unchanged. Moreover, products derived from human tissue or bone are from time to time subject to recall for certain administrative or safety reasons and we may be affected by one or more such recalls. For a description of these risks, see Item 1A "Risk Factors."

The medical devices that we develop, manufacture, distribute and market are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities. The process of obtaining FDA clearance and other regulatory approvals to develop and market a medical device, particularly from the FDA, can be costly and time-consuming, and there can be no assurance that such approvals will be granted on a timely basis, if at all. While we believe that we have obtained all necessary clearances and approvals for the manufacture and sale of our products and that they are in material compliance with applicable FDA and other material regulatory requirements, there can be no assurance that we will be able to continue such compliance. After a device is placed on the market, numerous regulatory requirements continue to apply. Those regulatory requirements include: product listing and establishment registration; Quality System Regulation ("QSR") which require manufacturers, including third-party manufacturers, to follow stringent design, testing, control, documentation and other quality assurance procedures during all aspects of the manufacturing process; labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label uses or indications; clearance of product modifications that could significantly affect safety or efficacy or that would constitute a major change in intended use of one of our cleared devices; approval of product modifications that affect the safety or effectiveness of one of our PMA approved devices; Medical Device Reporting regulations, which require that manufacturers report to FDA if their device may have caused or contributed to a death or serious injury, or has malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction of the device or a similar device were to recur; post-approval restrictions or conditions, including post-approval study commitments; post-market surveillance regulations, which apply when necessary to protect the public health or to provide additional safety and effectiveness data for the device; the FDA's recall authority, whereby it can ask, or under certain conditions order, device manufacturers to recall from the market a product that is in violation of governing laws and regulations; regulations pertaining to voluntary recalls; and notices of corrections or removals.

We and certain of our suppliers also are subject to announced and unannounced inspections by the FDA to determine our compliance with FDA's QSR and other regulations. If the FDA were to find that we or certain of our suppliers have failed to comply with applicable regulations, the agency could institute a wide variety of enforcement actions, ranging from a public warning letter to more severe sanctions such as: fines and civil penalties against us, our officers, our employees or our suppliers; unanticipated expenditures to address or defend such actions; delays in clearing or approving, or refusal to clear or approve, our products; withdrawal or suspension of approval of our products or those of our third-party suppliers by the FDA or other regulatory bodies; product recall or seizure; interruption of production; operating restrictions; injunctions; and criminal prosecution. The FDA also has the authority to request repair, replacement or refund of the cost of any medical device manufactured or distributed by us. Any of those actions could have a material adverse effect on our development of new laboratory tests, business strategy, financial condition and results of operations.

Moreover, governmental authorities outside the U.S. have become increasingly stringent in their regulation of medical devices, and our products may become subject to more rigorous regulation by non-U.S. governmental authorities in the future. U.S. or non-U.S. government regulations may be imposed in the future that may have a material adverse effect on our business and operations. The European Commission ('EC") has harmonized national regulations for the control of medical devices through European Medical Device Directives with which manufacturers must comply. Under these new regulations, manufacturing plants must have received CE certification from a "notified body" in order to be able to sell products within the member states of the European Union. Certification allows manufacturers to stamp the products of certified plants with a "CE" mark. Products covered by the EC regulations that do not bear the CE mark cannot be sold or distributed within the European Union. We have received certification for all currently existing manufacturing facilities and products.

Our products may be reimbursed by third-party payors, such as government programs, including Medicare, Medicaid, and Tricare or private insurance plans and healthcare networks. Third-party payors may deny reimbursement if they determine that a device provided to a patient or used in a procedure does not meet applicable payment criteria or if the policy holder's healthcare insurance benefits are limited. Also, third-party payors are increasingly challenging the prices charged for medical products and services. The Medicare program is expected to continue to implement a new payment mechanism for certain items of durable medical equipment, prosthetic, orthotic supplies ("DMEPOS") via the implementation of its competitive bidding program. The initial implementation was terminated shortly after it began in 2008 and the Centers for Medicare and Medicaid Services ("CMS") are required to and did start the rebid process in 2009 ("Round 1 Rebid"). Payment rates for certain DMEPOS items included in the Round 1 Rebid product categories, which categories do not currently include our products, will be determined based on bid prices rather than the current Medicare DMEPOS fee schedule.

Orthofix Inc., a subsidiary of the Company, received accreditation status by the Accreditation Commission for Health Care, Inc. ("ACHC") for the services of DMEPOS. ACHC, a private, not-for-profit corporation, which is certified to ISO 9001:2000 standards, was developed by home care and community-based providers to help companies improve business operations and quality of patient care. Although accreditation is generally a voluntary activity where healthcare organizations submit to peer review their internal policies, processes and patient care delivery against national standards, CMS required DMEPOS suppliers to become accredited. By attaining accreditation, Orthofix Inc. has demonstrated its commitment to maintain a higher level of competency and strive for excellence in its products, services, and customer satisfaction.

Our sales and marketing practices are also subject to a number of U.S. laws regulating healthcare fraud and abuse such as the federal Anti-Kickback Statute and the federal Physician Self-Referral Law (known as the "Stark Law"), the Civil False Claims Act and the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") as well as numerous state laws regulating healthcare and insurance. These laws are enforced by the Office of Inspector General within the U.S. Department of Health and Human Services, the U.S. Department of Justice, and other federal, state and local agencies. Among other things, these laws and others generally: (1) prohibit the provision of anything of value in exchange for the referral of patients for, or the purchase, order, or recommendation of, any item or service reimbursed by a federal healthcare program, (including Medicare and Medicaid); (2) require that claims for payment submitted to federal healthcare programs be truthful; (3) prohibit the transmission of protected healthcare information to persons not authorized to receive that information; and (4) require the maintenance of certain government licenses and permits.

In addition, U.S. federal and state laws protect the confidentiality of certain health information, in particular individually identifiable information such as medical records and restrict the use and disclosure of that protected information. At the federal level, the Department of Health and Human Services promulgated health information privacy and security rules under HIPAA. These rules protect health information by regulating its use and disclosure, including for research and other purposes. Failure of a HIPAA "covered entity" to comply with HIPAA regarding such "protected health information" could constitute a violation of federal law, subject to civil and criminal penalties. Covered entities include healthcare providers (including those that sell devices or equipment) that engage in particular electronic transactions, including, as we do, the transmission of claims to health plans. Consequently, health information that we access, collect, analyze, and otherwise use and/or disclose includes protected health information that is subject to HIPAA. As noted above, many state laws also pertain to the confidentiality of health information. Such laws are not necessarily preempted by HIPAA, in particular those state laws that afford greater privacy protection to the individual than HIPAA. These state laws typically have their own penalty provisions, which could be applied in the event of an unlawful action affecting health information.

Sales, Marketing and Distribution

General Trends

We believe that demographic trends, principally in the form of a better informed, more active and aging population in the major healthcare markets of the U.S., Western Europe and Japan, together with opportunities in emerging markets such as the Asia-Pacific Region (including China) and Latin America, as well as our focus on innovative products, will continue to have a positive effect on the demand for our products.

Primary Markets

In 2009, Domestic accounted for 38% of total net sales, Spinal Implants and Biologics accounted for 22% of total net sales, Breg accounted for 17% of total net sales, and International accounted for 23% of total net sales. No single non-governmental customer accounted for greater than 5% of total net sales. Sales to customers were broadly distributed.

Our products sold in the U.S. are either prescribed by medical professionals for the care of their patients or selected by physicians, sold to hospitals, clinics, surgery centers, independent distributors or other healthcare providers, all of whom may be primarily reimbursed for the healthcare products provided to patients by third-party payors, such as government programs, including Medicare and Medicaid, private insurance plans and managed care programs. Our products are also sold in many other countries, such as the United Kingdom, France and Italy, which have publicly funded healthcare systems as well as private insurance plans. See Item 1A "Risk Factors", page 28 for a table of estimated revenue by payor type. For additional information about geographic areas, see Item 8 "Financial Statements and Supplementary Data."

Sales, Marketing and Distributor Network

We have established a broad distribution network comprised of direct sales representatives and distributors. This established distribution network provides us with a platform to introduce new products and expand sales of existing products. We distribute our products through a sales and marketing force of approximately 633 sales and marketing representatives. Worldwide we also have approximately 274 independent distributors for our products in approximately 63 countries. The table below highlights the makeup of our sales, marketing and distribution network at December 31, 2009.

	Direct Sales & Marketing Headcount			Distributors		
	U.S.	International	Total	U.S.	International	Total
Domestic	340	-	340	37	1	38
Spinal Implants and Biologics	35	4	39	49	33	82
Breg	90	1	91	33	48	81
International	6	157	163	2	71	73
Total	471	162	633	121	153	274

In our largest market, the U.S., our sales, marketing and distribution network is separated between several distinct sales forces addressing different market sectors. The Spine market sector is addressed primarily by a direct sales force for spinal bone growth stimulation products and HCT/P products and a distribution network for spinal implant products. The Orthopedic market sector is addressed by a hybrid distribution network of predominately direct sales supplemented by distributors. The Sports Medicine market sector is addressed primarily by a distribution network for Breg products.

Outside the U.S., we employ both direct sales representatives and distributors within our international sales subsidiaries. We also utilize independent distributors in Europe, the Far East, the Middle East and Central and South America in countries where we do not have subsidiaries. In order to provide support to our independent distribution network, we have a group of sales and marketing specialists who regularly visit independent distributors to provide training and product support.

Marketing and Product Education

We seek to market our products principally to medical professionals and group purchasing organizations (“GPOs”) **,** which are hospital organizations that buy on a large scale. We believe there is a developing focus on selling to GPOs and large national accounts that reflects a trend toward large scale procurement efforts in the healthcare industry.

We support our sales force and distributors through specialized training workshops in which surgeons and sales specialists participate. We also produce marketing materials, including materials outlining surgical procedures, for our sales force and distributors in a variety of languages using printed, video and multimedia formats. To provide additional advanced training for surgeons, we organize monthly **,** multilingual **,** teaching seminars at our facility in Verona, Italy, and in various locations in the U.S. and Latin America. The Verona and U.S. product education seminars, which in 2009 were attended by over 800 surgeons and over 300 distributor representatives and sales representatives from around the world, include a variety of lectures from specialists as well as demonstrations and hands-on workshops. Each year many of our sales representatives and distributors independently conduct basic courses in product application for local surgeons. We also provide sales training at our training centers in McKinney, Texas, our Breg training center in Vista, California, and in regional locations throughout the world. Additionally, we have implemented a web-based sales training program, which provides ongoing education for our sales representatives.

Competition

Our bone growth stimulation products compete principally with similar products marketed by Biomet Spine a business unit of Biomet, Inc, DJO Incorporated, and Exogen, Inc., a subsidiary of Smith & Nephew plc. Our spinal implant and HCT/P products, and Trinity ® Evolution™, an HCT/P product from which we derive marketing fees, compete with products marketed by Medtronic, Inc., De Puy, a division of Johnson and Johnson, Synthes AG, Stryker Corp., Zimmer, Inc., Nuvasive, Biomet Spine and various smaller public and private companies. For external and internal fixation devices, our principal competitors include Synthes AG, Zimmer, Inc., Stryker Corp., Smith & Nephew plc and Biomet Orthopedics, a business unit of Biomet, Inc. The principal non-pharmacological products competing with our A-V Impulse System ® are manufactured by Huntleigh Technology PLC and Kinetic Concepts, Inc. The principal competitors for the Breg bracing and cold therapy products include DJO Incorporated, Biomet, Inc., Ossur Lf. and various smaller private companies.

We believe that we enhance our competitive position by focusing on product features such as innovation, ease of use, versatility, cost and patient acceptability. We attempt to avoid competing based solely on price. Overall cost and medical effectiveness, innovation, reliability, after-sales service and training are the most prevalent methods of competition in the markets for our products, and we believe that we compete effectively.

Manufacturing and Sources of Supply

We generally design, develop, assemble, test and package our stimulation and orthopedic products, and subcontract the manufacture of a substantial portion of the component parts. We design and develop our spinal implant and Alloquent ® Allograft HCT/P products but subcontract their manufacture and packaging. Through subcontracting, we attempt to maintain operating flexibility in meeting demand while focusing our resources on product development, education and marketing as well as quality assurance standards. In addition to designing, developing, assembling, testing and packaging its products, Breg also manufactures a substantial portion of the component parts used in its products. Although certain of our key raw materials are obtained from a single source, we believe that alternate sources for these materials are available. Further, we believe that an adequate inventory supply is maintained to avoid product flow interruptions. We have not experienced difficulty in obtaining the materials necessary to meet our production schedules.

Trinity ® Evolution™, an HCT/P product for which we have exclusive marketing rights, is an allograft tissue form that is supplied to customers by MTF in accordance with orders received directly from customers and from the Company. MTF sources, processes and packages the tissue form and is the sole supplier of Trinity ® Evolution™ to our customers.

Our products are currently manufactured and assembled in the U.S., Italy, the United Kingdom, and Mexico. We believe that our plants comply in all material respects with the requirements of the FDA and all relevant regulatory authorities outside the United States. For a description of the laws to which we are subject, see Item 1 – "Business – Corporate Compliance and Government Regulation." We actively monitor each of our subcontractors in order to maintain manufacturing and quality standards and product specification conformity.

Our business is generally not seasonal in nature. However, sales associated with products for elective procedures appear to be influenced by the somewhat lower level of such procedures performed in the late summer. Certain of the Breg ® bracing products experience greater demand in the fall and winter corresponding with high school and college football schedules and winter sports. In addition, we do not consider the backlog of firm orders to be material.

Capital Expenditures

We had tangible and intangible capital expenditures in the amount of $22.0 million, $20.2 million and $27.2 million in 2009, 2008 and 2007, respectively, principally for computer software and hardware, patents, licenses, plant and equipment, tooling and molds and product instrument sets. In 2009, we invested $22.0 million in capital expenditures of which (1) $8.1 million related to Spinal Implants and Biologics' instrumentation for the new Firebird™ Spinal Fixation Systems and other systems introduced in 2009; (2) $5.9 million related to new software applications and computer licensing within our Domestic and International segments; and (3) $1.1 million related to the initial construction phase of our new facility in Lewisville, TX. We currently plan to invest approximately $29.6 million in capital expenditures during 2010 to support the planned expansion of our business. We expect these capital expenditures to be financed principally with cash generated from operations.

Employees

At December 31, 2009, we had 1,484 employees worldwide. Of these, 541 were employed at Domestic, 87 were employed at Spinal Implants and Biologics, 500 were employed at Breg and 356 were employed at International. Our relations with our Italian employees, who numbered 124 at December 31, 2009, are governed by the provisions of a National Collective Labor Agreement setting forth mandatory minimum standards for labor relations in the metal mechanic workers industry. We are not a party to any other collective bargaining agreement. We believe that we have good relations with our employees. Of our 1,484 employees, 633 were employed in sales and marketing functions, 237 in general and administrative, 491 in production and 123 in research and development.

Item 1A. Risk Factors

In addition to the other information contained in the Form 10-K and the exhibits hereto, you should carefully consider the risks described below. These risks are not the only ones that we may face. Additional risks not presently known to us or that we currently consider immaterial may also impair our business operations. This Form 10-K also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below or elsewhere in this Form 10-K.

The global recession and further adverse changes in general economic or credit market conditions could adversely impact our sales and operating results.

The direction and strength of the U.S. and global economy has been uncertain due to the recent downturn in the economy and difficulties in the credit markets. If economic growth in the U.S. and other countries continues to remain low, or if the credit markets continue to be difficult to access, our distributors, suppliers and other business partners could experience significant disruptions to their businesses and operations which, in turn, could negatively impact our business operations and financial performance. In addition, continued weak consumer financial strength and demand could cause a substantial reduction in the sale of our products.

Our acquisition of Blackstone Medical Inc. could continue to present challenges for us.

On September 22, 2006, we completed the acquisition of Blackstone Medical Inc. ("Blackstone"). The acquisition has presented several challenges to our business. In 2008, we recorded several expenses from the impairment of goodwill and intangible assets related to the Blackstone business, including a $57.0 million impairment loss related to the Blackstone trademark, a $126.9 million goodwill impairment loss, and a $105.7 million impairment charge related to the distribution network and technologies at Blackstone. We have also received several subpoenas related to the Blackstone business, including from the U.S. Department of Health and Human Services, Office of the Inspector General. These subpoenas and related government investigations have required the use of significant management time and resources.

We continue to integrate the operations of Blackstone into our business, however, we may not be able to successfully integrate Blackstone's operations into our business and achieve the benefits that we originally anticipated at the time of the acquisition. The continued integration of Blackstone's operations into our business involves numerous risks, including:

- difficulties in incorporating Blackstone's product lines, sales personnel and marketing operations into our business;
- the diversion of our resources and our management's attention from other business concerns;
- the loss of any key distributors;
- the loss of any key employees; and
- the assumption of unknown liabilities, such as the costs and expenses related to the current inquiries by the Department of Health and Human Service Office of Inspector General, as described in Item 3, Legal Proceedings.

In addition, Blackstone's business is subject to many of the same risks and uncertainties that apply to our other business operations, such as risks relating to the protection of Blackstone's intellectual property and proprietary rights, including patents that it owns or licenses. If Blackstone's intellectual property and proprietary rights are challenged, or if third parties claim that Blackstone infringes on their proprietary rights, our business could be adversely affected.

Failure to overcome these risks or any other problems encountered in connection with the acquisition of Blackstone could adversely affect our business, prospects and financial condition. In addition, if Blackstone's operations and financial results do not meet our expectations, we may not realize synergies, operating efficiencies, market position, or revenue growth we originally anticipated from the acquisition.

We may be subject to federal and state health care fraud and abuse laws, and could face substantial penalties if we are determined not to have fully complied with such laws.

Health care fraud and abuse regulation by federal and state governments impact our business. Health care fraud and abuse laws potentially applicable to our operations include:

- the Federal Health Care Programs Anti-Kickback Law, which constrains our marketing practices, educational programs, pricing and discounting policies, and relationships with health care practitioners and providers, by prohibiting, among other things, soliciting, receiving, offering or paying remuneration, in exchange for or to induce the purchase or recommendation of an item or service reimbursable under a federal health care program (such as the Medicare or Medicaid programs);
- federal false claims laws which prohibit, among other things, knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other federal government payers that are false or fraudulent; and
- state laws analogous to each of the above federal laws, such as anti-kickback and false claims laws that may apply to items or services reimbursed by non-governmental third party payers, including commercial insurers.

Due to the breadth of some of these laws, there can be no assurance that we will not be found to be in violation of any of such laws, and as a result we may be subject to penalties, including civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations or the exclusion from participation in federal or state healthcare programs. Any penalties could adversely affect our ability to operate our business and our financial results. Any action against us for violation of these laws, even if we successfully defend against them, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

In particular, as more fully described under Item 3, "Legal Proceedings", the Company has received subpoenas requesting information from governmental authorities, including the U.S. Department of Health and Human Services, Office of Inspector General, and two separate federal grand jury subpoenas, related to our Blackstone subsidiary, which we acquired in 2006. In addition, on or about April 10, 2009, the Company received a HIPAA subpoena issued by the U.S. Attorney's Office for the District of Massachusetts (the "Boston USAO"). The Boston USAO subsequently informed the Company that it is investigating possible criminal and civil violations of federal law related to the Company's promotion and marketing of its bone growth stimulator devices. Any adverse outcome in either of these inquiries could have a material adverse effect on our business and financial position.

In addition, it is possible that one or more private insurers with whom we do business may attempt to use any penalty we might be assessed or any exclusion from federal or state healthcare program business as a basis to cease doing business with us. If this were to occur, it could also have a material adverse effect on our business and financial position.

Expensive litigation and government investigations, and difficulties recouping disputed amounts currently being held in escrow in connection with the Blackstone acquisition, may reduce our earnings.

As more fully described directly above and under Item 3, "Legal Proceedings", we are named as a defendant in a number of lawsuits and have received several subpoenas requesting information from various governmental authorities. We are complying with the subpoenas and intend to cooperate with any related government investigations. The outcome of these and any other lawsuits brought against us, and these and other investigations of us, are inherently uncertain, and adverse developments or outcomes could result in significant monetary damages, penalties or injunctive relief against us that could significantly reduce our earnings and cash flows. In addition, we may continue to incur significant legal expenses in connection with these matters in the future, which expenses could affect our future earnings.

As also described under Item 3, “Legal Proceedings,” in connection with those lawsuits and investigations that relate to our Blackstone subsidiary, we may have rights to indemnification under the merger agreement for the Blackstone acquisition for losses incurred in connection with some or all of these matters, and we have submitted several claims for indemnification from the escrow fund established in connection with the merger agreement. However, the representative of the former shareholders of Blackstone has objected to many of these indemnification claims and expressed an intent to contest them in accordance with the terms of the merger agreement. There can be no assurance that we will ultimately be successful in seeking indemnification in connection with any of these matters.

In the event certain of these matters result in significant settlement costs or judgments against us and, as applicable, we are not able to successfully recoup such amounts from the escrow fund, these matters could have a significant negative effect on our operations and financial performance.

We may not be able to successfully introduce new products to the market.

During 2009, we introduced several new products to the market, including the Firebird™ Spinal Fixation System, the PILLAR™ SA interbody device and Trinity ® Evolution™, among others. We intend to introduce several new products to the market in 2010. Despite our planning, the process of developing and introducing new products is inherently complex and uncertain and involves risks, including the ability of such new products to satisfy customer needs and gain broad market acceptance, which can depend on the product achieving broad clinical acceptance, the level of third-party reimbursement and the introduction of competing technologies.

We contract with third-party manufacturers to produce most of our products, like many other companies in the medical device industry. If we or any such manufacturer fails to meet production and delivery schedules, it can have an adverse impact on our ability to sell such products. Further, whether we directly manufacture a product or utilize a third-party manufacturer, shortages and spoilage of materials, labor stoppages, product recalls, manufacturing defects and other similar events can delay production and inhibit our ability to bring a new product to market in timely fashion. For example, the supply of Trinity® Evolution™ is derived from human cadaveric donors, and our ability to distribute the product depends on our supplier continuing to have access to donated human cadaveric tissue, as well as, the maintenance of high standards by the supplier in its processing methodology. The supply of such donors is inherently unpredictable and can fluctuate over time. Further, because Trinity® Evolution™ is classified as an HCT/P product, it could from time to time be subject to recall for safety or administrative reasons.

We depend on our ability to protect our intellectual property and proprietary rights, but we may not be able to maintain the confidentiality, or assure the protection, of these assets.

Our success depends, in large part, on our ability to protect our current and future technologies and products and to defend our intellectual property rights. If we fail to protect our intellectual property adequately, competitors may manufacture and market products similar to, or that compete directly with, ours. Numerous patents covering our technologies have been issued to us, and we have filed, and expect to continue to file, patent applications seeking to protect newly developed technologies and products in various countries, including the U.S. Some patent applications in the U.S. are maintained in secrecy until the patent is issued. Because the publication of discoveries tends to follow their actual discovery by several months, we may not be the first to invent, or file patent applications on any of our discoveries. Patents may not be issued with respect to any of our patent applications and existing or future patents issued to, or licensed by us and may not provide adequate protection or competitive advantages for our products. Patents that are issued may be challenged, invalidated or circumvented by our competitors. Furthermore, our patent rights may not prevent our competitors from developing, using or commercializing products that are similar or functionally equivalent to our products.

We also rely on trade secrets, unpatented proprietary expertise and continuing technological innovation that we protect, in part, by entering into confidentiality agreements with assignors, licensees, suppliers, employees and consultants. These agreements may be breached and there may not be adequate remedies in the event of a breach. Disputes may arise concerning the ownership of intellectual property or the applicability or enforceability of confidentiality agreements. Moreover, our trade secrets and proprietary technology may otherwise become known or be independently developed by our competitors. If patents are not issued with respect to our products arising from research, we may not be able to maintain the confidentiality of information relating to these products. In addition, if a patent relating to any of our products lapses or is invalidated, we may experience greater competition arising from new market entrants.

Third parties may claim that we infringe on their proprietary rights and may prevent us from manufacturing and selling certain of our products.

There has been substantial litigation in the medical device industry with respect to the manufacture, use and sale of new products. These lawsuits relate to the validity and infringement of patents or proprietary rights of third parties. We may be required to defend against allegations relating to the infringement of patent or proprietary rights of third parties. Any such litigation could, among other things:

- require us to incur substantial expense, even if we are successful in the litigation;
- require us to divert significant time and effort of our technical and management personnel;
- result in the loss of our rights to develop or make certain products; and
- require us to pay substantial monetary damages or royalties in order to license proprietary rights from third parties or to satisfy judgments or to settle actual or threatened litigation.

Although patent and intellectual property disputes within the orthopedic medical devices industry have often been settled through assignments, licensing or similar arrangements, costs associated with these arrangements may be substantial and could include the long-term payment of royalties. Furthermore, the required assignments or licenses may not be made available to us on acceptable terms. Accordingly, an adverse determination in a judicial or administrative proceeding or a failure to obtain necessary assignments or licenses could prevent us from manufacturing and selling some products or increase our costs to market these products.

Reimbursement policies of third parties, cost containment measures and healthcare reform could adversely affect the demand for our products and limit our ability to sell our products.

Our products are sold either directly by us or by independent sales representatives to customers or to our independent distributors and purchased by hospitals, doctors and other healthcare providers. These products may be reimbursed by third-party payors, such as government programs, including Medicare, Medicaid and Tricare, or private insurance plans and healthcare networks. Third-party payors may deny reimbursement if they determine that a device provided to a patient or used in a procedure does not meet applicable payment criteria or if the policy holder's healthcare insurance benefits are limited. Also, third-party payors are increasingly challenging the prices charged for medical products and services. Limits put on reimbursement could make it more difficult for people to buy our products and reduce, or possibly eliminate, the demand for our products. In addition, should governmental authorities enact additional legislation or adopt regulations that affect third-party coverage and reimbursement, demand for our products and coverage by private or public insurers may be reduced with a consequential material adverse effect on our sales and profitability.

Third-party payors, whether private or governmental entities, also may revise coverage or reimbursement policies that address whether a particular product, treatment modality, device or therapy will be subject to reimbursement and, if so, at what level of payment.

The Centers for Medicare and Medicaid Services ("CMS"), in its ongoing implementation of the Medicare program has obtained a related technical assessment of the medical study literature to determine how the literature addresses spinal fusion surgery in the Medicare population. The impact that this information will have on Medicare coverage policy for the Company's products is currently unknown, but we cannot provide assurances that the resulting actions would not restrict Medicare coverage for our products. It is also possible that the government's focus on coverage of off-label uses of the FDA-approved devices could lead to changes in coverage policies regarding off-label uses by TriCare, Medicare and/or Medicaid. There can be no assurance that we or our distributors will not experience significant reimbursement problems in the future related to these or other proceedings. Our products are sold in many countries, such as the United Kingdom, France, and Italy, with publicly funded healthcare systems. The ability of hospitals supported by such systems to purchase our products is dependent, in part, upon public budgetary constraints. Any increase in such constraints may have a material adverse effect on our sales and collection of accounts receivable from such sales.

As required by law, CMS has continued efforts to implement a competitive bidding program for durable medical equipment paid for by the Medicare program. CMS conducted an initial implementation of the competitive bidding program in 2008 which was terminated in that same year. CMS is required to and began the rebid process in 2009. The implementation date of the rebid round is currently scheduled for January 2011. The Company's products are not yet included in the competitive bidding process. We believe that the competitive bidding process will principally affect products sold by our Sports Medicine business. We cannot predict which products from any of our businesses will ultimately be affected or when the competitive bidding process will be extended to our businesses. The competitive bidding process is projected to be expanded further in 2011, yet final decisions concerning which products and areas will be affected have not been announced. While some of our products are designated by the Food and Drug Administration as Class III medical devices and thus are not included within the competitive bidding program, some of our products may be encompassed within the program at varying times. There can be no assurance that the implementation of the competitive bidding program will not have an adverse impact on the sales of some of our products.

We estimate that our revenue by payor type is:

- Direct (hospital) 36%
- Third Party Insurance 22%
- Independent Distributors 19%
- U.S. Government – Medicare, Medicaid, TriCare 10%
- International Public Healthcare Systems 9%
- Self-payand other 4%

We and certain of our suppliers may be subject to extensive government regulation that increases our costs and could limit our ability to market or sell our products.

The medical devices we manufacture and market are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities. These authorities regulate the development, approval, classification, testing, manufacturing, labeling, marketing and sale of medical devices. Likewise, our use and disclosure of certain categories of health information may be subject to federal and state laws, implemented and enforced by governmental authorities that protect health information privacy and security. For a description of these regulations, see Item 1 – "Business – Government Regulation."

The approval or clearance by governmental authorities, including the FDA in the U.S., is generally required before any medical devices may be marketed in the U.S. or other countries. We cannot predict whether in the future, the U.S. or foreign governments may impose regulations that have a material adverse effect on our business, financial condition or results of operations. The process of obtaining FDA clearance and other regulatory clearances or approvals to develop and market a medical device can be costly and time-consuming, and is subject to the risk that such approvals will not be granted on a timely basis if at all. The regulatory process may delay or prohibit the marketing of new products and impose substantial additional costs if the FDA lengthens review times for new devices. The FDA has the ability to change the regulatory classification of a cleared or approved device from a higher to a lower regulatory classification which could materially adversely impact our ability to market or sell our devices **.**

We and certain of our suppliers also are subject to announced and unannounced inspections by the FDA to determine our compliance with FDA's Quality System Regulation ("QSR") and other regulations. If the FDA were to find that we or certain of our suppliers have failed to comply with applicable regulations, the agency could institute a wide variety of enforcement actions, ranging from a public warning letter to more severe sanctions such as: fines and civil penalties against us, our officers, our employees or our suppliers; unanticipated expenditures to address or defend such actions; delays in clearing or approving, or refusal to clear or approve, our products; withdrawal or suspension of approval of our products or those of our third-party suppliers by the FDA or other regulatory bodies; product recall or seizure; interruption of production; operating restrictions; injunctions; and criminal prosecution. The FDA also has the authority to request repair, replacement or refund of the cost of any medical device manufactured or distributed by us. Any of those actions could have a material adverse effect on our development of new laboratory tests, business strategy, financial condition and results of operations.

Our allograft and mesenchymal stem cell products could expose us to certain risks which could disrupt our business.

Our Spinal Implants and Biologics division distributes a product under the brand name Trinity® Evolution™. Trinity® Evolution™ is derived from human cadaveric donors, and our ability to distribute the product depends on our supplier continuing to have access to donated human cadaveric tissue, as well as, the maintenance of high standards by the supplier in its processing methodology. The supply of such donors is inherently unpredictable and can fluctuate over time. We believe that Trinity® Evolution™ is properly classified under the FDA's Human Cell, Tissues and Cellular and Tissue-Based Products ("HCT/P") regulatory paradigm and not as a medical device or as a biologic or drug. There can be no assurance that the FDA would agree that this category of regulatory classification applies to Trinity® Evolution™ and the reclassification of this product from a human tissue to a medical device could have adverse consequences for us or for the supplier of this product and make it more difficult or expensive for us to conduct this business by requiring premarket clearance or approval as well as compliance with additional postmarket regulatory requirements. The success of our Trinity® Evolution™ product will depend on these products achieving broad market acceptance which can depend on the product achieving broad clinical acceptance, the level of third-party reimbursement and the introduction of competing technologies. Because Trinity® Evolution™ is classified as an HCT/P product, it can from time to time be subject to recall for safety or administrative reasons.

Spinal Implants and Biologics also distributes allograft products which are also derived from human tissue harvested from cadavers and which are used for bone reconstruction or repair and which are surgically implanted into the human body. We believe that these allograft products are properly classified as HCT/P products and not as a medical device or a biologic or drug. There can be no assurance that the FDA would agree that this regulatory classification applies to these products and any regulatory reclassification could have adverse consequences for us or for the suppliers of these products and make it more difficult or expensive for us to conduct this business by requiring premarket clearance or approval and compliance with additional postmarket regulatory requirements. Moreover, the supply of these products to us could be interrupted by the failure of our suppliers to maintain high standards in performing required donor screening and infectious disease testing of donated human tissue used in producing allograft implants. Our allograft implant business could also be adversely affected by shortages in the supply of donated human tissue or negative publicity concerning methods of recovery of tissue and product liability actions arising out of the distribution of allograft implant products.

We may be subject to product liability claims that may not be covered by insurance and could require us to pay substantial sums.

We are subject to an inherent risk of, and adverse publicity associated with, product liability and other liability claims, whether or not such claims are valid. We maintain product liability insurance coverage in amounts and scope that we believe is reasonable and adequate. There can be no assurance, however, that product liability or other claims will not exceed our insurance coverage limits or that such insurance will continue to be available on reasonable commercially acceptable terms, or at all. A successful product liability claim that exceeds our insurance coverage limits could require us to pay substantial sums and could have a material adverse effect on our financial condition.

Fluctuations in insurance expense could adversely affect our profitability.

We hold a number of insurance policies, including product liability insurance, directors' and officers' liability insurance, property insurance and workers' compensation insurance. If the costs of maintaining adequate insurance coverage should increase significantly in the future, our operating results could be materially adversely impacted.

Our quarterly operating results may fluctuate.

Our operating results have fluctuated significantly in the past on a quarterly basis. Our operating results may fluctuate significantly from quarter to quarter in the future and we may experience losses in the future depending on a number of factors, including the extent to which our products continue to gain or maintain market acceptance, the rate and size of expenditures incurred as we expand our domestic and establish our international sales and distribution networks, the timing and level of reimbursement for our products by third-party payors, the extent to which we are subject to government regulation or enforcement and other factors, many of which are outside our control.

New developments by others could make our products or technologies non-competitive or obsolete.

The orthopedic medical device industry in which we compete is undergoing, and is characterized by rapid and significant technological change. We expect competition to intensify as technological advances are made. New technologies and products developed by other companies are regularly introduced into the market, which may render our products or technologies non-competitive or obsolete.

Our ability to market products successfully depends, in part, upon the acceptance of the products not only by consumers, but also by independent third parties.

Our ability to market orthopedic products successfully depends, in part, on the acceptance of the products by independent third parties (including hospitals, doctors, other healthcare providers and third-party payors) as well as patients. Unanticipated side effects or unfavorable publicity concerning any of our products could have an adverse effect on our ability to maintain hospital approvals or achieve acceptance by prescribing physicians, managed care providers and other retailers, customers and patients.

The industry in which we operate is highly competitive.

The medical devices industry is highly competitive. We compete with a large number of companies, many of which have significantly greater financial, manufacturing, marketing, distribution and technical resources than we do. Many of our competitors may be able to develop products and processes competitive with, or superior to, our own. Furthermore, we may not be able to successfully develop or introduce new products that are less costly or offer better performance than those of our competitors, or offer purchasers of our products payment and other commercial terms as favorable as those offered by our competitors. For more information regarding our competitors, see Item 1 – "Business – Competition."

We depend on our senior management team.

Our success depends upon the skill, experience and performance of members of our senior management team, who have been critical to the management of our operations and the implementation of our business strategy. We do not have key man insurance on our senior management team, and the loss of one or more key executive officers could have a material adverse effect on our operations and development.

In order to compete, we must attract, retain and motivate key employees, and our failure to do so could have an adverse effect on our results of operations.

In order to compete, we must attract, retain and motivate executives and other key employees, including those in managerial, technical, sales, marketing and support positions. Hiring and retaining qualified executives, engineers, technical staff and sales representatives are critical to our business, and competition for experienced employees in the medical device industry can be intense. To attract, retain and motivate qualified employees, we utilize stock-based incentive awards such as employee stock options. If the value of such stock awards does not appreciate as measured by the performance of the price of our common stock and ceases to be viewed as a valuable benefit, our ability to attract, retain and motivate our employees could be adversely impacted, which could negatively affect our results of operations and/or require us to increase the amount we expend on cash and other forms of compensation.

Termination of our existing relationships with our independent sales representatives or distributors could have an adverse effect on our business.

We sell our products in many countries through independent distributors. Generally, our independent sales representatives and our distributors have the exclusive right to sell our products in their respective territories and are generally prohibited from selling any products that compete with ours. The terms of these agreements vary in length, generally from one to ten years. Under the terms of our distribution agreements, each party has the right to terminate in the event of a material breach by the other party and we generally have the right to terminate if the distributor does not meet agreed sales targets or fails to make payments on time. Any termination of our existing relationships with independent sales representatives or distributors could have an adverse effect on our business unless and until commercially acceptable alternative distribution arrangements are put in place.

We are party to numerous contractual relationships.

We are party to numerous contracts in the normal course of our business. We have contractual relationships with suppliers, distributors and agents, as well as service providers. In the aggregate, these contractual relationships are necessary for us to operate our business. From time to time, we amend, terminate or negotiate our contracts. We are also periodically subject to, or make claims of breach of contract, or threaten legal action relating to our contracts. These actions may result in litigation. At any one time, we have a number of negotiations under way for new or amended commercial agreements. We devote substantial time, effort and expense to the administration and negotiation of contracts involved in our business. However, these contracts may not continue in effect past their current term or we may not be able to negotiate satisfactory contracts in the future with current or new business partners.

We face risks related to foreign currency exchange rates.

Because some of our revenue, operating expenses, assets and liabilities are denominated in foreign currencies, we are subject to foreign exchange risks that could adversely affect our operations and reported results. To the extent that we incur expenses or earn revenue in currencies other than the U.S. dollar, any change in the values of those foreign currencies relative to the U.S. dollar could cause our profits to decrease or our products to be less competitive against those of our competitors. To the extent that our current assets denominated in foreign currency are greater or less than our current liabilities denominated in foreign currencies, we have potential foreign exchange exposure. We have substantial activities outside of the U.S. that are subject to the impact of foreign exchange rates. The fluctuations of foreign exchange rates during 2009 have had a negative impact of $11.1 million on net sales outside of the U.S. Although we seek to manage our foreign currency exposure by matching non-dollar revenues and expenses, exchange rate fluctuations could have a material adverse effect on our results of operations in the future. To minimize such exposures, we enter into currency hedges from time to time. At December 31, 2009, we had outstanding a currency swap to hedge a 38.3 million Euro foreign currency exposure.

We are subject to differing tax rates in several jurisdictions in which we operate.

We have subsidiaries in several countries. Certain of our subsidiaries sell products directly to other Orthofix subsidiaries or provide marketing and support services to other Orthofix subsidiaries. These intercompany sales and support services involve subsidiaries operating in jurisdictions with differing tax rates. Tax authorities in these jurisdictions may challenge our treatment of such intercompany transactions. If we are unsuccessful in defending our treatment of intercompany transactions, we may be subject to additional tax liability or penalty, which could adversely affect our profitability.

We are subject to differing customs and import/export rules in several jurisdictions in which we operate.

We import and export our products to and from a number of different countries around the world. These product movements involve subsidiaries and third-parties operating in jurisdictions with different customs and import/export rules and regulations. Customs authorities in such jurisdictions may challenge our treatment of customs and import/export rules relating to product shipments under aspects of their respective customs laws and treaties. If we are unsuccessful in defending our treatment of customs and import/export classifications, we may be subject to additional customs duties, fines or penalties that could adversely affect our profitability.

Provisions of Netherlands Antilles law may have adverse consequences to our shareholders.

Our corporate affairs are governed by our Articles of Association and the corporate law of the Netherlands Antilles as laid down in Book 2 of the Civil Code ("CCNA"). Although some of the provisions of the CCNA resemble some of the provisions of the corporation laws of a number of states in the U.S., principles of law relating to such matters as the validity of corporate procedures, the fiduciary duties of management and the rights of our shareholders may differ from those that would apply if Orthofix were incorporated in a jurisdiction within the U.S. For example, there is no statutory right of appraisal under Netherlands Antilles corporate law nor is there a right for shareholders of a Netherlands Antilles corporation to sue a corporation derivatively. In addition, we have been advised by Netherlands Antilles counsel that it is unlikely that (1) the courts of the Netherlands Antilles would enforce judgments entered by U.S. courts predicated upon the civil liability provisions of the U.S. federal securities laws and (2) actions can be brought in the Netherlands Antilles in relation to liabilities predicated upon the U.S. federal securities laws.

Our business is subject to economic, political, regulatory and other risks associated with international sales and operations.

Since we sell our products in many different countries, our business is subject to risks associated with conducting business internationally. Net sales outside the U.S. represented 23% of our total net sales in 2009. We anticipate that net sales from international operations will continue to represent a substantial portion of our total net sales. In addition, a number of our manufacturing facilities and suppliers are located outside the U.S. Accordingly, our future results could be harmed by a variety of factors, including:

- changes in foreign currency exchange rates;
- changes in a specific country's or region's political or economic conditions;
- trade protection measures and import or export licensing requirements or other restrictive actions by foreign governments;
- consequences from changes in tax or customs laws;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- differing protection of intellectual property;
- unexpected changes in regulatory requirements; and
- application of the U.S. Foreign Corrupt Practices Act ("FCPA") and other anti-bribery or anti-corruption laws to our operations.

We may incur costs and undertake new debt and contingent liabilities in a search for acquisitions.

We continue to search for viable acquisition candidates that would expand our market sector or global presence. We also seek additional products appropriate for current distribution channels. The search for an acquisition of another company or product line by us could result in our incurrence of costs from such efforts as well as the undertaking of new debt and contingent liabilities from such searches or acquisitions. Such costs may be incurred at any time and may vary in size depending on the scope of the acquisition or product transactions and may have a material impact on our results of operations.

We may incur significant costs or retain liabilities associated with disposition activity.

We may from time to time sell, license, assign or otherwise dispose of or divest assets, the stock of subsidiaries or individual products, product lines or technologies which we determine are no longer desirable for us to own, some of which may be material. Any such activity could result in our incurring costs and expenses from these efforts, some of which could be significant, as well as retaining liabilities related to the assets or properties disposed of even though, for instance, the income generating assets have been disposed of. These costs and expenses may be incurred at any time and may have a material impact on our results of operations.

Our subsidiary Orthofix Holdings, Inc.'s senior secured bank credit facility contains significant financial and operating restrictions, including financial covenants that we may be unable to satisfy in the future.

When we acquired Blackstone on September 22, 2006, one of our wholly-owned subsidiaries, Orthofix Holdings, Inc. ("Orthofix Holdings"), entered into a senior secured bank credit facility with a syndicate of financial institutions to finance the transaction. Orthofix and certain of Orthofix Holdings' direct and indirect subsidiaries, including Orthofix Inc., Breg, and Blackstone have guaranteed the obligations of Orthofix Holdings under the senior secured bank facility. The senior secured bank facility provides for (1) a seven-year amortizing term loan facility of $330.0 million of which $252.4 million and $280.7 million was outstanding at December 31, 2009 and 2008, respectively, and (2) a six-year revolving credit facility of $45.0 million upon which we had $44.7 million available to be drawn as of December 31, 2009.

On September 29, 2008, we entered into an amendment to the credit agreement. The credit agreement, as amended, contains negative covenants applicable to Orthofix and its subsidiaries, including restrictions on indebtedness, liens, dividends and mergers and sales of assets. The credit agreement also contains certain financial covenants, including a fixed charge coverage ratio and a leverage ratio applicable to Orthofix and its subsidiaries on a consolidated basis. A breach of any of these covenants could result in an event of default under the credit agreement, which could permit acceleration of the debt payments under the facility. Management believes the Company was in compliance with these financial covenants as measured at December 31, 2009. The Company further believes that it should be able to meet these financial covenants in future fiscal quarters, however, there can be no assurance that it will be able to do so, and failure to do so could result in an event of default under the credit agreement, which could have a material adverse effect on our financial position.

The senior secured bank credit facility requires mandatory prepayments that may have an adverse effect on our operations and limit our ability to grow our business.

Further, in addition to scheduled debt payments, the credit agreement, as amended, requires us to make mandatory prepayments with (a) the excess cash flow (as defined in the credit agreement) of Orthofix and its subsidiaries, in an amount equal to 50% of the excess annual cash flow beginning with the year ending December 31, 2007, provided, however, if the leverage ratio (as defined in the credit agreement) is less than or equal to 1.75 to 1.00, as of the end of any fiscal year, there will be no mandatory excess cash flow prepayments, with respect to such fiscal year, (b) 100% of the net cash proceeds of any debt issuances by Orthofix or any of its subsidiaries or 50% of the net cash proceeds of equity issuances by any such party, excluding the exercise of stock options, provided, however, if the leverage ratio is less than or equal to 1.75 to 1.00 at the end of the preceding fiscal year, Orthofix Holdings shall not be required to prepay the loans with the proceeds of any such debt or equity issuance, (c) the net cash proceeds of asset dispositions over a minimum threshold, or (d) unless reinvested, insurance proceeds or condemnation awards. These mandatory prepayments could limit our ability to reinvest in our business.

The conditions of the U.S. and international capital and credit markets may adversely affect our ability to draw on our current revolving credit facility or obtain future short-term or long-term lending.

Global market and economic conditions have been, and continue to be, disrupted and volatile. In particular, the cost and availability of funding for many companies has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. These forces reached unprecedented levels in 2008, resulting in the bankruptcy or acquisition of, or government assistance to, several major domestic and international financial institutions. These events have significantly diminished overall confidence in the financial and credit markets. There can be no assurances that recent government responses to the disruptions in the financial and credit markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of credit.

We continue to maintain a six-year revolving credit facility of $45.0 million upon which we had $44.7 million available to be drawn as of December 31, 2009. However, to the extent our business requires us to access the credit markets in the future and we are not able to do so, including in the event that lenders cease to lend to us, or cease to be capable of lending, for any reason, we could experience a material and adverse impact on our financial condition and ability to borrow additional funds. This might impair our ability to obtain sufficient funds for working capital, capital expenditures, acquisitions, research and development and other corporate purposes.

The conditions of the U.S. and international capital and credit markets may adversely affect our interest expense under our existing credit facility.

Our senior bank facility provides for a seven-year amortizing term loan facility of $330.0 million for which $252.4 million was outstanding as of December 31, 2009. Obligations under the senior secured credit facility have a floating interest rate of the London Inter-Bank Offered Rate ("LIBOR") plus a margin or prime rate plus a margin. Currently, the term loan is a $252.4 million prime rate loan plus a margin of 3.5%. In June 2008, we entered into a three year fully amortizable interest rate swap agreement (the "Swap") with a notional amount of $150.0 million and an expiration date of June 30, 2011. The amount outstanding under the Swap as of December 31, 2009 was $150.0 million. Under the Swap we will pay a fixed rate of 3.73% and receive interest at floating rates based on the three month LIBOR rate at each quarterly re-pricing date until the expiration of the Swap. As of December 31, 2009 the interest rate on the debt related to the Swap was 10.2%. Our overall effective interest rate, including the impact of the Swap, as of December 31, 2009 on our senior secured debt was 8.8%. Although the Swap reduces the impact of interest rate increases, our interest expense that we incur under our term loan could increase if there are increases in LIBOR rates. (See Item 7A, Quantitative and Qualitative Disclosures about Market Risk in this Form 10-K.) Further, in the event that our counterparties under the Swap were to cease to be able to satisfy their obligations under the Swap for any reason, our interest expense could be further increased.

Our results of operations could vary as a result of the methods, estimates and judgments we use in applying our accounting policies.

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our results of operations (see "Critical Accounting Policies and Estimates" in Part II, Item 7 of this Form 10-K). Such methods, estimates and judgments are, by their nature, subject to substantial risks, uncertainties and assumptions, and factors may arise over time that leads us to change our methods, estimates and judgments. Changes in those methods, estimates and judgments could significantly affect our results of operations.

Goodwill and other identified intangibles could generate future asset impairments, which would be recorded as operating losses.

The Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 350 – Intangibles – Goodwill and Other (formerly known as Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets") requires that goodwill, including the goodwill included in the carrying value of investments accounted for using the equity method of accounting, and other intangible assets deemed to have indefinite useful lives, such as trademarks, cease to be amortized. ASC Topic 350 requires that goodwill and intangible assets with indefinite lives be tested at least annually for impairment. If Orthofix finds that the carrying value of goodwill or a certain intangible asset exceeds its fair value, it will reduce the carrying value of the goodwill or intangible asset to the fair value, and Orthofix will recognize an impairment loss. Any such impairment losses are required to be recorded as non-cash operating losses.

During the third quarter of 2008, as a result of decreasing revenues, we evaluated the fair value of our indefinite-lived trademarks and goodwill at Blackstone. As a result, we recorded an impairment charge of $57.0 million related to these trademarks. We determined that the carrying amount of goodwill related to Blackstone exceeded its implied fair value, and recognized a goodwill impairment loss of $126.9 million.

In addition, ASC Topic 360 – Property, Plant and Equipment (formerly known as SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets") requires that intangible assets with definite lives, such as Orthofix's developed technologies and distribution network assets, be tested for impairment if indicators of impairment, as defined in the standard, exist. During the third quarter of 2008, we determined that an indicator of impairment existed with respect to the definite-lived intangible assets at Blackstone. We compared the expected cash flows to be generated by the definite lived intangible assets on an undiscounted basis to the carrying value of the intangible asset. We determined the carrying value exceeded the undiscounted cash flow and impaired the distribution network and developed technologies at Blackstone which resulted in an impairment charge of $105.7 million.

Certain of the impairment tests require Orthofix to make an estimate of the fair value of goodwill and other intangible assets, which are primarily determined using discounted cash flow methodologies, research analyst estimates, market comparisons and a review of recent transactions. Since a number of factors may influence determinations of fair value of intangible assets, Orthofix is unable to predict whether impairments of goodwill or other indefinite lived intangibles will occur in the future.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal facilities are:

Facility	Location	Approx. Square Feet	Ownership
Manufacturing, warehousing, distribution and research and development facility for Spine and Orthopedics Products and administrative facility for the Domestic and Spinal Implants and Biologics segments	McKinney, TX	70,000	Leased
Tooling and model shop for Spinal Implants and Biologics	Springfield, MA	19,000	Leased
Research and development office for Spinal Implants and Biologics	Wayne, NJ	16,548	Leased
Research and development, component manufacturing, quality control and training facility for fixation products and sales management, distribution and administrative facility for Italy	Verona, Italy	38,000	Owned
International Distribution Center for Orthofix products	Verona, Italy	18,000	Leased
Administrative offices for Orthofix International N.V.	Boston, MA	7,488	Leased
Administrative offices for Orthofix International N.V.	Huntersville, NC	7,225	Leased
Sales management, distribution and administrative offices	Florham Park, NJ	2,700	Leased
Sales management, distribution and administrative offices	South Devon, England	2,500	Leased
Sales management, distribution and administrative offices for A-V Impulse ® System and fixation products	Andover, England	9,001	Leased
Sales management, distribution and administrative facility for United Kingdom	Maidenhead, England	9,000	Leased
Sales management, distribution and administrative facility for Mexico	Mexico City, Mexico	3,444	Leased
Sales management, distribution and administrative facility for Brazil	Alphaville, Brazil	4,690	Leased
Sales management, distribution and administrative facility for Brazil	São Paulo, Brazil	1,184	Leased

Facility	Location	Approx. Square Feet	Ownership
Sales management, distribution and administrative facility for France	Gentilly, France	3,854	Leased
Sales management, distribution and administrative facility for Germany	Valley, Germany	3,000	Leased
Sales management, distribution and administrative facility for Switzerland	Steinhausen, Switzerland	1,180	Leased
Administrative, manufacturing, warehousing, distribution and research and development facility for Breg	Vista, California	104,832	Leased
Manufacturing facility for Breg products, including the A-V Impulse System ® Impads	Mexicali, Mexico	63,000	Leased
Sales management, distribution and administrative facility for Puerto Rico	Guaynabo, Puerto Rico	4,400	Leased

Item 3. Legal Proceedings

On or about July 23, 2007, our subsidiary, Blackstone Medical Inc. ("Blackstone") received a subpoena issued by the Department of Health and Human Services, Office of Inspector General, under the authority of the federal healthcare anti-kickback and false claims statutes. The subpoena seeks documents for the period January 1, 2000 through July 31, 2006, which is prior to Blackstone's acquisition by the Company. The Company believes that the subpoena concerns the compensation of physician consultants and related matters. On September 17, 2007, the Company submitted a claim for indemnification from the escrow fund established in connection with the agreement and plan of merger between the Company, New Era Medical Corp. and Blackstone, dated as of August 4, 2006 (the "Blackstone Merger Agreement"), for any losses to us resulting from this matter. (The Company's indemnification rights under the Blackstone Merger Agreement are described further below). The Company was subsequently notified by legal counsel for the former shareholders that the representative of the former shareholders of Blackstone has objected to the indemnification claim and intends to contest it in accordance with the terms of the Blackstone Merger Agreement.

On or about January 7, 2008, the Company received a federal grand jury subpoena from the U.S. Attorney's Office for the District of Massachusetts. The subpoena seeks documents from the Company for the period January 1, 2000 through July 15, 2007. The Company believes that the subpoena concerns the compensation of physician consultants and related matters, and further believes that it is associated with the Department of Health and Human Services, Office of Inspector General's investigation of such matters. On September 18, 2008, the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to the Company resulting from this matter. On or about April 29, 2009, counsel for the Company received a HIPAA subpoena issued by the U.S. Department of Justice. The subpoena seeks documents from the Company for the period January 1, 2000 through July 15, 2007. The Company believes that the subpoena concerns the compensation of physician consultants and related matters, and further believes that it is associated with the Department of Health and Human Services, Office of Inspector General's investigation of such matters, as well as the January 7, 2008 federal grand jury subpoena. On or about February 25, 2010, counsel for Orthofix Inc. and Blackstone sent to the U.S. Attorney's Office for the District of Massachusetts a tolling agreement (the "Tolling Agreement") executed by Orthofix Inc. and Blackstone, that extends an agreement tolling the statute of limitations applicable to any criminal, civil, or administrative proceedings that the government might later initiate. Upon execution by the U.S. Attorney's Office for the District of Massachusetts, the Tolling Agreement will extend the period tolling the statute of limitations to include the period from December 1, 2008 through and including March 31, 2010.

On or about December 5, 2008, the Company obtained a copy of a qui tam complaint filed by Susan Hutcheson and Philip Brown against Blackstone and the Company in the U.S. District Court for the District of Massachusetts. A qui tam action is a civil lawsuit brought by an individual for an alleged violation of a federal statute, in which the U.S. Department of Justice has the right to intervene and take over the prosecution of the lawsuit at its option. On November 21, 2008, the U.S. Department of Justice filed a notice of non-intervention in the case. The complaint was served on Blackstone on or about March 24, 2009. Counsel for the plaintiffs filed an amended complaint on June 4, 2009. The amended complaint sets forth a cause of action against Blackstone under the False Claims Act for alleged inappropriate payments and other items of value conferred on physician consultants; Orthofix is not named as a defendant in the amended complaint. The Company believes that this lawsuit is related to the matters described above involving the Department of Health and Human Services, Office of the Inspector General, and the U.S. Attorney's Office for the District of Massachusetts, and the U.S. Department of Justice. The Company intends to defend vigorously against this lawsuit. On September 18, 2008, after being informed of the existence of the lawsuit by representatives of the U.S. Department of Justice and prior to the unsealing of the complaint (which was unsealed by the court on or about November 24, 2008), the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to us resulting from this matter.

On or about September 27, 2007, Blackstone received a federal grand jury subpoena issued by the U.S. Attorney's Office for the District of Nevada ("USAO-Nevada subpoena"). The subpoena seeks documents for the period from January 1999 to the date of issuance of the subpoena. The Company believes that the subpoena concerns payments or gifts made by Blackstone to certain physicians. On February 29, 2008, Blackstone received a Civil Investigative Demand ("CID") from the Massachusetts Attorney General's Office, Public Protection and Advocacy Bureau, Healthcare Division. The CID seeks documents for the period from March 2004 through the date of issuance of the CID, and the Company believes that the CID concerns Blackstone's financial relationships with certain physicians and related matters. The Ohio Attorney General's Office, Health Care Fraud Section has issued a criminal subpoena, dated August 8, 2008, to Orthofix, Inc. (the "Ohio AG subpoena"). The Ohio AG subpoena seeks documents for the period from January 1, 2000 through the date of issuance of the subpoena. The Company believes that the Ohio AG subpoena arises from a government investigation that concerns the compensation of physician consultants and related matters. On September 18, 2008, the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to us resulting from the USAO-Nevada subpoena, the Massachusetts CID and the Ohio AG subpoena.

By order entered on January 4, 2007, the U.S. District Court for the Eastern District of Arkansas unsealed a qui tam complaint captioned Thomas v. Chan, et al., 4:06-cv-00465-JLH, filed against Dr. Patrick Chan, Blackstone and other defendants including another device manufacturer. The amended complaint in the Thomas action alleges causes of action under the False Claims Act for alleged inappropriate payments and other items of value conferred on Dr. Chan and another provider. The Company believes that Blackstone has meritorious defenses to the claims alleged and the Company intends to defend vigorously against this lawsuit. On September 17, 2007, the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to us resulting from this matter. The Company was subsequently notified by legal counsel for the former shareholders that the representative of the former shareholders of Blackstone has objected to the indemnification claim and intends to contest it in accordance with the terms of the Blackstone Merger Agreement.

Under the Blackstone Merger Agreement, the former shareholders of Blackstone have agreed to indemnify the Company for breaches of representations and warranties under the agreement as well as certain other specified matters. These post-closing indemnification obligations of the former Blackstone shareholders are limited to a cumulative aggregate amount of $66.6 million. At closing, an escrow fund was established pursuant to the terms of the Blackstone Merger Agreement to fund timely submitted indemnification claims. The initial amount of the escrow fund was $50.0 million. As of December 31, 2009, the escrow fund, which has subsequently accrued interest, contained $52.0 million. The Company is also entitled to seek direct personal recourse against certain principal shareholders of Blackstone after all monies on deposit in the escrow fund have been paid out or released or are the subject of pending or unresolved indemnification claims but only for a period of six years from the closing date of the merger and only up to an amount equal to $66.6 million less indemnification claims previously paid.

In addition to the foregoing claims, the Company has submitted claims for indemnification from the escrow fund for losses that have resulted or may result from certain civil actions filed against Blackstone as well as certain claims against Blackstone alleging rights to payments for Blackstone stock options not reflected in Blackstone's corporate ledger at the time of its acquisition by the Company, or that the shares or stock options subject to those claims were improperly diluted by Blackstone. To date, the representative of the former shareholders of Blackstone has not objected to approximately $1.5 million in such claims from the escrow fund, with certain claims remaining pending.

The Company is unable to predict the outcome of each of the escrow claims described above in the preceding paragraphs or to estimate the amount, if any, that may ultimately be returned to the Company from the escrow fund and there can be no assurance that losses to the Company from these matters will not exceed the amount of the escrow fund. Expenses incurred by the Company relating to the above matters are recorded as an escrow receivable in the Company's financial statements to the extent the Company believes, among other things, that collection of the claims is reasonably assured. Expenditures related to such matters for which the Company believes collection is doubtful are recognized in earnings when incurred. As of December 31, 2009 and December 31, 2008, included in Prepaid expenses and other current assets is approximately $12.9 million and $8.3 million, respectively, of escrow receivable balances related to the Blackstone matters described above. These amounts include, among other things, attorneys' fees and costs related to the government investigations manifested by the subpoenas described above, the stock option-related claims described above, and costs related to the qui-tam action described above. As described above, some of these reimbursement claims are being contested by the representative of the former shareholders of Blackstone. To mitigate the risk that some reimbursement claims will not be collected, the Company records a reserve against the escrow receivable during the period in which reimbursement claims are recognized. During 2009, the Company received approximately $1.0 million of proceeds from the escrow fund which represented a portion of the escrow claims that had been previously submitted by the Company.

Effective October 29, 2007, Blackstone entered into a settlement agreement of a patent infringement lawsuit brought by certain affiliates of Medtronic Sofamor Danek USA Inc. In that lawsuit, the Medtronic plaintiffs had alleged that they were the exclusive licensees of certain U.S. patents and that Blackstone's making, selling, offering for sale, and using its Blackstone Anterior Cervical Plate, 3º Anterior Cervical Plate, Hallmark Anterior Cervical Plate, Reliant Cervical Plate, Pillar PEEK and Construx Mini PEEK VBR System products within the U.S. willfully infringed the subject patents. Blackstone denied infringement and asserted that the patents were invalid. The settlement agreement is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows. On July 20, 2007, the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to us resulting from this matter. The Company was subsequently notified by legal counsel of the former shareholders that the representative of the former shareholders of Blackstone has objected to the indemnification claim and intends to contest it in accordance with the terms of the Blackstone Merger Agreement.

On or about April 10, 2009, the Company received a HIPAA subpoena ("HIPAA subpoena") issued by the U.S. Attorney's Office for the District of Massachusetts (the "Boston USAO"). The subpoena sought documents concerning, among other things, the Company's promotion and marketing of its bone growth stimulator devices. The Boston USAO issued a supplemental subpoena in this matter dated July 23, 2009, requiring testimony. That office later excused performance with the July 23, 2009 subpoena indefinitely. The Boston USAO also issued supplemental subpoenas in this matter, dated September 21, 2009 and December 16, 2009, respectively, seeking documents. The subpoenas seek documents for the period January 1, 1995 through the date of the respective subpoenas. Document production in response to the subpoenas is ongoing. On December 21, 2009, the Boston USAO provided the Company with grand jury subpoenas for the testimony of certain current employees in connection with its ongoing investigation. The Company intends to cooperate with the government's requests. In meetings with the Company and its attorneys regarding this matter, the Boston USAO has informed the Company that it is investigating possible criminal and civil violations of federal law related to the Company's promotion and marketing of its bone growth stimulator devices.

On or about April 14, 2009, the Company obtained a copy of a qui tam complaint filed by Jeffrey J. Bierman in the U.S. District Court for the District of Massachusetts against Orthofix, Inc., the Company, and other companies that have allegedly manufactured bone growth stimulation devices, including Orthologic Corp., DJO Incorporated, Reable Therapeutics, Inc., the Blackstone Group, L.P., Biomet, Inc., EBI, L.P., EBI Holdings, Inc., EBI Medical Systems, Inc., Bioelectron, Inc., LBV Acquisition, Inc., and Smith & Nephew, Inc. By order entered on March 24, 2009, the court unsealed the case. The amended complaint alleges various causes of action under the federal False Claims Act and state and city false claims acts premised on the contention that the defendants improperly promoted the sale, as opposed to the rental, of bone growth stimulation devices. The amended complaint also includes claims against the defendants for, among other things, allegedly misleading physicians and purportedly causing them to file false claims and for allegedly violating the Anti-kickback Act by providing free products to physicians, waiving patients' insurance co-payments, and providing inducements to independent sales agents to generate business. The Company believes that this lawsuit is related to the matter described above involving the HIPAA subpoena. The Company and Orthofix, Inc. were served on or about September 8, 2009. The Company intends to defend vigorously against this lawsuit.

On or about July 2, 2009, the Company obtained a copy of a qui tam complaint filed by Marcus Laughlin that is pending in the U.S. District Court for the District of Massachusetts against the Company. This complaint has been consolidated with the complaint described in the immediately preceding paragraph, and was unsealed on June 30, 2009. The complaint alleges violations of the False Claims Act, fraudulent billing, illegal kickbacks and wrongful termination based on allegations that the Company promoted the sale rather than the rental of bone growth stimulation devices, systematically overcharged for these products, provided physicians kickbacks in the form of free units, referral fees, and fitting fees, and that the defendant and its competitors discussed together strategies to encourage higher government pricing for the products. The complaint also alleges that TRICARE has been reimbursing the Company for its Cervical Stim ® product without approval to do so. An amended complaint alleges conspiracy and violations of the Sherman Anti-Trust Act in connection with the same alleged conduct. The Company was served with the complaint on or about September 9, 2009. The Company intends to defend vigorously against this lawsuit.

On June 18, 2008, a lawsuit against the Company was filed for unpaid royalties under an agreement terminated by the Company in 2007. The Company has counterclaimed for the overpayment of commissions previously paid under the agreement. The plaintiffs are seeking approximately $3.7 million. The Company's counterclaim exceeds this amount. The outcome of this matter is uncertain.

Our subsidiary, Breg, Inc., was engaged in the manufacturing and sale of local infusion pumps for pain management from 1999 to 2008, when the product line was divested. As between 2008 and present, numerous product liability cases have been filed in the United States alleging that the local anesthetic, when dispensed by such infusion pumps inside a joint, causes a rare arthritic condition called "chondrolysis." The Company believes that meritorious defenses exist to these claims and Breg, Inc. intends to vigorously defend these cases.

The Company cannot predict the outcome of any proceedings or claims made against the Company or its subsidiaries described in the preceding paragraphs and there can be no assurance that the ultimate resolution of any claim will not have a material adverse impact on our consolidated financial position, results of operations, or cash flows.

In addition to the foregoing, in the normal course of our business, the Company is involved in various lawsuits from time to time and may be subject to certain other contingencies. To the extent losses related to these contingencies are both probable and estimable, the Company provides appropriate amounts in the accompanying financial statements.

Item X. Executive Officers of the Registrant

The following table sets forth certain information about the persons who serve as our executive officers.

Name	Age	Position
Alan W. Milinazzo	50	Chief Executive Officer, President and Director
Robert S. Vaters	49	Executive Vice President and Chief Financial Officer
Michael Simpson	48	President, Orthopedics North America
Kevin Unger	38	President, Orthofix Spinal Implants
Brad Lee	44	President, Breg, Orthofix Sports Medicine
Luigi Ferrari	42	President, Orthofix International Orthopedic Fixation
Eric Brown	53	President, Spine Stimulation
Michael M. Finegan	46	Vice President, Corporate Development and President, Biologics
Raymond C. Kolls	47	Senior Vice President, General Counsel and Corporate Secretary

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Our officers serve at the discretion of the Board of Directors. There are no family relationships among any of our directors or executive officers. The following is a summary of the background of each executive officer.

Alan W. Milinazzo. Mr. Milinazzo joined Orthofix International N.V. in 2005 as Chief Operating Officer and succeeded to the position of Chief Executive Officer effective as of April 1, 2006. From 2002 to 2005, Mr. Milinazzo was Vice President of Medtronic, Inc.'s Vascular business as well as Vice President and General Manager of Medtronic's Coronary and Peripheral businesses. Prior to his time with Medtronic, Mr. Milinazzo spent 12 years as an executive with Boston Scientific Corporation in numerous roles, including Vice President of Marketing for SCIMED Europe. Mr. Milinazzo brings more than two and a half decades of experience in the management and marketing of medical device businesses, including positions with Aspect Medical Systems and American Hospital Supply. He earned a bachelor's degree, cum laude, at Boston College in 1981.

Robert S. Vaters. Mr. Vaters became Executive Vice President and Chief Financial Officer of Orthofix International N.V. on September 7, 2008. Mr. Vaters joined the Company after almost four years as a senior executive at Inamed Corporation, where he was Executive Vice President, Chief Financial Officer and Head of Strategy and Corporate Development. Inamed Corporation, a global medical device company was acquired by Allergan Inc. in March of 2006. Since 2006, Mr. Vaters has been General Partner of a health care private equity firm, which he co-founded, and serves on the Board of Reliable Biopharmaceutical Corporation, a private health care company.

Michael Simpson . Mr. Simpson became President, Orthopedics North America in 2008. From 2002 to 2006, Mr. Simpson was Vice President of Operations for Orthofix Inc. In 2006, Mr. Simpson was promoted to Senior Vice President of Global Operations and General Manager, Orthofix Inc. responsible for world wide manufacturing and distribution. With more than 20 years of experience in a broad spectrum of industries he has held the following positions: Chief Operating Officer, Business Unit Vice President, Vice President of Operations, Vice President of Sales, Plant Manager, Director of Finance and Director of Operations. His employment history includes the following companies: Texas Instruments, Boeing, McGaw/IVAX, Mark IV Industries, Intermec and Unilever.

Kevin Unger. Mr. Unger joined Orthofix as President, Orthofix Spinal Implants in August 2009. Prior to joining Orthofix, he held the position of Vice President and General Manager for MedSurg Divisions at Stryker. While with Stryker, Mr. Unger held roles with increasing responsibility in marketing and sales, during which he built sales organizations, was head of a global marketing department and led business development initiatives. He brings with him more than 15 years of medical device experience, specifically in the orthopedic and minimally invasive surgical markets. Mr. Unger attended college at Miami University (Oxford, OH) receiving his BS in Business Administration and furthered his Pre-Med studies at Indiana University Medical School.

Brad Lee. Mr. Lee became President, BREG, Orthofix Sports Medicine in July 2008. He joined Orthofix in 2005 as Director of Business Development, and in early 2008, became Vice President and General Manager of the BREG Sports Medicine Division. Prior to joining the Orthofix team, Mr. Lee was Vice President of Marketing for LMA North America.

Luigi Ferrari. Mr. Ferrari became President, Orthofix International Orthopedic Fixation in October 2009 and manages the Orthopedics International, MedSurg and European Spine businesses. Previously, he was President of Orthopedics International and was responsible for the development, manufacturing and sales of fixation systems in international markets. From 2006 to 2008, he was Vice President of Europe and oversaw Orthofix activities in these key geographic markets. He serves also as General Manager of Orthofix Srl, Italy. Mr. Ferrari graduated with a degree in Management Engineering from Politecnico di Milano University in 1992.

Eric Brown . Mr. Brown was named President, Spine Stimulation in 2009. Prior to that, he was Senior Vice President, Sales and Marketing for Orthofix Inc. His long-standing career with Orthofix began in 1990. He has held various sales and marketing positions, including Region Manager, Director of Sales and Vice President of Sales. Before joining Orthofix, Mr. Brown spent eight years at Medtronic Neurological. He received his BS in Business Administration from Michigan State University.

Michael M. Finegan. Mr. Finegan joined Orthofix International N.V. in June 2006 as Vice President of Corporate Development. Mr. Finegan was named President, Biologics in March 2009. Prior to joining Orthofix, Mr. Finegan spent sixteen years as an executive with Boston Scientific in a number of different operating and strategic roles, most recently as Vice President of Corporate Sales. Earlier in his career, Mr. Finegan held sales and marketing roles with Marion Laboratories and spent three years in banking with First Union Corporation (Wachovia). Mr. Finegan earned a BA in Economics from Wake Forest University.

Raymond C. Kolls, J.D. Mr. Kolls became Vice President, General Counsel and Corporate Secretary of Orthofix International N.V. on July 1, 2004. Mr. Kolls was named Senior Vice President, General Counsel and Corporate Secretary effective October 1, 2006. From 2001 to 2004, Mr. Kolls was Associate General Counsel for CSX Corporation. Mr. Kolls began his legal career as an attorney in private practice with the law firm of Morgan, Lewis & Bockius. Mr. Kolls will be ceasing his employment with the Company effective as of March 31, 2010.

Item 4. (Reserved)

PAR T II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for Our Common Stock

Our common stock is traded on the Nasdaq ® Global Select Market under the symbol "OFIX." The following table shows the quarterly range of high and low sales prices for our common stock as reported by Nasdaq ® for each of the two most recent fiscal years ended December 31, 2009. As of February 26, 2010 we had 489 holders of record of our common stock. The closing price of our common stock on February 26, 2010 was $34.09.

	High	Low
2008		
First Quarter	$ 59.96	$ 35.50
Second Quarter	40.29	28.46
Third Quarter	29.83	17.07
Fourth Quarter	20.03	8.65
2009		
First Quarter	$ 19.99	$ 13.43
Second Quarter	27.24	16.10
Third Quarter	30.47	22.03
Fourth Quarter	33.49	28.43

Dividend Policy

We have not paid dividends to holders of our common stock in the past. We currently intend to retain all of our consolidated earnings to finance credit agreement obligations and to finance the continued growth of our business. We have no present intention to pay dividends in the foreseeable future.

In the event that we decide to pay a dividend to holders of our common stock in the future with dividends received from our subsidiaries, we may, based on prevailing rates of taxation, be required to pay additional withholding and income tax on such amounts received from our subsidiaries.

Recent Sales of Unregistered Securities

There were no securities sold by us during 2009 that were not registered under the Securities Act.

Exchange Controls

Although there are Netherlands Antilles laws that may impose foreign exchange controls on us and that may affect the payment of dividends, interest or other payments to nonresident holders of our securities, including the shares of common stock, we have been granted an exemption from such foreign exchange control regulations by the Bank of the Netherlands Antilles. Other jurisdictions in which we conduct operations may have various currency or exchange controls. In addition, we are subject to the risk of changes in political conditions or economic policies that could result in new or additional currency or exchange controls or other restrictions being imposed on our operations. As to our securities, Netherlands Antilles law and our Articles of Association impose no limitations on the rights of persons who are not residents in or citizens of the Netherlands Antilles to hold or vote such securities.

Taxation

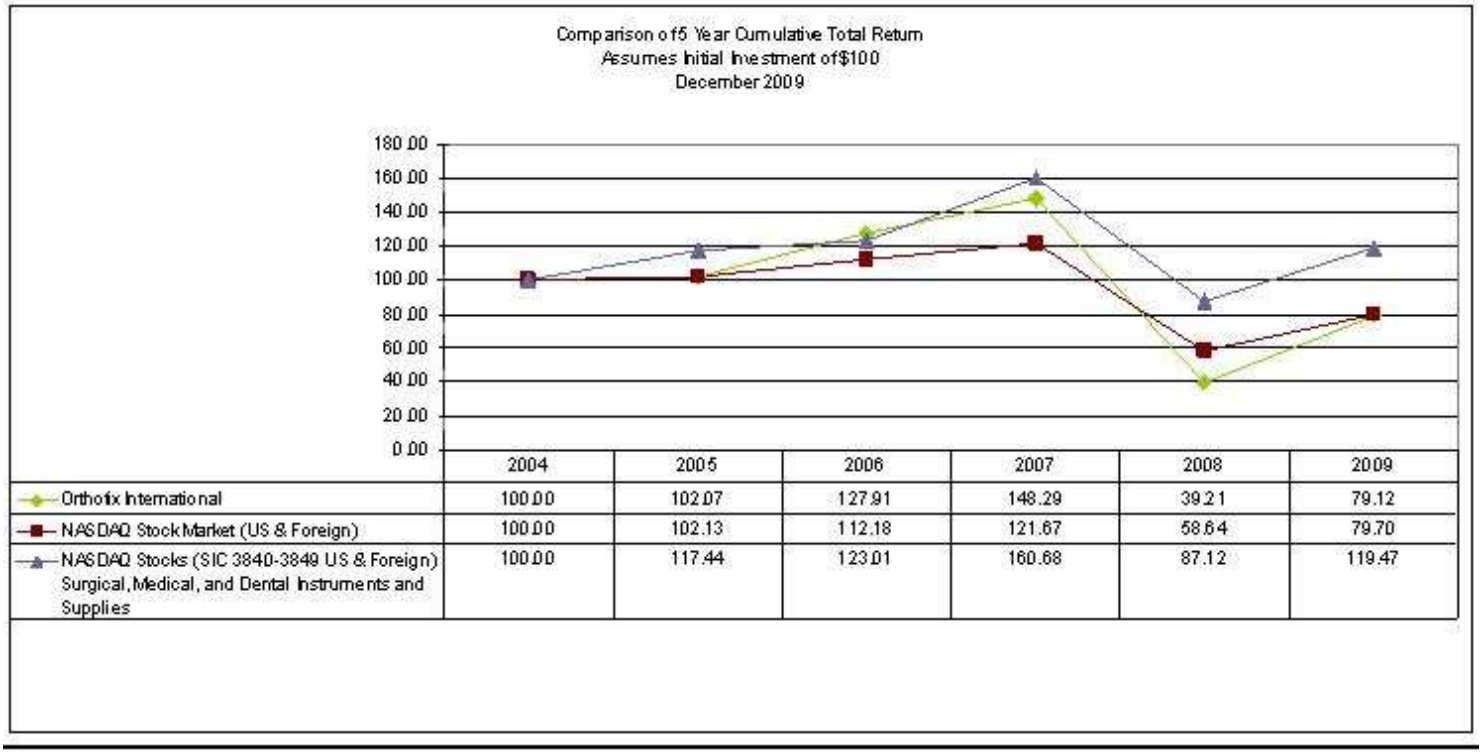
Under the laws of the Netherlands Antilles as currently in effect, a holder of shares of common stock who is not a resident of, and during the taxable year has not engaged in trade or business through a permanent establishment in, the Netherlands Antilles will not be subject to Netherlands Antilles income tax on dividends paid with respect to the shares of common stock or on gains realized during that year on sale or disposal of such shares; the Netherlands Antilles does not impose a withholding tax on dividends paid by us. There are no gift or inheritance taxes levied by the Netherlands Antilles when, at the time of such gift or at the time of death, the relevant holder of common shares was not domiciled in the Netherlands Antilles. No reciprocal tax treaty presently exists between the Netherlands Antilles and the U.S.

Performance Graph

The following performance graph in this Item 5 of this Annual Report on Form 10-K is not deemed to be “soliciting material” or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference into such a filing.

The graph below compares the five-year total return to shareholders for Orthofix common stock with comparable return of two indexes: the NASDAQ Stock Market and NASDAQ stocks for surgical, medical, and dental instruments and supplies.

The graph assumes that you invested $100 in Orthofix Common Stock and in each of the indexes on December 31, 2004. Points on the graph represent the performance as of the last business day of each of the years indicated.



	2004	2005	2006	2007	2008	2009
Orthofix International	100.00	102.07	127.91	148.29	39.21	79.12
NASDAQ Stock Market (US & Foreign)	100.00	102.13	112.18	121.67	58.64	79.70
NASDAQ Stocks (SIC 3840-3849 US & Foreign) Surgical, Medical, and Dental Instruments and Supplies	100.00	117.44	123.01	160.68	87.12	119.47

Item 6. Selected Financial Data

The following selected consolidated financial data for the years ended December 31, 2009, 2008, 2007, 2006 and 2005 have been derived from our audited consolidated financial statements. The financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 should be read in conjunction with, and are qualified in their entirety by, reference to Item 7 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included elsewhere in this Form 10-K. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("US GAAP").

	Year ended December 31,				
	2009	2008	2007	2006	2005
	(US$ in thousands, except margin and per share data)				
Consolidated operating results					
Net sales	$ 545,635	$ 519,675	$ 490,323	$ 365,359	$ 313,304
Gross profit [5]	407,185	367,661	361,291	271,734	229,516
Gross profit margin [5]	75%	71%	74%	74%	73%
Total operating income (loss)	63,875	(256,949)	38,057	9,946	99,795
Net income (loss) [1] [2] [3] [4]	24,472	(228,554)	10,968	(7,042)	73,402
Net income (loss) per share of common stock (basic)	1.43	(13.37)	0.66	(0.44)	4.61
Net income (loss) per share of common stock (diluted)	1.42	(13.37)	0.64	(0.44)	4.51

(1) The Company has not paid any dividends in any of the years presented.

(2) Net loss for 2006 includes $40.0 million after tax earnings charge related to in-process research and development costs related to the Blackstone acquisition.

(3) Net income for 2007 includes $12.8 million after tax earnings charge related to impairment of certain intangible assets.

(4) Net loss for 2008 includes $237.7 million after tax charge related to impairment of goodwill and certain intangible assets.

(5) Gross profit includes effect of obsolescence provision representing 2% points for the year ended December 31, 2008.

Consolidated financial position (at year-end)	As of December 31,				
	2009	2008	2007	2006	2005
	(US$ in thousands, except share data)				
Total assets	$ 590,473	$ 561,215	$ 885,664	$ 862,285	$ 473,861
Total debt	254,673	282,769	306,635	315,467	15,287
Shareholders' equity	240,269	202,061	433,940	392,635	368,885
Weighted average number of shares of common stock outstanding (basic)	17,119,474	17,095,416	16,638,873	16,165,540	15,913,475
Weighted average number of shares of common stock outstanding (diluted)	17,202,943	17,095,416	17,047,587	16,165,540	16,288,975

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis addresses the results of our operations which are based upon the consolidated financial statements included herein, which have been prepared in accordance with US GAAP. This discussion should be read in conjunction with "Forward-Looking Statements" and our consolidated financial statements and notes thereto appearing elsewhere in this Form 10-K . This discussion and analysis also addresses our liquidity and financial condition and other matters.

General

We are a diversified orthopedic products company offering a broad line of surgical and non-surgical products for the Spine, Orthopedics, Sports Medicine and Vascular market sectors. Our products are designed to address the lifelong bone-and-joint health needs of patients of all ages, helping them achieve a more active and mobile lifestyle. We design, develop, manufacture, market and distribute medical equipment used principally by musculoskeletal medical specialists for orthopedic applications. Our main products are invasive and minimally invasive spinal implant products and related human cellular and tissue based products ("HCT/P products"), non-invasive bone growth stimulation products used to enhance the success rate of spinal fusions and to treat non-union fractures, external and internal fixation devices used in fracture treatment, limb lengthening and bone reconstruction; and bracing products used for ligament injury prevention, pain management and protection of surgical repair to promote faster healing. Our products also include a device for enhancing venous circulation, cold therapy, bone cement and devices for removal of bone cement used to fix artificial implants and airway management products used in anesthesia applications.

In 2009, our publicly stated financial goals were primarily related to improvements in the operating performance of the Spinal Implants & Biologics segment, including:

- An acceleration in the growth of revenue;
- An increase of the gross profit margin; and
- A reduction in operating expenses as a percentage of net sales

The acceleration of revenue growth was driven by the introduction of a number of key new products in 2009, including the Trinity® Evolution™ allograft, the Firebird™ pedicle screw system, the PILLAR™ SA interbody device, and the Ascent ® LE posterior cervical spine system.

Our gross profit margin increased as a result of the introduction of the key new products indicated above, primarily Trinity® Evolution™. While we record 70% of the sales price of Trinity® Evolution™ allograft versus recording 100% of the sales price of the old Trinity® product, we recognize a 100% gross profit margin from the marketing fees earned from the sales of this allograft, compared to approximately 50% gross profit margin on our previous Trinity® product. This is due to the fact that we are not required to purchase inventory of Trinity® Evolution™, whereas, previously, we were required to purchase inventory of the old Trinity® product and record the associated cost of sales.

Our operating expenses decreased as a percentage of net sales as we leveraged our operating infrastructure against the increase in net sales noted above. Additionally, we initiated a reorganization and consolidation plan, during the fourth quarter of 2008, to reduce operating expenses by eliminating redundancies and increasing operating efficiency. This plan includes the consolidation of operations in our Springfield, MA and Wayne, NJ locations into the Company's operations in the Dallas, TX area. For a further discussion about this reorganization and consolidation plan, please refer to the explanation provided in our Liquidity and Capital Resources section of this Management Discussion and Analysis.

We have administrative and training facilities in the U.S. and Italy and manufacturing facilities in the U.S., the United Kingdom, Italy and Mexico. We directly distribute our products in the U.S., the United Kingdom, Italy, Germany, Switzerland, Austria, France, Belgium, Mexico, Brazil, and Puerto Rico. In several of these and other markets, we also distribute our products through independent distributors.

Our consolidated financial statements include the financial results of the Company and its wholly-owned and majority-owned subsidiaries and entities over which we have control. All intercompany accounts and transactions are eliminated in consolidation.

Our reporting currency is the U.S. Dollar. All balance sheet accounts, except shareholders' equity, are translated at year-end exchange rates, and revenue and expense items are translated at weighted average rates of exchange prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (expense). Gains and losses resulting from the translation of foreign currency financial statements are recorded in the accumulated other comprehensive income component of shareholders' equity.

Our financial condition, results of operations and cash flows are not significantly impacted by seasonality trends. However, sales associated with products for elective procedures appear to be influenced by the somewhat lower level of such procedures performed in the late summer. Certain of the Breg ® bracing products experience greater demand in the fall and winter corresponding with high school and college football schedules and winter sports. In addition, we do not believe our operations will be significantly affected by inflation. However, in the ordinary course of business, we are exposed to the impact of changes in interest rates and foreign currency fluctuations. Our objective is to limit the impact of such movements on earnings and cash flows. In order to achieve this objective, we seek to balance non-dollar denominated income and expenditures. During the year, we have used derivative instruments to hedge foreign currency fluctuation exposures. See Item 7A – "Quantitative and Qualitative Disclosures About Market Risk."

We manage our operations as four business segments: Domestic, Spinal Implants & Biologics, Breg, and International. Domestic consists of operations of our subsidiary Orthofix Inc. Spinal Implants and Biologics consist of our Blackstone subsidiary and its domestic and international operations. Breg consists of Breg Inc.'s operations and domestic and international distributors. International consists of operations which are located in the rest of the world as well as independent export distribution operations. Group Activities are comprised of the operating expenses and identifiable assets of Orthofix International N.V. and its U.S. holding company subsidiary, Orthofix Holdings, Inc.

Critical Accounting Policies and Estimates

Our discussion of operating results is based upon the consolidated financial statements and accompanying notes to the consolidated financial statements prepared in conformity with US GAAP. The preparation of these statements necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates and assumptions form the basis for the carrying values of assets and liabilities. On an ongoing basis, we evaluate these estimates, including those related to allowance for doubtful accounts, sales allowances and adjustments, inventories, intangible assets and goodwill, income taxes, derivatives and litigation and contingencies. We base our estimates on historical experience and various other assumptions. Actual results may differ from these estimates. We have reviewed our critical accounting policies with the Audit Committee of the Board of Directors.

Revenue Recognition

Revenue is generally recognized as income in the period in which title passes and the products are delivered. Revenues exclude any value added or other local taxes, intercompany sales and trade discounts. Shipping and handling costs are included in cost of sales. Royalty revenues are recognized when the royalty is earned.

For bone growth stimulation and certain bracing products that are prescribed by a physician, the Company recognizes revenue when the product is placed on or implanted in and accepted by the patient. For domestic spinal implant and HCT/P products, revenues are recognized when the product has been utilized and a confirming purchase order has been received from the hospital. For sales to commercial customers, including hospitals and distributors, revenues are recognized at the time of shipment unless contractual agreements specify that title passes on delivery. Revenues for inventory delivered on consignment are recognized as the product is used by the consignee.

In 2008, the Company entered into an agreement with the Musculoskeletal Transplant Foundation ("MTF") to develop and commercialize a new stem cell-based bone growth biologic matrix. With the development process completed in 2009, the Company and MTF operate under the terms of a separate commercialization agreement. Under the terms of this 10-year agreement, MTF sources the tissue, processes it to create the bone growth matrix, and packages and delivers it in accordance with orders received directly from customers and from the Company. The Company has exclusive global marketing rights for the new allograft and receives a marketing fee from MTF based on total sales. This marketing fee is recorded on a net basis within net sales.

The Company derives a significant amount of revenues in the U.S. from third-party payors, including commercial insurance carriers, health maintenance organizations, preferred provider organizations and governmental payors such as Medicare. Amounts paid by these third-party payors are generally based on fixed or allowable reimbursement rates. These revenues are recorded at the expected or pre-authorized reimbursement rates, net of any contractual allowances or adjustments. Certain billings are subject to review by the third-party payors and may be subject to adjustment.

Allowance for Doubtful Accounts and Contractual Allowances

The process for estimating the ultimate collection of accounts receivable involves significant assumptions and judgments. Historical collection and payor reimbursement experience is an integral part of the estimation process related to reserves for doubtful accounts and the establishment of contractual allowances. Accounts receivable are analyzed on a quarterly basis to assess the adequacy of both reserves for doubtful accounts and contractual allowances. Revisions in allowances for doubtful accounts estimates are recorded as an adjustment to bad debt expense within sales and marketing expenses. Revisions to contractual allowances are recorded as an adjustment to net sales. In the judgment of management, adequate allowances have been provided for doubtful accounts and contractual allowances. Our estimates are periodically tested against actual collection experience.

Inventory Allowances

We write down our inventory for inventory excess and obsolescence by an amount equal to the difference between the cost of the inventory and the estimated net realizable value based upon assumptions about future demand and market conditions. Inventory is analyzed to assess the adequacy of inventory excess and obsolescence provisions. Reserves in excess and obsolescence provisions are recorded as adjustments to cost of goods sold. If conditions or assumptions used in determining the market value change, additional inventory adjustments in the future may be necessary.

Goodwill and Other Intangible Assets

In accordance with ASC Topic 360 – Property, Plant and Equipment (formerly known as SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets"), intangible assets with definite lives, such as Orthofix's developed technologies and distribution network assets, are tested for impairment if any adverse conditions exist or change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If an impairment indicator exists, the Company tests the intangible asset for recoverability. For purposes of the recoverability test, the Company groups its intangible assets with other assets and liabilities at the lowest level of identifiable cash flows if the intangible asset does not generate cash flows independent of other assets and liabilities. If the carrying value of the intangible asset (asset group) exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the intangible asset (asset group), the Company will write the carrying value down to the fair value in the period identified.

The Company generally calculates fair value of intangible assets as the present value of estimated future cash flows the Company expects to generate from the asset using a risk-adjusted discount rate. In determining the estimated future cash flows associated with intangible assets, the Company uses estimates and assumptions about future revenue contributions, cost structures and remaining useful lives of the asset (asset group). The use of alternative assumptions, including estimated cash flows, discount rates, and alternative estimated remaining useful lives could result in different calculations of impairment

The Company tests goodwill and certain trademarks at least annually. The Company tests more frequently if indicators are present or changes in circumstances suggest that impairment may exist. These indicators include, among others, declines in sales, earnings or cash flows, or the development of a material adverse change in the business climate. The Company assesses goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. Consistent with prior years, the Company has identified four reporting units, which are consistent with the Company's reporting segments; Domestic, Spinal Implants and Biologics, Breg and International.

In performing the annual impairment test, the Company utilizes the two-step approach prescribed under ASC Topic 350 – Intangibles – Goodwill and Other (formerly known as SFAS No. 142, "Goodwill and Other Intangible Assets"). The first step requires a comparison of each reporting unit's carrying value to the fair value of the respective unit. If the carrying value exceeds the fair value, a second step is performed to measure the amount of impairment loss, if any.

Carrying Value

In order to calculate the respective carrying values, the Company records goodwill based on the purchase price allocation performed at the time of acquisition. Corporate assets and liabilities that directly relate to a reporting unit's operations are ascribed directly to that reporting unit. Corporate assets and liabilities that are not directly related to a specific reporting unit, but from which the reporting unit benefits, are allocated based on the respective revenue contribution of each reporting unit.

Fair Value – Income Approach

The fair value of each reporting unit is estimated, entirely or predominantly, using an income based approach. This income approach utilizes a discounted cash flow ("DCF"), which estimates after-tax cash flows on a debt free basis, discounted to present value using a risk-adjusted discount rate.

The Company believes the DCF generally provides the most meaningful fair value as it appropriately measures the Company's income producing assets. The Company may consider using a cost approach but generally believes it is not appropriate, given the inability to replicate the value of the specific technology-based assets within our reporting units. In circumstances when the DCF indicator of fair value is not sufficiently conclusive to support the carrying value of a reporting unit, or when other measures provide a more appropriate indicator, we may consider a market approach in our determination of the reporting unit's fair value.

In performing a DCF calculation, the Company is required to make assumptions about the amount and timing of future expected cash flows, terminal value growth rates and appropriate discount rates and in connection therewith considers the following:

- The determination of expected cash flows is based on the Company's strategic plans and long-range planning forecasts which, to the extent reasonably possible, reflect anticipated changes in the economy and the industry. Revenue growth rates represent estimates based on current and forecasted market conditions. The profit margin assumptions are projected by each reporting unit based on historical margins, the current cost structure and anticipated net cost reductions.

- The terminal value growth rate is used to calculate the value of cash flows beyond the last projected period in the DCF. This rate reflects the Company's estimates for stable, perpetual growth for each reporting unit.

- The discount rates are based on the reporting unit's risk-adjusted weighted average cost of capital, using assumptions consistent with publicly traded guideline companies operating within the medical device industry as well as Company specific risk factors for each reporting unit.

These inputs represent the Company's best estimate, however, different cash flows, growth and discount rate assumptions could generate different fair values, potentially impacting the Company's impairment assessment.

Domestic, Breg and International Reporting Units

The fair value of the Domestic, Breg and International reporting units have been established using a DCF method. These DCF results concluded the fair value of the Domestic, Breg and International reporting units exceeded the respective carrying values at December 31, 2009 and December 31, 2008. The assumptions used in the December 31, 2009 DCF results were consistent with the DCF results used in the prior year, reflecting appropriate adjustments for changes in the economic climate.

Spinal Implants and Biologics Reporting Unit

During the third quarter of 2008, the Company indentified indicators of impairment with respect to the Spinal Implants and Biologics reporting unit, prompting an interim impairment test. The determination of the Spinal Implants and Biologics fair value was calculated using a combination of income and market approaches, weighted based on guidance provided by an independent appraisal firm. The income approach was based on a DCF model. The market approach was based on the guideline transaction method, which derived applicable market multiples from the prices at which comparable companies have been acquired in the marketplace. The Company applied a weighted average percentage of 75% - 25%, placing greater weight on the income approach, which provided a lower fair value. This calculation resulted in a $126.9 million impairment loss, reducing the related goodwill balance to $9.4 million as of December 31, 2008.

The Company used a DCF to determine the fair value of the Spinal Implants and Biologics reporting unit as of December 31, 2009. This resulted in no significant changes to the Spinal Implants and Biologics fair value assumptions. Accordingly, the annual impairment test as of December 31, 2009 resulted in no further impairment of the Spinal Implants and Biologics reporting unit.

Derivatives

We manage our exposure to fluctuations in interest rates and foreign exchange within the consolidated financial statements according to our hedging policy. Under the policy, we may engage in non-leveraged transactions involving various financial derivative instruments to manage exposed positions. The policy requires us to formally document the relationship between the hedging instrument and hedged item, as well as its risk-management objective and strategy for undertaking the hedge transaction. For instruments designated as a cash flow hedge, we formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivative that is used in the hedging transaction has been effective in offsetting changes in the cash flows of the hedged item and whether such derivative may be expected to remain effective in future periods. If it is determined that a derivative is not (or has ceased to be) effective as a hedge, we will discontinue the related hedge accounting prospectively. Such a determination would be made when (1) the derivative is no longer effective in offsetting changes in the cash flows of the hedged item; (2) the derivative expires or is sold, terminated, or exercised; or (3) management determines that designating the derivative as a hedging instrument is no longer appropriate. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

We follow ASC Topic 815 – Derivatives and Hedging ("ASC Topic 815") (formerly known as SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities"), which requires that all derivatives be recorded as either assets or liabilities on the balance sheet at their respective fair values. For a cash flow hedge, the effective portion of the derivative's change in fair value (i.e., gains or losses) is initially reported as a component of other comprehensive income, net of related taxes, and subsequently reclassified into net earnings when the hedged exposure affects net earnings.

We utilize a cross currency swap to manage our foreign currency exposure related to a portion of our intercompany receivable of a U.S. dollar functional currency subsidiary that is denominated in Euro. The cross currency swap has been accounted for as a cash flow hedge in accordance with ASC Topic 815.

Litigation and Contingent Liabilities

From time to time, we are parties to or targets of lawsuits, investigations and proceedings, including product liability, personal injury, patent and intellectual property, health and safety and employment and healthcare regulatory matters, which are handled and defended in the ordinary course of business. These lawsuits, investigations or proceedings could involve a substantial number of claims and could also have an adverse impact on our reputation and customer base. Although we maintain various liability insurance programs for liabilities that could result from such lawsuits, investigations or proceedings, we are self-insured for a significant portion of such liabilities. We accrue for such claims when it is probable that a liability has been incurred and the amount can be reasonably estimated. The process of analyzing, assessing and establishing reserve estimates for these types of claims involves judgment. Changes in the facts and circumstances associated with a claim could have a material impact on our results of operations and cash flows in the period that reserve estimates are revised. We believe that present insurance coverage and reserves are sufficient to cover currently estimated exposures, but we cannot give any assurance that we will not incur liabilities in excess of recorded reserves or our present insurance coverage.

As part of the total Blackstone purchase price, approximately $50.0 million was placed into an escrow account, against which we can make claims for reimbursement for certain defined items relating to the acquisition for which we are indemnified. The Company has certain contingencies arising from the acquisition that we expect will be reimbursable from the escrow account should we have to make a payment to a third party, including legal fees incurred related to the matter. We believe that the amount that we will be required to pay relating to the contingencies will not exceed the amount of the escrow account; however, there can be no assurance that the contingencies will not exceed the amount of the escrow account.

Tax Matters

We and each of our subsidiaries are taxed at the rates applicable within each of their respective jurisdictions. The composite income tax rate, tax provisions, deferred tax assets and deferred tax liabilities will vary according to the jurisdiction in which profits arise. Further, certain of our subsidiaries sell products directly to our other subsidiaries or provide administrative, marketing and support services to our other subsidiaries. These intercompany sales and support services involve subsidiaries operating in jurisdictions with differing tax rates. The tax authorities in such jurisdictions may challenge our treatments under residency criteria, transfer pricing provisions, or other aspects of their respective tax laws, which could affect our composite tax rate and provisions.

We adopted the provisions of ASC Topic 740 – Income Taxes (formerly known as FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109" ("FIN 48")), on January 1, 2007. As such, we determine whether it is more likely than not that our tax positions will be sustained based on the technical merits of each position. At December 31, 2009, we have $0.4 million of unrecognized tax benefits compared with $0.7 million of unrecognized tax benefits at December 31, 2008 and accrued interest and penalties of $0.4 million and $0.4 million at December 31, 2009 and 2008, respectively.

Share-based Compensation

The Company recognizes share-based compensation in accordance with ASC Topic 718 – Compensation – Stock Compensation ("ASC Topic 718") (formerly known as SFAS No. 123(R) (revised 2004), "Share-Based Payment"). The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period net of estimated forfeitures.

The expected term of options granted is estimated based on a number of factors, including the vesting term of the award, historical employee exercise behavior for both options that are currently outstanding and options that have been exercised or are expired, the expected volatility of the Company's common stock and an employee's average length of service. The risk-free interest rate is determined based upon a constant U.S. Treasury security rate with a contractual life that approximates the expected term of the option award. Management estimates expected volatility based on the historical volatility of the Company's stock. The compensation expense recognized for all equity-based awards is net of estimated forfeitures. Forfeitures are estimated based on an analysis of actual option forfeitures.

Selected Financial Data

The following table presents certain items in our statements of operations as a percent of net sales for the periods indicated:

	Year ended December 31,		
	2009 (%)	2008 (%)	2007 (%)
Net sales	100	100	100
Cost of sales	25	29	26
Gross profit [1]	75	71	74
Operating expenses			
Sales and marketing	40	40	38
General and administrative	16	16	15
Research and development	6	6	5
Amortization of intangible assets	1	3	4
Impairment of certain intangible assets	-	56	4
Total operating income (loss)	12	(49)	8
Net income (loss) [1]	4	(44)	2

[1] Includes effect of obsolescence provision representing 2% in the year ended December 31, 2008.

Segment and Market Sector Revenue

The following tables display net sales by business segment and net sales by market sector. We maintain our books and records and account for net sales, costs of sales and expenses by business segment. We provide net sales by market sector for information purposes only.

Business Segment:

	Year ended December 31, (US$ in thousands)					
	2009		2008		2007	
	Net Sales	Percent of Total Net Sales	Net Sales	Percent of Total Net Sales	Net Sales	Percent of Total Net Sales
Domestic	$ 210,703	38%	$ 188,807	36%	$ 166,727	34%
Spinal Implants and Biologics	118,680	22%	108,966	21%	115,914	24%
Breg	92,188	17%	89,478	17%	83,397	17%
International	124,064	23%	132,424	26%	124,285	25%
Total	$ 545,635	100%	$ 519,675	100%	$ 490,323	100%

Our revenues are derived from sales of products in the market sectors of Spine, Orthopedics, Sports Medicine, Vascular and Other.

Market Sector:

	Year ended December 31, (US$ in thousands)					
	2009		2008		2007	
	Net Sales	Percent of Total Net Sales	Net Sales	Percent of Total Net Sales	Net Sales	Percent of Total Net Sales
Spine	$ 279,425	51%	$ 252,239	49%	$ 243,165	49%
Orthopedics	131,310	24%	129,106	25%	111,932	23%
Sports Medicine	96,366	18%	94,528	18%	87,540	18%
Vascular	18,710	3%	17,890	3%	19,866	4%
Other	19,824	4%	25,912	5%	27,820	6%
Total	$ 545,635	100%	$ 519,675	100%	$ 490,323	100%

2009 Compared to 2008

Net sales increased 5% to $545.6 million in 2009 compared to $519.7 million in 2008. The impact of foreign currency decreased sales by $11.1 million in 2009 when compared to 2008.

Sales by Business Segment:

Net sales in Domestic increased to $210.7 million in 2009 compared to $188.8 million in 2008, an increase of 12%. Domestic's net sales represented 38% and 36% of our total net sales in 2009 and 2008, respectively. The increase in Domestic's net sales was partially the result of a 12% increase in sales in our Spine market sector, which was mainly driven by increased sales of our Spinal-Stim® and Cervical-Stim® products. The increase in Domestic's net sales was also attributable to a 10% increase in our Orthopedics market sector which included a 14% increase in sales of Physio-Stim® products, an 8% increase in sales of our external fixation products as compared to 2008 and a 36% increase in sales of our HCT/P products, specifically Trinity® Evolution™. During the year ended December 31, 2009, Domestic generated $1.5 million in revenues of Trinity® Evolution™.

Domestic Sales by Market Sector:

(US$ in thousands)	2009	2008	Growth
Spine	$ 158,908	$ 141,753	12%
Orthopedics	51,795	47,054	10%
Total	$ 210,703	$ 188,807	12%

Net sales in Spinal Implants & Biologics increased $9.7 million to $118.7 million in 2009 compared to $109.0 million in 2008, an increase of 9%. Spinal Implants & Biologics' net sales represented 22% and 21% of our total net sales in 2009 and 2008, respectively. The increase in sales was primarily related to a 16% increase in our thoracolumbar product sales due to the introduction of the new Firebird™ pedicle screw system during the second quarter of 2009. Sales of our interbody and cervical products in 2009 increased by 4% and 10%, respectively, when compared to 2008. These sales increases were partially offset by a 4% sales decrease in our biologics products when compared to the same period last year as a result of our replacement of the Trinity® product line with Trinity® Evolution™. Although biologics sales decreased, the quantity of product sold increased in 2009 compared to 2008 because, under the terms of the agreement, we recognized marketing fees of 70% of the end-user sales price of Trinity® Evolution™ compared to 100% of the end-user sales price of Trinity®. All of Spinal Implants & Biologics' sales are recorded in our Spine market sector.

Net sales in Breg increased $2.7 million to $92.2 million in 2009 compared to $89.5 million in 2008, an increase of 3%. Breg's net sales represented 17% of our total net sales during both years ended December 31, 2009 and 2008. Net sales in Breg would have been $93.7 million in 2009, or an increase of 5% compared to 2008, had it not been for a reclassification of certain commissions which are reflected as a reduction of revenue, but were originally recorded in operating expenses. The increase in Breg's net sales was primarily due to an 8% increase in sales of our Breg bracing products when compared to the prior year, primarily as a result of the sales of our new products which include spine bracing. Further, sales of our cold therapy products increased 6% in 2009 compared to 2008 which is due to the recent introduction of our Kodiak® cold therapy products. These increases were partially offset by a decrease in sales of our pain therapy products as a result of the sale of operations related to our Pain Care® line of ambulatory infusion pumps during March 2008. All of Breg's sales are recorded in our Sports Medicine market sector.

Net sales in International decreased 6% to $124.1 million in 2009 compared to $132.4 million in 2008. International's net sales represented 23% and 26% of our total net sales in 2009 and 2008, respectively. The impact of foreign currency decreased International net sales by $10.9 million when compared to 2008. On a constant currency basis, Orthopedics sales in our International segment increased 22% and 5%, respectively, in 2009 when compared to 2008. Within the Orthopedics sector, external fixation, stimulation, and deformity correction sales increased 7%, 20% and 23%, respectively, on a constant currency basis, in 2009 when compared to 2008. Sales in our Vascular sector, which consist of the A-V® Impulse System, increased 8% on a constant currency basis, while our Other distributed products, primarily the Laryngeal Mask, decreased 12% on a constant currency basis when compared to 2008.

International Sales by Market Sector:

(US$ in thousands)	2009	2008	Growth	Constant Currency Growth
Spine	$ 1,837	$ 1,520	21%	22%
Orthopedics	79,515	82,052	-3%	5%
Sports Medicine	4,178	5,050	-17%	-8%
Vascular	18,710	17,890	5%	8%
Other	19,824	25,912	-23%	-12%
Total	$ 124,064	$ 132,424	-6%	2%

Sales by Market Sector:

Sales of our Spine products increased 11% to $279.4 million in 2009 compared to $252.2 million for 2008. Sales of our Cervical-Stim® and Spinal-Stim® products increased 10% and 14%, respectively, in 2009 compared to 2008. In addition, sales of our Spinal Implants and Biologics products increased 9% over the same period in the prior year primarily due to sales in our Biologics products which included sales from the full market release of the Trinity® Evolution™ stem cell-based allograft. Spine product sales were 51% and 49% of our total net sales in the years ended December 31, 2009 and 2008, respectively.

Sales of our Orthopedics products increased $2.2 million to $131.3 million in 2009 compared to $129.1 million in 2008. On a constant currency basis, sales increased 7% in 2009 compared to 2008 due to increased sales of our Physio Stim®, external fixation, and deformity correction products. Orthopedic product sales were 24% and 25% of our total net sales for the year ended December 31, 2009 and 2008, respectively.

Sales of our Sports Medicine products increased 2% to $96.4 million in 2009 compared to $94.5 million in 2008. As previously mentioned, net sales of our Sports Medicine products would have increased 4% to $97.9 million in 2009 compared to 2008 had it not been for a revenue recognition change netting commission expenses against gross revenues at one of our distributors. As discussed above, the increase of $1.8 million is primarily due to sales of our Breg bracing and cold therapy products, offset by a decrease in our pain therapy products, which is principally attributable to the sale of operations relating to our Pain Care® line in March 2008. Sports Medicine product sales were 18% of our total net sales in 2009 and 2008, respectively.

Sales of our Vascular products, which consist of our A-V Impulse System® , increased 5% to $18.7 million in 2009 compared to $17.9 million in 2008. On a constant currency basis, sales increased 8% compared to the prior period. Vascular product sales were 3% of our total net sales in 2009 and 2008, respectively.

Sales of our Other products, which include the sales of our Laryngeal Mask as well as our Woman's Care line, decreased 23% to $19.8 million for the year ended December 31, 2009 from $25.9 million for the year ended December 31, 2008. On a constant currency basis, sales of our Other products decreased 12% in 2009 when compared to 2008. During 2009, we distributed the Laryngeal Mask product in the United Kingdom and Italy. In October 2009, we transitioned out of our agreement to distribute the Laryngeal Mask product in Italy. We will transition out of our agreement to distribute the Laryngeal Mask product in the United Kingdom in June 2010. Other product sales were 4% and 5% of our total net sales in 2009 and 2008, respectively.

Gross Profit – Our gross profit increased 11% to $407.2 million for the year ended December 31, 2009, compared to $367.7 million for the year ended December 31, 2008. Gross profit as a percent of net sales in 2009 was 74.6% compared to 70.7% in 2008. In the year ended December 31, 2008, due to reduced projections in revenue, distributor terminations, new products, and the replacement of one of our products with a successor product, the Company changed its estimates regarding the inventory allowance at Spinal Implants and Biologics, primarily based on estimated net realizable value using assumptions about future demand and market conditions. The change in estimate resulted in an increase in the reserve for obsolescence of approximately $10.9 million. In addition, the Company recorded approximately $0.6 million of expense related to Spinal Implants and Biologics instrumentation equipment, also as a result of the replacement of one of our products with a successor product. Gross profit, excluding the additional reserve recorded at Spinal Implants and Biologics was 73.0% for the year ended December 31, 2008. Excluding the negative impacts in the prior year, the increase in the gross profit is primarily due to the increased sales of higher margin stimulation products and Spinal Implants & Biologics products. The gross margin in the year ended December 31, 2009 was unfavorably impacted by a $1.8 million increase in our inventory reserve, which related primarily to the remaining supply of Trinity® allograft on hand at the expiration of the Company's distribution agreement on June 30, 2009.

Sales and Marketing Expense – Sales and marketing expense, which includes commissions, certain royalties and the bad debt provision, generally increases and decreases in relation to sales. Sales and marketing expense increased $9.0 million , or 4%, to $215.9 million in 2009 compared to $206.9 million in 2008. As a percent of sales, sales and marketing expense was 39.6% and 39.8% for 2009 and 2008, respectively. During the year ended December 31, 2008, the Company recorded an increase in sales tax expenses of $1.6 million resulting from an audit that covered a period of 43 months.

General and Administrative Expense – General and administrative expense increased $7.1 million, or 9%, in 2009 to $88.9 million compared to $81.8 million in 2008. The increase is primarily due to a $3.6 million restructuring charge to consolidate substantially all of Blackstone's operations previously conducted in Wayne, NJ and Springfield, MA into the same facility housing its spine stimulation and U.S. orthopedics business in the Dallas, TX area. In addition, the Company also incurred legal and other professional services associated with a proxy contest with one of the Company's shareholders. The contest was settled in a special shareholder meeting on April 2, 2009. As a result, the Company does not anticipate incurring any expenses associated with this matter going forward. The Company also recorded an $0.8 million accrual during 2009 for potential royalties payable in connection with litigation. In addition, general and administrative expenses were also higher compared with the prior year due to infrastructure increases in some faster growing international markets. General and administrative expense as a percent of sales was 16.3% in 2009 compared to 15.7% in 2008.

Research and Development Expense – Research and development expense increased $0.6 million in 2009 to $31.5 million compared to $30.8 million in 2008. During 2009, we incurred research and development expenses on two collaborative arrangements with Musculoskeletal Transplant Foundation ("MTF") and Intelligent Implant Systems, LLC ("IIS"). We incurred approximately $3.9 million and $1.8 million in expenses as a result of our collaboration with MTF and IIS, respectively, in 2009. As a percent of sales, research and development expense was 5.8% in 2009 compared to 5.9% for the same period last year. We expect to incur a milestone payment of $1.0 million to IIS in early 2010 and a milestone payment of $0.5 million to Stout Medical Group in 2010. See Liquidity and Capital Resources for further detail.

Amortization of Intangible Assets – Amortization of intangible assets decreased $10.1 million for the year ended December 31, 2009 to $7.0 million compared to $17.1 million for the year ended December 31, 2008. This decrease is primarily attributed to the impairment of $105.7 million of definite-lived intangible assets at Blackstone during 2008.

Impairment of Goodwill and Certain Intangible Assets – During the year ended December 31, 2008, we incurred $289.5 million of expense related to the impairment of goodwill and certain intangible assets. As part of our debt refinancing completed in September 2008, five year projections were prepared for Blackstone. These projections provided an indication of impairment. Accordingly, an interim impairment test was performed in accordance with ASC Topic 350 – Intangibles – Goodwill and Other. Based on this interim test, we determined that the Blackstone trademark, an indefinite-lived intangible asset, was impaired by $57.0 million. In addition, we determined that the carrying amount of goodwill related to Blackstone exceeded its implied fair value, and recognized a goodwill impairment loss of $126.9 million.

In accordance with ASC Topic 360 – Property, Plant and Equipment, we determined that a triggering event had occurred with respect to the definite-lived intangible assets at Blackstone. We compared the expected cash flows to be generated by the definite lived intangible on an undiscounted basis to the carrying value of the intangible asset. We determined the carrying value exceeded the undiscounted cash flow and impaired the distribution network and technologies at Blackstone to the fair value which resulted in an impairment charge of $105.7 million.

Gain on Sale of Pain Care® Operations – Gain on sale of Pain Care® operations was $1.6 million for the year ended December 31, 2008 and represented the gain on the sale of operations related to our Pain Care® line of ambulatory infusion pumps during March 2008. No such gain was recorded in the same period of 2009.

Interest Expense, net – Interest expense, net was $24.6 million in 2009 compared to $19.7 million in 2008. Included in interest expense, net for the year ended December 31, 2009 and 2008 was interest expense of $23.5 million and $18.2 million related to the senior secured term loan used to finance the Blackstone acquisition. Although our overall senior secured term loan balance has decreased when compared to the same period in the prior year, our effective interest rate has increased which is generating the additional interest expense.

Loss on Refinancing of Senior Secured Term Loan – In the year ended December 31, 2008, we incurred $5.7 million of expense related to the refinancing of the senior secured term loan used to finance the Blackstone acquisition. This included a $3.7 million non-cash write-off of previously capitalized debt placement costs and $2.0 million of fees associated with the amendment . We anticipated that we would not remain in compliance with certain financial covenants included in the senior secured credit facility and, consequently, negotiated an amendment of our financial covenants, among other things, with our lenders effective September 29, 2008.

Unrealized Non-cash Gain (Loss) on Interest Rate Swap – In June 2008, the Company entered into a three-year fully amortizable interest rate swap agreement (the “Swap”) with a notional amount of $150.0 million and an expiration date of June 30, 2011. During the fourth quarter of 2008, the Company recognized in earnings an unrealized, non-cash loss of approximately $(8.0) million when it was determined that the Swap was no longer deemed highly effective. Therefore, special hedge accounting is no longer applied and mark-to-market adjustments are required to be reported in current earnings through the expiration of the swap in June 2011. For the year ended December 31, 2009, the Company recorded an unrealized non-cash gain of $1.9 million on the consolidated statements of operations.

Other Income (Expense), net – Other income (expense), net was ($1.1 million) in 2009 compared to ($4.7 million) in 2008. The decrease can be mainly attributed to the effect of foreign exchange. During the year ended December 31, 2008, we recorded foreign exchange losses of $2.7 million principally as a result of a strengthening of the U.S. Dollar against various foreign currencies including the Euro, Pound, Peso and Brazilian Real. Several of our foreign subsidiaries hold trade payables or receivables in currencies (most notably the U.S. Dollar) other than their functional (local) currency which results in foreign exchange gains or losses when there is relative movement between those currencies.

Income Tax Benefit (Expense) – Our worldwide effective tax rate was 38.9% at December 31, 2009 as compared to a tax benefit of 22.5% as of December 31, 2008. The 2009 effective tax rate is impacted by a mix of earnings among tax jurisdictions, state taxes and other items. The effective tax rate for 2008 reflected discrete items resulting from the impairment of goodwill for which we receive no tax benefit, the sale of operations related to our Pain Care® operations and the lapse of an ASC Topic 740 – Income Taxes reserve item. Excluding these discrete items, our effective tax rate for 2008 would have been 36.5%. The increase in the effective tax rate in 2009 as compared to 2008, excluding discrete items, primarily relates to a benefit recorded in 2008 related to the release of tax reserves as a result of the expiration of the statute of limitations.

Net Income (Loss) – Net income in 2009 was $24.5 million, or $1.43 per basic share and $1.42 per diluted share, compared to a net loss of $(228.6) million, or $(13.37) per basic and diluted share for 2008. The weighted average number of basic common shares outstanding was 17,119,474 and 17,095,416 during the years ended December 31, 2009 and 2008, respectively. The weighted average number of diluted common shares outstanding was 17,202,943 and 17,095,416 during the years ended December 31, 2009 and 2008, respectively.

2008 Compared to 2007

Net sales increased 6% to $519.7 million in 2008 compared to $490.3 million in 2007. The impact of foreign currency increased sales by $4.2 million in 2008 when compared to 2007.

Sales by Business Segment:

Net sales in Domestic increased to $188.8 million in 2008 compared to $166.7 million in 2007, an increase of 13%. Domestic represented 36% and 34% of our total net sales in 2008 and 2007, respectively. The increase in Domestic's net sales was primarily the result of a 12% increase in sales in the Spine market sector which was attributable to increased demand for both our Spinal-Stim® and Cervical-Stim® products. The increase in Domestic's net sales was also attributable to a 17% increase in our Orthopedics market sector which included a 15% increase in sales of Physio-Stim® products as compared to the prior year period and an increase in sales of HCT/P products used in orthopedic applications for which there were no comparable sales in the prior year.

Domestic Sales by Market Sector:

(US$ in thousands)	2008	2007	Growth
Spine	$ 141,753	$ 126,626	12%
Orthopedics	47,054	40,101	17%
Total	$ 188,807	$ 166,727	13%

Net sales in Spinal Implants and Biologics decreased $6.9 million to $109.0 million in 2008 compared to $115.9 million in 2007, a decrease of 6%. Spinal Implants and Biologics's net sales represented 21% and 24% of our total net sales in 2008 and 2007, respectively. During the integration of Spinal Implants and Biologics into our business we have experienced distributor terminations, government investigations and the replacement of one of our products with a successor product, all of which negatively impacted our sales during the year ended December 31, 2008. These decreases in sales have been partially offset by the increase in sales of our HCT/P products. All of Spinal Implants and Biologics's sales are recorded in our Spine market sector.

Net sales in Breg increased $6.1 million to $89.5 million in 2008 compared to $83.4 million in 2007, an increase of 7%. Breg's net sales represented 17% of our total net sales during both years ended December 31, 2008 and 2007. The increase in Breg's net sales was primarily attributable to a 12% increase in sales of Breg bracing products primarily as a result of increased sales of our Fusion XT™ and other new products. Further, sales of our cold therapy products increased 16% when compared to the prior year due to the recent launch of our new Kodiak® cold therapy products. These increases were partially offset by a decrease in sales of our pain therapy products as a result of the sale of operations related to our Pain Care® line of ambulatory infusion pumps during March 2008. All of Breg's sales are recorded in our Sports Medicine market sector.

Net sales in International increased 7% to $132.4 million in 2008 compared to $124.3 million in 2007. International net sales represented 26% and 25% of our total net sales in 2008 and 2007, respectively. The impact of foreign currency increased International sales by 3% or $4.0 million when compared to 2007. On a constant currency basis, Spine and Orthopedics sales in our International segment increased 140% and 9%, respectively, in 2008 when compared to 2007. Within the Orthopedics sector, external fixation, stimulation, and deformity correction sales increased 2%, 1% and 40%, respectively, on a constant currency basis, in 2008 when compared to 2007. Sales in our Vascular sector, which consist of the A-V® Impulse System, decreased 10% on a constant currency basis, while our Other distributed products, primarily the Laryngeal Mask, decreased 6% on a constant currency basis when compared to 2007.

International Sales by Market Sector:

(US$ in thousands)	2008	2007	Growth	Constant Currency Growth
Spine	$ 1,520	$ 625	143%	141%
Orthopedics	82,052	71,831	14%	9%
Sports Medicine	5,050	4,143	22%	17%
Vascular	17,890	19,866	-10%	-10%
Other	25,912	27,820	-7%	-6%
Total	$ 132,424	$ 124,285	7%	3%

Sales by Market Sector:

Sales of our Spine products grew 4% to $252.2 million in 2008 compared to $243.2 million in 2007. The increase of $9.1 million is primarily due to a 12% increase in sales of spinal stimulation products in the U.S. This increase was partially offset by a decrease in sales of Spinal Implants and Biologics' products as a result of distributor terminations, government investigations and the replacement of one of our products with a successor product, all of which negatively impacted our sales during the year ended December 31, 2008. Spine product sales were 49% of our total net sales in both years ended December 31, 2008 and 2007, respectively.

Sales of our Orthopedics products increased $17.2 million to $129.1 million in 2008 compared to $111.9 million in 2007. The increase can be mainly attributed to a 45% increase in sales of our internal fixation devices including the Eight-Plate Guided Growth System® as well as a 6% increase in sales of our external fixation devices. Also attributing to the sale increase was a 14% increase in sales of our Physio-Stim® products as compared to the prior year and an increase in sales of HCT/P products used in orthopedic applications for which there were no comparable sales in the prior year. Orthopedic product sales were 25% and 23% of our total net sales for the years ended December 31, 2008 and 2007, respectively.

Sales of our Sports Medicine products increased 8% to $94.5 million in 2008 compared to $87.5 million in 2007. As discussed above, the increase of $7.0 million is primarily due to sales of our Breg bracing products as well as our cold therapy products, offset by a decrease in our pain therapy products, which can be mainly attributed to the sale of operations relating to our Pain Care® line in March 2008. Sports Medicine product sales were 18% of our total net sales for both years ended December 31, 2008 and 2007.

Sales of our Vascular products, which consist of our A-V Impulse System®, decreased 10% to $17.9 million in 2008, compared to $19.9 million in 2007. Vascular product sales were 3% and 4% of our total net sales for the years ended December 31, 2008 and 2007, respectively.

Sales of our Other products, which include the sales of our Laryngeal Mask as well as our woman's care line, decreased 7% to $25.9 million. Other product sales were 5% and 6% of our total net sales for the years ended December 31, 2008 and 2007, respectively.

Gross Profit — Our gross profit increased 2% to $367.7 million in 2008 compared to $361.3 million in 2007. In the year ended December 31, 2008, due to reduced projections in revenue, distributor terminations, new products, and the replacement of one of our products with a successor product, the Company changed its estimates regarding the inventory allowance at Spinal Implants and Biologics, primarily based on estimated net realizable value using assumptions about future demand and market conditions. The change in estimate resulted in an increase in the reserve for inventory obsolescence of approximately $10.9 million. During the year ended December 31, 2007, we recorded a charge of $2.7 million for amortization of the step-up in inventory associated with the Blackstone acquisition. Since the step-up in the Blackstone inventory from purchase accounting was fully amortized during 2007, no such amortization was recorded during the year ended December 31, 2008. Gross profit, as a percent of net sales, in 2008 was 70.7% compared to 73.7% in 2007. Gross profit, excluding the additional reserve recorded at Blackstone, was 73.0% in the year ended December 31, 2008. The lower margin is principally the result of changes in product and geographic mix.

Sales and Marketing Expenses — Sales and marketing expense, which includes commissions, royalties and bad debt provisions generally increase and decrease in relation to sales. Sales and marketing expense increased $19.9 million to $206.9 million in 2008 from $187.0 million in 2007. The increase is attributed to increased expense in order to support increased sales activity, including higher commissions on higher sales. In addition sales and marketing expense included approximately $2.0 million of costs incurred related to the completed exploration of the potential divestiture of our orthopedic fixation business. Sales and marketing expense as a percent of net sales for 2008 and 2007 were 39.8% and 38.1%, respectively.

General and Administrative Expenses — General and administrative expenses increased $8.9 million, or 12%, to $81.8 million in 2008 from $72.9 million in 2007. The increase is due primarily to approximately $4.4 million of costs incurred in connection with the Company's potential divestiture of certain orthopedic fixation assets and other strategic transaction costs during the first and second quarters of 2008. The Company also incurred approximately $3.8 million of corporate reorganization expenses in the third and fourth quarters of 2008. General and administrative expenses as a percent of net sales were 15.7% and 14.9% in 2008 and 2007, respectively.

Research and Development Expenses – Research and development expenses increased $6.6 million to $30.8 million in 2008 compared to $24.2 million in 2007. In 2008, we incurred $6.1 million in expenses related to the Company's collaboration with MTF on the development and commercialization of Trinity® Evolution™. Research and development expenses as a percent of net sales were 5.9% in 2008 and 4.9% in 2007.

Amortization of Intangible Assets — Amortization of intangible assets was $17.1 million in 2008 compared to $18.2 million in 2007. This decrease can be primarily attributed to the impairment of certain intangible assets at Blackstone in the third quarter of 2008.

Impairment of Goodwill and Certain Intangible Assets – In 2008, we incurred $289.5 million of expense related to the impairment of goodwill and certain intangible assets. As part of our debt refinancing completed in September 2008, five year projections were prepared for Blackstone. These projections provided an indication of impairment. Accordingly, an interim impairment test was performed in accordance with ASC Topic 350. Based on this interim test, we determined that the Blackstone trademark, an indefinite-lived intangible asset, was impaired by $57.0 million. In addition, we determined that the carrying amount of goodwill related to Blackstone exceeded its implied fair value, due to the recent trend of decreasing revenues at Blackstone. We recognized a goodwill impairment loss of $126.9 million.

In accordance with ASC Topic 360, we determined that a triggering event had occurred with respect to the definite-lived intangible assets at Blackstone. We compared the expected cash flows to be generated by the definite lived intangible on an undiscounted basis to the carrying value of the intangible asset. We determined the carrying value exceeded the undiscounted cash flow and impaired the distribution network and technologies at Blackstone to the fair value which resulted in an impairment charge of $105.7 million. In 2007, as part of our annual impairment test under ASC Topic 350, we determined that the Blackstone trademark, an indefinite-lived intangible asset, was impaired by $21.0 million because the book value exceeded the fair value.

Gain on Sale of Pain Care® Operations – Gain on sale of Pain Care® operations was $1.6 million and represented the gain on the sale of operations related to our Pain Care® line of ambulatory infusion pumps during March 2008. No such gain was recorded in the same period of 2007.

Interest Expense, net – Interest expense, net was $19.7 million in 2008 compared to $23.7 million in 2007. Interest expense, net in 2008 and 2007 included interest expense of $18.2 million and $22.4 million, respectively, related to the senior secured term loan used to finance the Blackstone acquisition. This decrease can be mainly attributed to less outstanding principal from the comparable period in the prior year.

Unrealized Non-cash Loss on Interest Rate Swap – In the fourth quarter of 2008, the Company incurred an unrealized non-cash loss of approximately $8.0 million which resulted from changes in the fair value of the Company's interest rate swap. Due to declining interest rates and a LIBOR floor in our amended credit facility, the effectiveness of the swap was no longer deemed highly effective; therefore changes in the fair value of the swap agreement are required to be reported in earnings through the expiration of the swap in June 2011.

Loss on Refinancing of Senior Secured Term Loan – In the third quarter of 2008, we incurred $5.7 million of expense related to the refinancing of the senior secured term loan used to finance the Blackstone acquisition. This included a $3.7 million non-cash write-off of previously capitalized debt placement costs and $2.0 million of fees associated with the amendment . We anticipated that we would not remain in compliance with certain financial covenants included in the senior secured credit facility and, consequently, negotiated an amendment of our financial covenants, among other things, with our lenders effective September 29, 2008. There was no comparable charge in 2007.

Other Income (Expense), net – Other income (expense), net was an expense of $(4.7) million in 2008 compared to income of $0.4 million in 2007. The decrease can be mainly attributed to the effect of foreign exchange. During 2008, we recorded foreign exchange losses of $3.0 million principally as a result of a rapid strengthening of the US Dollar against various foreign currencies including the Euro, Pound, Peso and Brazilian Real. Several of our foreign subsidiaries hold trade or intercompany payables or receivables in currencies (most notably the U.S. Dollar) denominated in other than their functional (local) currency which results in foreign exchange gains or losses when there is relative movement between those currencies.

Income Tax Benefit (Expense) – Our effective tax rate was a benefit of 22.5% and a benefit of 25.5% during 2008 and 2007, respectively. The effective tax rate for 2008 reflected discrete items resulting from the impairment of goodwill for which we receive no tax benefit, the sale of operations related to our Pain Care® operations and the lapse of an ASC Topic 740 – Income Taxes reserve item. Excluding these discrete items, our effective tax rate would have been (36.5%). The effective tax rate for 2007 included a tax credit for research and development expense related to 2003 thru 2006. Without the benefit for the research and development tax credits our estimated worldwide effective tax rate for 2007 would have been (31.6%). The increase in the effective tax rate, excluding discrete items, primarily relates to the expiration of the Company's intercompany deferred consideration agreement in the first quarter of 2008.

Net Income (Loss) – Net loss for 2008 was $228.6 million, or ($13.37) per basic and diluted share, compared to net income of $11.0 million, or $0.66 per basic share and $0.64 per diluted share in 2007. The weighted average number of basic common shares outstanding was 17,095,416 and 16,638,873 during 2008 and 2007, respectively. The weighted average number of diluted common shares outstanding was 17,095,416 and 17,047,587 during 2008 and 2007, respectively.

Liquidity and Capital Resources

Cash and cash equivalents at December 31, 2009 were $25.0 million, of which $11.6 million is subject to certain restrictions under the senior secured credit agreement described below. This compares to cash and cash equivalents of $25.6 million at December 31, 2008, of which $11.0 million was subject to certain restrictions under the senior secured credit agreement described below.

Net cash provided by operating activities was $50.0 million in 2009 compared to $26.8 million in 2008, an increase of $23.2 million. Net cash provided by operating activities is comprised of net income (loss), non-cash items (including depreciation and amortization, provision for doubtful accounts and inventory obsolescence, share-based compensation, deferred taxes, change in the fair value of the interest rate swap, impairment of goodwill and certain intangible assets, loss on refinancing of senior secured term loan and gain on the sale of Pain Care® operations) and changes in working capital, including changes in restricted cash. Net income increased $253.0 million to a net income of $24.5 million in 2009 compared to net loss of $(228.6) million in 2008. Non-cash items for 2009 decreased $236.9 million to $45.7 million compared to $282.6 in 2008 primarily as a result of the impairment of goodwill and certain intangible assets of $289.5 million in 2008 that did not exist in 2009, a decrease in the fair value of the interest rate swap of $9.8 million, and a decrease in depreciation and amortization of $8.9 million, offset by an increase in the change in deferred taxes of $74.7 million. Working capital accounts consumed $20.2 million of cash in 2009 compared to $27.3 million in 2008. The principal change in working capital can be mainly attributable to an increase in the current liabilities position of $16.0 million mainly the result of restructuring costs previously mentioned, increases in accrued payroll, bonuses and related payroll taxes, increased commissions to distributors and the timing of inventory receipts. Overall performance indicators for our two primary working capital accounts, accounts receivable and inventory, reflect days sales in receivables of 83 days at December 31, 2009 compared to 77 days at December 31, 2008 and inventory turns of 1.6 times at December 31, 2009 compared to 1.5 times at December 31, 2008. Also included in cash used in working capital in 2009 were $6.1 million in costs related to matters occurring at Blackstone prior to the acquisition and for which we are seeking reimbursement from the applicable escrow fund.

Net cash used in investing activities was $22.3 million in 2009 compared to $13.4 million in 2008. During the first quarter of 2008, we sold the operations of our Pain Care ® line of ambulatory infusion pumps for net proceeds of $6.0 million. During the year ended December 31, 2009 and 2008, we invested $22.0 million and $20.2 million in capital expenditures, respectively. During the year ended December 31, 2009, we made a loan in connection with our collaborative arrangement with MTF for $2.0 million. In 2009, we sold our remaining ownership in OPED AG, a German based bracing company, for net proceeds of $1.7 million. In 2008, we sold a portion of our ownership in OPED AG for net proceeds of $0.8 million.

Net cash used in financing activities was $29.3 million for the year ended December 31, 2009 compared to $22.8 million for the year ended December 31, 2008. During 2009, we repaid approximately $28.3 million against the principal on our senior secured term loan compared to $17.1 million in 2008. In 2009, we borrowed $0.2 million on our line of credit through our Italian subsidiary compared to a 2008 repayment on that same line of credit of $6.7 million. During the year ended December 31, 2009, we used approximately $1.1 million to purchase an additional 32% minority interest in our Breg distributor in Germany. During the year ended December 31, 2008, we received proceeds of $1.7 million from the issuance of 51,052 shares of our common stock upon the exercise of stock options.

On September 22, 2006 the Company's wholly-owned U.S. holding company subsidiary, Orthofix Holdings, Inc. ("Orthofix Holdings"), entered into a senior secured credit facility with a syndicate of financial institutions to finance the acquisition of Blackstone. Certain terms of the senior secured credit facility were amended in September 29, 2008. The senior secured credit facility provides for (1) a seven-year amortizing term loan facility of $330.0 million and (2) a six-year revolving credit facility of $45.0 million. As of December 31, 2009, the Company had $0.3 million of letters of credit outstanding under the revolving credit facility and $252.4 million outstanding under the term loan facility. Obligations under the senior secured credit facility can have a floating interest rate of the London Inter-Bank Offered Rate ("LIBOR") plus a margin, with a LIBOR floor of 3.0%, or prime rate plus a margin. As of December 31, 2009, the entire term loan obligation of $252.4 million is at the prime rate plus a margin of 3.50%.

In June 2008, we entered into a three-year fully amortizable interest rate swap agreement (the "Swap") with a notional amount of $150.0 million and an expiration date of June 30, 2011. The amount outstanding under the Swap as of December 31, 2009 was $150.0 million. Under the Swap we will pay a fixed rate of 3.73% and receive interest at floating rates based on the three month LIBOR rate at each quarterly re-pricing date until the expiration of the Swap. As of December 31, 2009, the effective interest rate on the debt related to the Swap was 10.2%. Our overall effective interest rate, including the impact of the Swap as of December 31, 2009 on our senior secured debt was 8.8%.

The credit agreement contains certain financial covenants, including a fixed charge coverage ratio and a leverage ratio applicable to Orthofix and its subsidiaries on a consolidated basis. A breach of any of these covenants could result in an event of default under the credit agreement, which could permit acceleration of the debt payments under the facility. The Company was in compliance with these financial covenants as measured at December 31, 2009. As defined in the senior secured credit facility, our leverage ratio can not exceed 3.25 and our fixed charge ratio must be greater than or equal to 1.30 at December 31, 2009. Our leverage and fixed charge ratios were 2.60 and 1.61, respectively, at December 31, 2009.

The leverage ratio the Company can not exceed, as defined in the senior secured credit facility, will be 2.85 for the first quarter of 2010, 2.75 for the second quarter of 2010 and 2.50 thereafter. Effective January 1, 2010, the fixed charge coverage ratio must be greater than 1.375 and it will remain at that rate for the remaining life of the senior secured credit facility. Based on the Company's projected earnings, we believe that the Company should be able to meet these financial covenants in future fiscal quarters, however, there can be no assurance that it will be able to do so, and failure to do so could result in an event of default under the credit agreement, which could have a material adverse effect on our financial position.

Each of the domestic subsidiaries of the Company (which includes Orthofix Inc., Breg Inc., and Blackstone) and Colgate Medical Limited and Victory Medical Limited (wholly-owned financing subsidiaries of the Company) has guaranteed the obligations of Orthofix Holdings under the senior secured credit facility. The obligations of the subsidiaries under their guarantees are secured by the pledges of their respective assets.

Certain subsidiaries of the Company have restrictions on their ability to pay dividends or make intercompany loan advances pursuant to the Company's senior secured credit facility. The net assets of Orthofix Holdings and its subsidiaries are restricted for distributions to the parent company. Domestic subsidiaries of the Company, as parties to the credit agreement, have access to these net assets for operational purposes. The amount of restricted net assets of Orthofix Holdings and its subsidiaries as of December 31, 2009 is $143.1 million compared to $111.3 million at December 31, 2008. In addition, the senior secured credit facility restricts the Company and subsidiaries that are not parties to the credit facility from access to cash held by Colgate Medical Limited and its subsidiaries. All credit party subsidiaries have access to this cash for operational and debt repayment purposes. The amount of restricted cash of the Company as of December 31, 2009 is $11.6 million compared to $11.0 million at December 31, 2008.

At December 31, 2009, we had outstanding borrowings of $2.2 million and unused available lines of credit of approximately 5.8 million Euro ($8.2 million) under a line of credit established in Italy to finance the working capital of our Italian operations. The terms of the line of credit give us the option to borrow amounts in Italy at rates determined at the time of borrowing.

In the fourth quarter of 2008, as part of the Company's strategic plan to strengthen the business, the Company initiated a restructuring plan to improve operations and reduce costs at Blackstone. The plan involves the consolidation of substantially all of Blackstone's operations previously conducted in Wayne, NJ and Springfield, MA into the same facility housing its spine stimulation and U.S. orthopedics business in the Dallas, TX area. The Company plans to complete the restructuring and consolidation by the second quarter of 2010, at which time the Company anticipates a total restructuring expense of $3.6 million. During the year ended December 31, 2009, the Company recorded net restructuring charges of $3.6 million, which were primarily related to severance costs and accelerated depreciation costs related to shortening lives of assets which will be disposed. These restructuring costs are recorded in general and administrative expense and are classified in the Spinal Implants & Biologics segment.

The following table presents changes in the restructuring liability, which is included within Other Current Liabilities in the Company's consolidated balance sheets as of December 31, 2009 and December 31, 2008:

(US$ in thousands)	Severance	Assets Abandoned	Total
Balance at December 31, 2008	$ 548	$ -	$ 548
Charges	2,565	1,020	3,585
Cash Payments	(1,287)	-	(1,287)
Non-cash Items	-	(1,020)	(1,020)
Balance at December 31, 2009	$ 1,826	$ -	$ 1,826

On July 24, 2008, we entered into an agreement with MTF to collaborate on the development and commercialization of a new stem cell-based bone growth biologic matrix. Under the terms of the agreement, we invested $10.0 million to develop the new stem cell-based bone growth biologic matrix that provides the beneficial properties of an autograft in spinal and orthopedic surgeries. The new matrix was launched with a full market release in the U.S. effective on July 1, 2009. Expenditures related to collaborative arrangements are expensed to research and development based on the terms of the related agreements. A total of $3.9 million of expenses was recognized under the terms of the agreement and included in research and development expense for the year ended December 31, 2009.

As previously announced in 2008, we entered into an agreement with Intelligent Implant Systems ("IIS") for the acquisition and development of a next-generation pedicle screw system for our spinal implants division. Under the agreement, we purchased $2.5 million of intellectual property and related technology. During the year ended December 31, 2009, IIS met their first development milestone and under the terms of the agreement the Company paid IIS $1.0 million. Also in 2009, the Company and IIS amended the existing agreement and the Company paid IIS an additional $0.8 million for partially meeting its next milestone. The Company has recorded these payments totaling $1.8 million for the year ended December 31, 2009 as research and development expense. IIS will continue to perform research and development functions related to the technology and under the agreement and amended agreement we will pay IIS an additional amount up to $2.7 million for research and development performance milestones.

We believe that current cash balances together with projected cash flows from operating activities, the availability of the $44.7 million revolving credit facility, the available Italian line of credit, and our debt capacity are sufficient to cover anticipated working capital and capital expenditure needs including research and development costs and research and development projects formerly mentioned, over the near term.

Contractual Obligations

The following chart sets forth our contractual obligations as of December 31, 2009:

Contractual Obligations	Payments Due by Period				
(US$ in thousands)	Total	2010	2011-2013	2014-2015	2016 and thereafter
Senior secured term loan	$ 252,400	$ -	$ 252,400	$ -	$ -
Estimated interest on senior secured term loan (1)	58,435	17,037	41,398	-	-
Other borrowings	97	32	65	-	-
Purchase obligations (2)	2,417	1,000	1,417	-	-
Operating leases	24,697	5,621	9,208	3,180	6,688
Total	$ 338,046	$ 23,690	$ 304,488	$ 3,180	$ 6,688

(1) Estimated interest on senior secured term loan excludes any potential effects of the interest rate swap agreement and assumes payments are made in accordance with the scheduled payments as defined in the agreement. Interest payments are estimated using rates in effect at December 31, 2009.

(2) In addition to the unconditional purchase obligations stated above, the Company also has inventory purchase agreements that, if terminated, would require the Company to purchase an additional $1.1 million of inventory.

We may be required to make cash outlays related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of $0.4 million as of December 31, 2009 have been excluded from the contractual obligations table above. For further information on unrecognized tax benefits, see Note 14 to the consolidated financial statements included in this Report

The aggregate maturities of long-term debt after December 31, 2009 are as follows: 2010 – $0, 2011 – $0, 2012 – $35.4 million, and 2013 – $217.0 million.

In addition to scheduled contractual payment obligations on the debt as set forth above, our credit agreement requires us to make mandatory prepayments with (a) the excess cash flow (as defined in the credit agreement) of Orthofix International N.V. and its subsidiaries, in an amount equal to 50% of the excess annual cash flow beginning with the year ending December 31, 2007, provided, however, if the leverage ratio (as defined in the credit agreement) is less than or equal to 1.75 to 1.00, as of the end of any fiscal year, there will be no mandatory excess cash flow prepayment, with respect to such fiscal year, (b) 100% of the net cash proceeds of any debt issuances by Orthofix International N.V. or any of its subsidiaries or 50% of the net cash proceeds of equity issuances by any such party, excluding the exercise of stock options, provided, however, if the leverage ratio is less than or equal to 1.75 to 1.00 at the end of the preceding fiscal year, Orthofix Holdings shall not be required to prepay the loans with the proceeds of any such debt or equity issuance in the immediately succeeding fiscal year, (c) the net cash proceeds of asset dispositions over a minimum threshold, or (d) unless reinvested, insurance proceeds or condemnation awards.

Off-balance Sheet Arrangements

As of December 31, 2009, we did not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, cash flows, liquidity, capital expenditures or capital resources that are material to investors.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks as part of our ongoing business operations. Primary exposures include changes in interest rates and foreign currency fluctuations. These exposures can vary sales, cost of sales, costs of operations, and the cost of financing and yields on cash and short-term investments. We use derivative financial instruments, where appropriate, to manage these risks. However, our risk management policy does not allow us to hedge positions we do not hold nor do we enter into derivative or other financial investments for trading or speculative purposes. As of December 31, 2009, we had a currency swap in place to minimize foreign currency exchange risk related to a 38.3 million Euro intercompany note.

We are exposed to interest rate risk in connection with our senior secured term loan and borrowings under our revolving credit facility (if any), which bear interest at floating rates based on LIBOR or the prime rate plus an applicable borrowing margin. Therefore, interest rate changes generally do not affect the fair market value of the debt, but do impact future earnings and cash flows, assuming other factors are held constant. We had an interest rate swap in place as of December 31, 2009 to minimize interest rate risk related to our LIBOR-based borrowings.

As of December 31, 2009, we had $252.4 million of variable rate term debt represented by borrowings under our senior secured term loan which can have a floating interest rate of LIBOR plus a margin, with a LIBOR floor of 3.0%, or the prime rate plus a margin. As of December 31, 2009, the entire term loan obligation of $252.4 million is at the prime rate plus a margin of 3.50%, which is adjusted based upon the credit rating of the Company and its subsidiaries. In June 2008, we entered into a Swap with a notional amount of $150.0 million and an expiration date of June 30, 2011. The amount outstanding under the Swap as of December 31, 2009 was $150.0 million. Under the Swap we will pay a fixed rate of 3.73% and receive interest at floating rates based on the three month LIBOR rate at each quarterly re-pricing date until the expiration of the Swap. As of December 31, 2009, the effective interest rate on the debt related to the Swap was 10.2%. As of December 31, 2009, our overall effective interest rate, including the impact of the Swap, on our senior secured debt was 8.8%. Based on the balance outstanding under the senior secured term loan combined with the Swap as of December 31, 2009, an immediate change of one percentage point in the applicable interest rate on the variable rate debt would cause a change in interest expense of approximately $2.5 million on an annual basis.

Our foreign currency exposure results from fluctuating currency exchange rates, primarily the U.S. Dollar against the Euro, Great Britain Pound, Mexican Peso and Brazilian Real. We are subject to cost of goods currency exposure when we produce products in foreign currencies such as the Euro or Great Britain Pound and sell those products in U.S. Dollars. We are subject to transactional currency exposures when foreign subsidiaries (or the Company itself) enter into transactions denominated in a currency other than their functional currency. As of December 31, 2009, we had an un-hedged intercompany receivable denominated in Euro of approximately 23.3 million ($33.4 million). We recorded a foreign currency gain during the year ended December 31, 2009 of $0.8 million, which resulted from the strengthening of the Euro against the U.S. dollar during the period.

We also are subject to currency exposure from translating the results of our global operations into the U.S. dollar at exchange rates that have fluctuated from the beginning of the period. The U.S. dollar equivalent of international sales denominated in foreign currencies was unfavorably impacted during the year ended December 31, 2009 by foreign currency exchange rate fluctuations with the strengthening of the U.S. dollar against the local foreign currency during this period. During the year ended December 31, 2008, the U.S. dollar equivalent of international sales denominated in foreign currencies was favorably impacted by foreign currency exchange rate fluctuations with the weakening of the U.S. dollar against the local foreign currency during this period. As we continue to distribute and manufacture our products in selected foreign countries, we expect that future sales and costs associated with our activities in these markets will continue to be denominated in the applicable foreign currencies, which could cause currency fluctuations to materially impact our operating results.

Item 8. Financial Statements and Supplementary Data

See “Index to Consolidated Financial Statements” on page F-1 of this Form 10-K.

Item 9 . Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a - 15(e) or 15d – 15 (e)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

On July 1, 2009, we implemented an Enterprise Resource Planning ("ERP") system at our Spinal Implants and Biologics division. The ERP system, developed by Oracle, improves and enhances internal controls over financial reporting. This ERP system materially changes how transactions are processed within this division.

Except for the conversion to the ERP system, there have not been any changes in our internal control over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our management's assessment regarding the Company's internal control over financial reporting can be found immediately prior to the financial statements in a section entitled "Management's Report on Internal Control over Financial Reporting" in this Form 10-K.

Item 9B . Other Information

Not applicable.

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Information required by Items 10, 11, 12, 13 and 14 of Form 10-K is omitted from this annual report and will be filed in a definitive proxy statement or by an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report.

Item 10. Directors, Executive Officers and Corporate Governance

We will provide information that is responsive to this Item 10 regarding executive compensation in our definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report, in either case under the caption "Information About Directors," "Section 16(a) Beneficial Ownership Reporting Compliance" and others possibly elsewhere therein. That information is incorporated in this Item 10 by reference.

Item 11. Executive Compensation

We will provide information that is responsive to this Item 11 regarding executive compensation in our definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report, in either case under the caption "Executive Compensation," and possibly elsewhere therein. That information is incorporated in this Item 11 by reference.

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

We will provide information that is responsive to this Item 12 regarding ownership of our securities by certain beneficial owners and our directors and executive officers, as well as information with respect to our equity compensation plans, in our definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report, in either case under the captions "Security Ownership of Certain Beneficial Owners and Management and Related Stockholders" and "Equity Compensation Plan Information," and possibly elsewhere therein. That information is incorporated in this Item 12 by reference.

Item 13 . Certain Relationships and Related Transactions , and Director Independence

We will provide information that is responsive to this Item 13 regarding transactions with related parties and director independence in our definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report, in either case under the caption "Certain Relationships and Related Transactions," and possibly elsewhere therein. That information is incorporated in this Item 13 by reference.

Item 14. Principal Accountant Fees and Services

We will provide information that is responsive to this Item 14 regarding principal accountant fees and services in our definitive proxy statement or in an amendment to this annual report not later than 120 days after the end of the fiscal year covered by this annual report, in either case under the caption "Principal Accountant Fees and Services," and possibly elsewhere therein. That information is incorporated in this Item 14 by reference.

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Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of report on Form 10-K

The following documents are filed as part of this report on Form 10-K:

1. Financial Statements

See “Index to Consolidated Financial Statements” on page F-1 of this Form 10-K.

2. Financial Statement Schedules

See “Index to Consolidated Financial Statements” on page F-1 of this Form 10-K.

3. Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of the Company (filed as an exhibit to the Company’s annual report on Form 20-F dated June 29, 2001 and incorporated herein by reference).
3.2	Articles of Association of the Company as amended (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference).
10.1	Orthofix International N.V. Amended and Restated Stock Purchase Plan, as amended (filed as an exhibit to the Company’s quarterly report on Form 10-Q for the quarter ended June 30, 2009 and incorporated herein by reference).
10.2	Orthofix International N.V. Amended and Restated 2004 Long Term Incentive Plan (filed as an exhibit to the Company’s quarterly report on Form 10-Q for the quarter ended June 30, 2009 and incorporated herein by reference).
10.3	Orthofix International N.V. Staff Share Option Plan, as amended through April 22, 2003 (filed as an exhibit to the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2007 and incorporated herein by reference).
10.4	Form of Employee Non-Qualified Stock Option Agreement (post-2008 grants) (filed as an exhibit to the Company's current report on Form 8-K filed July 7, 2009 and incorporated herein by reference).
10.5	Form of Non-Employee Director Non-Qualified Stock Option Agreement (post-2008 grants) (filed as an exhibit to the Company's current report on Form 8-K filed July 7, 2009 and incorporated herein by reference).
10.6	Form of Nonqualified Stock Option Agreement under the Orthofix International N.V. Amended and Restated 2004 Long Term Incentive Plan (pre-2009 grants -- vesting over 3 years) (filed as an exhibit to the Company's current report on Form 8-K filed June 20, 2008 and incorporated herein by reference).
10.7	Form of Nonqualified Stock Option Agreement under the Orthofix International N.V. Amended and Restated 2004 Long Term Incentive Plan (pre-2009 grants -- 3 year cliff vesting) (filed as an exhibit to the Company's current report on Form 8-K filed June 20, 2008 and incorporated herein by reference).

10.8	Form of Restricted Stock Grant Agreement under the Orthofix International N.V. Amended and Restated 2004 Long Term Incentive Plan (vesting over 3 years) (filed as an exhibit to the Company's current report on Form 8-K filed June 20, 2008 and incorporated herein by reference).
10.9	Form of Restricted Stock Grant Agreement under the Orthofix International N.V. Amended and Restated 2004 Long Term Incentive Plan (3 year cliff vesting) (filed as an exhibit to the Company's current report on Form 8-K filed June 20, 2008 and incorporated herein by reference).
10.10	Amended and Restated Orthofix Deferred Compensation Plan (filed as an exhibit to the Company's current report on Form 8-K filed January 7, 2009, and incorporated herein by reference).
10.11	Acquisition Agreement dated as of November 20, 2003, among Orthofix International N.V., Trevor Acquisition, Inc., Breg, Inc. and Bradley R. Mason, as shareholders' representative (filed as an exhibit to the Company's current report on Form 8-K filed January 8, 2004 and incorporated herein by reference).
10.12	Amended and Restated Voting and Subscription Agreement dated as of December 22, 2003, among Orthofix International N.V. and the significant shareholders of Breg, Inc. identified on the signature pages thereto (filed as an exhibit to the Company's current report on Form 8-K filed on January 8, 2004 and incorporated herein by reference).
10.13	Amendment to Employment Agreement dated December 29, 2005 between Orthofix Inc. and Charles W. Federico (filed as an exhibit to the Company's current report on Form 8-K filed December 30, 2005 and incorporated herein by reference).
10.14	Form of Indemnity Agreement (filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008 and incorporated herein by reference).
10.16	Amended and Restated Employment Agreement, dated December 6, 2007, between Orthofix Inc. and Raymond C. Kolls (filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2007, as amended, and incorporated herein by reference).
10.17	Letter Agreement, dated July 25, 2009, between Orthofix Inc. and Raymond C. Kolls (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference).
10.18*	Credit Agreement, dated as of September 22, 2006, among Orthofix Holdings, Inc., Orthofix International N.V., certain domestic subsidiaries of Orthofix International N.V., Colgate Medical Limited, Victory Medical Limited, Swiftsure Medical Limited, Orthofix UK Ltd, the several banks and other financial institutions as may from time to time become parties thereunder, and Wachovia Bank, National Association.
10.19	First Amendment to Credit Agreement, dated September 29, 2008, by and among Orthofix Holdings, Inc., Orthofix International N.V., certain domestic subsidiaries of Orthofix International N.V., Colgate Medical Limited, Victory Medical Limited, Swiftsure Medical Limited, Orthofix UK Ltd, and Wachovia Bank, National Association, as administrative agent on behalf of the Lenders under the Credit Agreement (filed as an exhibit to the Company's current report on Form 8-K filed September 29, 2008 and incorporated herein by reference).

10.20	Agreement and Plan of Merger, dated as of August 4, 2006, among Orthofix International N.V., Orthofix Holdings, Inc., New Era Medical Limited, Blackstone Medical, Inc. and William G. Lyons, III, as Equityholders' Representative (filed as an exhibit to the Company's current report on Form 8-K filed August 7, 2006 and incorporated herein by reference).
10.25	Description of Director Fee Policy (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2009 and incorporated herein by reference).
10.26	Summary of Orthofix International N.V. Annual Incentive Program (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2009 and incorporated herein by reference).
10.27	Employment Agreement between Orthofix Inc. and Thomas Hein dated as of April 11, 2008 (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.28	Nonqualified Stock Option Agreement under the Orthofix International N.V. Amended and Restated 2004 Long-Term Incentive Plan, dated April 11, 2008, between Orthofix International N.V. and Thomas Hein (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.29	Summary of Consulting Arrangement between Orthofix International N.V. and Peter Hewett (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference).
10.31	Form of Inducement Grant Nonqualified Stock Option Agreement between Orthofix International N.V. and Robert S. Vaters (filed as an exhibit to the current report on Form 8-K of Orthofix International N.V dated September 10, 2008 and incorporated herein by reference).
10.32+	Letter Agreement between Orthofix Inc. and Oliver Burckhardt dated August 28, 2008 (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
10.33	Notice of Termination from Orthofix Inc. to Oliver Burckhardt dated August 27, 2008 (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference).
10.34	Second Amended and Restated Performance Accelerated Stock Options Agreement between Orthofix International N.V. and Bradley R. Mason dated October 14, 2008 (filed as an exhibit to the Company's current report on Form 8-K filed October 15, 2008 and incorporated herein by reference).
10.35	Nonqualified Stock Option Agreement between Orthofix International N.V. and Bradley R. Mason dated October 14, 2008 (filed as an exhibit to the Company's current report on Form 8-K filed October 15, 2008 and incorporated herein by reference).
10.36	Amended and Restated Employment Agreement, entered into and effective as of July 1, 2009, by and between Orthofix Inc. and Alan W. Milinazzo (filed as an exhibit to the Company's current report on Form 8-K filed July 7, 2009 and incorporated herein by reference).

10.37	Amendment No. 1 to Amended and Restated Employment Agreement, dated July 30, 2009, by and between Orthofix Inc. and Alan W. Milinazzo (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference).
10.38	Amended and Restated Employment Agreement, entered into and effective as of July 1, 2009, by and between Orthofix Inc. and Robert S. Vaters (filed as an exhibit to the Company's current report on Form 8-K filed July 7, 2009 and incorporated herein by reference).
10.39	Amendment No. 1 to Amended and Restated Employment Agreement, dated July 30, 2009, by and between Orthofix Inc. and Robert S. Vaters (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference).
10.40	Amended and Restated Employment Agreement, entered into and effective as of July 1, 2009, by and between Orthofix Inc. and Bradley R. Mason (filed as an exhibit to the Company's current report on Form 8-K filed July 7, 2009 and incorporated herein by reference).
10.41	Amendment No. 1 to Amended and Restated Employment Agreement, dated July 31, 2009, by and between Orthofix Inc. and Bradley R. Mason (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference).
10.42	Amended and Restated Employment Agreement, entered into on October 23, 2009 and effective as of November 1, 2009, by and between Orthofix Inc. and Bradley R. Mason (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference).
10.43	Amended and Restated Employment Agreement, entered into and effective as of July 1, 2009, by and between Orthofix Inc. and Michael M. Finegan (filed as an exhibit to the Company's current report on Form 8-K filed July 7, 2009 and incorporated herein by reference).
10.44	Amendment No. 1 to Amended and Restated Employment Agreement, dated August 4, 2009, by and between Orthofix Inc. and Michael M. Finegan (filed as an exhibit to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2009 and incorporated herein by reference).
10.45	Form of Amendment to Stock Option Agreements (for Alan W. Milinazzo, Robert S. Vaters, Bradley R. Mason, Michael M. Finegan and Michael Simpson) (filed as an exhibit to the Company's current report on Form 8-K filed July 7, 2009 and incorporated herein by reference).
10.46	Inducement Stock Option Agreement between Orthofix International N.V. and Kevin L. Unger, dated August 17, 2009 (filed as an exhibit to the Company’s current report on Form 8-K filed August 17, 2009 and incorporated herein by reference).
10.47	Amended and Restated Employment Agreement, entered into on September 4, 2009, by and between Orthofix Inc. and Michael Simpson (filed as an exhibit to the Company’s current report on Form 8-K filed September 11, 2009 and incorporated herein by reference).

10.48*	Amended and Restated Employment Agreement, entered into on July 1, 2009, by and between Orthofix Inc. and Eric Brown.
10.49*	Amended and Restated Employment Agreement, entered into on November 16, 2009, by and between Breg Inc. and Brad Lee.
10.50*	Notice of Termination from Orthofix Inc. to Ray Kolls dated January 29, 2010.
10.51* +	Matrix Commercialization Collaboration Agreement, entered into July 24, 2008, by and between Orthofix Holdings, Inc. and Musculoskeletal Transplant Foundation.
21.1*	List of Subsidiaries.
23.1*	Consent of Ernst & Young LLP.
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1*	Section 1350 Certification of Chief Executive Officer.
32.2*	Section 1350 Certification of Chief Financial Officer.

* Filed herewith.

\+ Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. This exhibit has been filed separately with the Secretary of the Commission without redactions pursuant to our Application Requesting Confidential Treatment under the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORTHOFIX INTERNATIONAL N.V.

Dated: March 1, 2010

By: /s/ Alan W. Milinazzo
Name: Alan W. Milinazzo
Title: Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/S/ ALAN W. MILINAZZO **Alan W. Milinazzo**	Chief Executive Officer, President and Director	March 1, 2010
/S/ ROBERT S. VATERS **Robert S. Vaters**	Executive Vice President and Chief Financial Officer	March 1, 2010
/S/ JAMES F. GERO **James F. Gero**	Chairman of the Board of Directors	March 1, 2010
/S/ JERRY C. BENJAMIN **Jerry C. Benjamin**	Vice Chairman of the Board of Directors	March 1, 2010
/S/ WALTER VON WARTBURG **Walter von Wartburg**	Director	March 1, 2010
/S/ THOMAS J. KESTER **Thomas J. Kester**	Director	March 1, 2010
/S/ CHARLES W. FEDERICO **Charles W. Federico**	Director	March 1, 2010
/S/ GUY JORDAN **Guy Jordan**	Director	March 1, 2010
/S/ KENNETH R. WEISSHAAR **Kenneth R. Weisshaar**	Director	March 1, 2010
/S/ MARIA SAINZ **Maria Sainz**	Director	March 1, 2010
/S/ MICHAEL MAINELLI **Michael Mainelli**	Director	March 1, 2010

ORTHOFIX INTERNATIONAL N.V.
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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

ORTHOFIX INTERNATIONAL N.V.
Statement of Management's Responsibility for Financial Statements

To the Shareholders of Orthofix International N.V.:

Management is responsible for the preparation of the consolidated financial statements and related information that are presented in this report. The consolidated financial statements, which include amounts based on management's estimates and judgments, have been prepared in conformity with accounting principles generally accepted in the United States. Other financial information in the report to shareholders is consistent with that in the consolidated financial statements.

The Company maintains accounting and internal control systems to provide reasonable assurance at a reasonable cost that assets are safeguarded against loss from unauthorized use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organizational structure providing division of responsibilities and careful selection and training of qualified personnel.

The Company engaged Ernst & Young LLP independent registered public accountants to audit and render an opinion on the consolidated financial statements in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). These standards include an assessment of the systems of internal controls and test of transactions to the extent considered necessary by them to support their opinion.

The Board of Directors, through its Audit Committee consisting solely of outside directors of the Company, meets periodically with management and our independent registered public accountants to ensure that each is meeting its responsibilities and to discuss matters concerning internal controls and financial reporting. Ernst & Young LLP has full and free access to the Audit Committee.

James F. Gero
Chairman of the Board of Directors

Alan W. Milinazzo
President, Chief Executive Officer and Director

Robert S. Vaters
Executive Vice President and Chief Financial Officer

ORTHOFIX INTERNATIONAL N.V.
Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15f under the Exchange Act). The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation of reliable financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes self-monitoring mechanisms and actions taken to correct deficiencies as they are identified. Because of the inherent limitations in any internal control, no matter how well designed, misstatements may occur and not be prevented or detected. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline.

Management conducted an evaluation of the effectiveness of the Company's system of internal control over financial reporting as of December 31, 2009 based on the framework set forth in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation, management concluded that, as of December 31, 2009, the Company's internal control over financial reporting is effective based on the specified criteria.

The Company's internal control over financial reporting has been audited by the Company's Independent Registered Public Accounting Firm, Ernst & Young LLP, as stated in their reports at pages F-4 and F-5 herein.

James F. Gero
Chairman of the Board of Directors

Alan W. Milinazzo
President, Chief Executive Officer and Director

Robert S. Vaters
Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Orthofix International N.V.

We have audited the accompanying consolidated balance sheets of Orthofix International N.V. as of December 31, 2009 and 2008 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedules listed in the index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Orthofix International N.V. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2009 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Orthofix International N.V.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 1, 2010

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Orthofix International N.V.

We have audited Orthofix International N.V.'s internal control over financial reporting as of December 31, 2009 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Orthofix International N.V.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Orthofix International N.V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Orthofix International N.V. as of December 31, 2009 and 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2009 of Orthofix International N.V. and our report dated March 1, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 1, 2010

ORTHOFIX INTERNATIONAL N.V.
Consolidated Balance Sheets as of December 31, 2009 and 2008

(U.S. Dollars, in thousands except share and per share data)	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 13,328	$ 14,594
Restricted cash	11,630	10,998
Trade accounts receivable, less allowances of $7,205 and $6,473 at December 31, 2009 and 2008, respectively	129,777	110,720
Inventories, net	94,624	91,185
Deferred income taxes	20,286	17,543
Prepaid expenses	4,868	6,923
Other current assets	24,981	22,687
Total current assets	299,494	274,650
Investments, at cost	345	2,095
Property, plant and equipment, net	38,694	32,660
Patents and other intangible assets, net	47,628	53,546
Goodwill	185,175	182,581
Deferred taxes and other long-term assets	19,137	15,683
Total assets	$ 590,473	$ 561,215
Liabilities and shareholders' equity		
Current liabilities:		
Bank borrowings	$ 2,209	$ 1,907
Current portion of long-term debt	3,332	3,329
Trade accounts payable	21,821	22,179
Accounts payable to related parties	1,481	1,686
Other current liabilities	59,210	45,894
Total current liabilities	88,053	74,995
Long-term debt	249,132	277,533
Deferred income taxes	6,115	4,509
Other long-term liabilities	6,904	2,117
Total liabilities	350,204	359,154
Contingencies (Note 16)		
Shareholders' equity		
Common shares $0.10 par value; 50,000,000 shares authorized; 17,141,710 and 17,103,142 issued and outstanding as of December 31, 2009 and 2008, respectively	1,714	1,710
Additional paid-in capital	177,246	167,818
Retained earnings	54,119	29,647
Accumulated other comprehensive income	7,190	2,886
Total shareholders' equity	240,269	202,061
Total liabilities and shareholders' equity	$ 590,473	$ 561,215

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

ORTHOFIX INTERNATIONAL N.V.
Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007

(U.S. Dollars, in thousands, except share and per share data)	2009	2008	2007
Net sales	$ 545,635	$ 519,675	$ 490,323
Cost of sales	138,450	152,014	129,032
Gross profit	407,185	367,661	361,291
Operating expenses (income)			
Sales and marketing	215,943	206,913	186,984
General and administrative	88,866	81,806	72,902
Research and development	31,460	30,844	24,220
Amortization of intangible assets	7,041	17,094	18,156
Impairment of goodwill and certain intangible assets	–	289,523	20,972
Gain on sale of Pain Care® operations	–	(1,570)	–
	343,310	624,610	323,234
Operating income (loss)	63,875	(256,949)	38,057
Other income (expense), net			
Interest income	193	542	1,043
Interest expense	(24,820)	(20,216)	(24,720)
Unrealized non-cash gain (loss) on interest rate swap	1,852	(7,975)	–
Loss on refinancing of senior secured term loan	–	(5,735)	–
Other income (expense), net	(1,079)	(4,702)	355
	(23,854)	(38,086)	(23,322)
Income (loss) before income taxes	40,021	(295,035)	14,735
Income tax (expense) benefit	(15,549)	66,481	(3,767)
Net income (loss)	$ 24,472	$ (228,554)	$ 10,968
Net income (loss) per common share - basic	$ 1.43	$ (13.37)	$ 0.66
Net income (loss) per common share - diluted	$ 1.42	$ (13.37)	$ 0.64
Weighted average number of common shares - basic	17,119,474	17,095,416	16,638,873
Weighted average number of common shares - diluted	17,202,943	17,095,416	17,047,587

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

ORTHOFIX INTERNATIONAL N.V.
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2009, 2008 and 2007

(U.S. Dollars, in thousands, except share data)	Number of Common Shares Outstanding	Common Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
At December 31, 2006	16,445,859	$ 1,645	$ 128,297	$ 248,433	$ 14,260	$ 392,635
Cumulative effect adjustment for the adoption of FIN 48	–	–	–	(1,200)	–	(1,200)
Net income	–	–	–	10,968	–	10,968
Other comprehensive income:						
Unrealized gain on derivative instrument (net of taxes of $586)	–	–	–	–	1,585	1,585
Translation adjustment	–	–	–	–	841	841
Total comprehensive income						12,194
Tax benefit on exercise of stock options	–	–	2,145	–	–	2,145
Share-based compensation expense	–	–	11,913	–	–	11,913
Common shares issued	592,445	59	14,994	–	–	15,053
At December 31, 2007	17,038,304	1,704	157,349	258,201	16,686	433,940
Net loss	–	–	–	(228,554)	–	(228,554)
Other comprehensive income:						
Unrealized gain on derivative instrument (net of taxes of $609)	–	–	–	–	1,567	1,567
Translation adjustment	–	–	–	–	(15,367)	(15,367)
Total comprehensive loss						(242,354)
Tax benefit on exercise of stock options	–	–	22	–	–	22
Reclassification adjustment for tax benefit on exercise of stock options	–	–	(1,870)			(1,870)
Share-based compensation expense	–	–	10,589	–	–	10,589
Common shares issued	64,838	6	1,728	–	–	1,734
At December 31, 2008	17,103,142	1,710	167,818	29,647	2,886	202,061
Net income	–	–	–	24,472	–	24,472
Other comprehensive income:						
Unrealized loss on derivative instrument (net of taxes of $1,050)	–	–	–	–	(2,702)	(2,702)
Translation adjustment	–	–	–	–	7,006	7,006
Total comprehensive income						28,776
Purchase of minority interest in subsidiary	–	–	(1,143)	–	–	(1,143)
Repurchase of equity	–	–	(220)	–	–	(220)
Tax benefit on exercise of stock options	–	–	25	–	–	25
Share-based compensation expense	–	–	10,752	–	–	10,752
Common shares issued	38,568	4	14	–	–	18
At December 31, 2009	17,141,710	$ 1,714	$ 177,246	$ 54,119	$ 7,190	$ 240,269

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

ORTHOFIX INTERNATIONAL N.V.
Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007

(U.S. Dollars, in thousands)	2009	2008	2007
Cash flows from operating activities:			
Net income (loss)	$ 24,472	$ (228,554)	$ 10,968
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	22,344	31,279	28,531
Amortization of debt costs	248	911	1,085
Provision for doubtful accounts	7,335	7,261	7,326
Deferred taxes	(4,409)	(79,158)	(12,168)
Share-based compensation	10,752	10,589	11,913
Provision for inventory obsolescence	8,760	10,913	–
Loss on refinancing of senior secured term loan	–	3,660	–
Impairment of goodwill and certain intangible assets	–	289,523	20,972
Change in fair value of interest rate swap	(1,852)	7,975	–
Impairment of investments held at cost	–	1,500	–
Amortization of step up of fair value in inventory	–	493	2,718
Gain on sale of Pain Care® operations	–	(1,570)	–
Minority interest	34	–	–
Other	2,507	(743)	(5,816)
Changes in operating assets and liabilities:			
Restricted cash	(612)	5,444	(9,153)
Accounts receivable	(23,858)	(13,182)	(8,685)
Inventories	(8,941)	(13,731)	(22,745)
Prepaid expenses and other current assets	(12)	(5,046)	(5,855)
Accounts payable	(1,310)	675	303
Other current liabilities	14,512	(1,469)	2,102
Net cash provided by operating activities	49,970	26,770	21,496
Cash flows from investing activities:			
Capital expenditures for property, plant and equipment	(20,915)	(15,600)	(18,537)
Capital expenditures for intangible assets	(1,083)	(4,592)	(8,692)
Investment related to collaborative arrangement	(2,000)	–	–
Proceeds from sale of investments held at cost	1,711	769	–
Proceeds from sale of Pain Care® operations	–	5,980	–
Net cash used in investing activities	(22,287)	(13,443)	(27,229)
Cash flows from financing activities:			
Net proceeds from issuance of common shares	70	1,734	15,053
Payment of refinancing fees and debt issuance costs	–	(283)	(184)
Repayments of long-term debt	(28,323)	(17,069)	(17,458)
Cash payment for purchase of minority interest in subsidiary	(1,143)	(500)	(3,142)
Tax benefit on non-qualified stock options	25	22	2,145
Repurchase of equity	(220)	–	–
Proceeds from (repayment of) bank borrowings, net	248	(6,721)	8,131
Net cash provided by (used in) financing activities	(29,343)	(22,817)	4,545
Effect of exchange rates changes on cash	394	(980)	371
Net decrease in cash and cash equivalents	(1,266)	(10,470)	(817)
Cash and cash equivalents at the beginning of the year	14,594	25,064	25,881
Cash and cash equivalents at the end of the year	$ 13,328	$ 14,594	$ 25,064
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest	$ 26,724	$ 19,311	$ 27,477
Income taxes	$ 17,665	$ 12,602	$ 15,908

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

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements

Description of business

Orthofix International N.V. (the "Company") is a multinational corporation principally involved in the design, development, manufacture, marketing and distribution of medical equipment, principally for the Orthopedics products market. The Company is comprised of four reportable segments: Domestic, Spinal Implants and Biologics (formerly referred to as "Blackstone"), Breg and International. See Note 13 for a description of each segment.

1. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned and majority-owned subsidiaries and entities over which the Company has control.

The results of acquired businesses are included in the consolidated statements of operations from the date of their acquisition. All intercompany accounts, transactions and profits are eliminated in the consolidated financial statements. The Company's investments in which it does not have significant influence or control are accounted for under the cost method of accounting.

(b) Foreign currency translation

Foreign currency translation is performed in accordance with Accounting Standards Codification ("ASC") Topic 830 – Foreign Currency Matters ("ASC Topic 830") (formerly known as Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation"). All balance sheet accounts, except shareholders' equity, are translated at year end exchange rates and revenue and expense items are translated at weighted average rates of exchange prevailing during the year. Gains and losses resulting from the translation of foreign currency are recorded in the accumulated other comprehensive income component of shareholders' equity. Transactional foreign currency gains and losses, including intercompany transactions that are not long-term investing in nature, are included in other income (expense), net and were $(0.5) million, $(2.7) million and $0.8 million for the years ended December 31, 2009, 2008 and 2007, respectively.

(c) Inventories

Inventories are valued at the lower of cost or estimated net realizable value, after provision for excess or obsolete items. Cost is determined on a weighted-average basis, which approximates the FIFO method. The valuation of work-in-process, finished products, field inventory and consignment inventory includes the cost of materials, labor and production. Field inventory represents immediately saleable finished products inventory that is in the possession of the Company's direct sales representatives.

(d) Reporting currency

The reporting currency is the United States ("U.S.") Dollar.

(e) Market risk

In the ordinary course of business, the Company is exposed to the impact of changes in interest rates and foreign currency fluctuations. The Company's objective is to limit the impact of such movements on earnings and cash flows. In order to achieve this objective the Company seeks to balance its non-dollar denominated income and expenditures. During 2008, the Company executed an interest rate swap agreement to manage the cash flow exposure generated from interest rate fluctuations. During 2009, 2008, and 2007, the Company made use of a foreign currency swap agreement entered into in December 2006 to manage cash flow exposure generated from foreign currency fluctuations. See Note 10 for additional information.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

(f) Long-lived assets

Property, plant and equipment is stated at cost less accumulated depreciation. Plant and equipment also includes instrumentation. Depreciation is computed on a straight-line basis over the useful lives of the assets, except for land, which is not depreciated. Depreciation of leasehold improvements is computed over the shorter of the lease term or the useful life of the asset. The useful lives are as follows:

	Years
Buildings	25 to 33
Plant, equipment	2 to 10
Instrumentation	3 to 4
Furniture and fixtures	4 to 8

Expenditures for maintenance and repairs and minor renewals and improvements, which do not extend the lives of the respective assets, are expensed. All other expenditures for renewals and improvements are capitalized. The assets and related accumulated depreciation are adjusted for property retirements and disposals, with the resulting gain or loss included in operations. Fully depreciated assets remain in the accounts until retired from service.

Patents and other intangible assets are recorded at cost, or when acquired as a part of a business combination, at estimated fair value. These assets primarily include patents and other technology agreements ("developed technologies"), certain trademarks and distribution networks. Identifiable intangible assets which are considered definite lived are generally amortized over their useful lives using a method of amortization that reflects the pattern in which the economic benefit of the intangible assets is consumed. The Company's weighted average amortization period for developed technologies and distribution networks is 11 and 10 years, respectively.

ASC Topic 360 – Property, Plant and Equipment ("ASC Topic 360") (formerly known as SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets") requires that intangible assets with definite lives, such as Orthofix's developed technologies and distribution network assets, be tested for impairment if any adverse conditions exist or change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If an impairment indicator exists, the Company tests the intangible asset for recoverability. For purposes of the recoverability test, the Company groups its intangible assets with other assets and liabilities at the lowest level of identifiable cash flows if the intangible asset does not generate cash flows independent of other assets and liabilities. If the carrying value of the intangible asset (asset group) exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the intangible asset (asset group), the Company will write the carrying value down to the fair value in the period identified.

The Company generally calculates fair value of intangible assets as the present value of estimated future cash flows the Company expects to generate from the asset using a risk-adjusted discount rate. In determining the estimated future cash flows associated with intangible assets, the Company uses estimates and assumptions about future revenue contributions, cost structures and remaining useful lives of the asset (asset group). The use of alternative assumptions, including estimated cash flows, discount rates, and alternative estimated remaining useful lives could result in different calculations of impairment

The Company tests goodwill and certain trademarks at least annually. The Company tests more frequently if indicators are present or changes in circumstances suggest that impairment may exist. These indicators include, among others, declines in sales, earnings or cash flows, or the development of a material adverse change in the business climate. The Company assesses goodwill for impairment at the reporting unit level, which is defined as an operating segment or one level below an operating segment, referred to as a component. Consistent with prior years, the Company has identified four reporting units, which are consistent with the Company's reporting segments; Domestic, Spinal Implants and Biologics, Breg and International (see Note 13 for additional information).

In performing the annual impairment test, the Company utilizes the two-step approach prescribed under ASC Topic 350 – Intangibles – Goodwill and Other ("ASC Topic 350") (formerly known as SFAS No. 142, "Goodwill and Other Intangible Assets"). The first step requires a comparison of each reporting unit's carrying value to the fair value of the respective unit. If the carrying value exceeds the fair value, a second step is performed to measure the amount of impairment loss, if any.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

Carrying Value

In order to calculate the respective carrying values, the Company records goodwill based on the purchase price allocation performed at the time of acquisition. Corporate assets and liabilities that directly relate to a reporting unit's operations are ascribed directly to that reporting unit. Corporate assets and liabilities that are not directly related to a specific reporting unit, but from which the reporting unit benefits, are allocated based on the respective revenue contribution of each reporting unit.

Fair Value – Income Approach

The fair value of each reporting unit is estimated, entirely or predominantly, using an income based approach. This income approach utilizes a discounted cash flow ("DCF"), which estimates after-tax cash flows on a debt free basis, discounted to present value using a risk-adjusted discount rate.

The Company believes the DCF generally provides the most meaningful fair value as it appropriately measures the Company's income producing assets. The Company may consider using a cost approach but generally believes it is not appropriate, given the inability to replicate the value of the specific technology-based assets within our reporting units. In circumstances when the DCF indicator of fair value is not sufficiently conclusive to support the carrying value of a reporting unit, or when other measures provide a more appropriate indicator, we may consider a market approach in our determination of the reporting unit's fair value.

In performing a DCF calculation, the Company is required to make assumptions about the amount and timing of future expected cash flows, terminal value growth rates and appropriate discount rates and in connection therewith considers the following:

- The determination of expected cash flows is based on the Company's strategic plans and long-range planning forecasts which, to the extent reasonably possible, reflect anticipated changes in the economy and the industry. Revenue growth rates represent estimates based on current and forecasted market conditions. The profit margin assumptions are projected by each reporting unit based on historical margins, the current cost structure and anticipated net cost reductions.

- The terminal value growth rate is used to calculate the value of cash flows beyond the last projected period in the DCF. This rate reflects the Company's estimates for stable, perpetual growth for each reporting unit.

- The discount rates are based on the reporting unit's risk-adjusted weighted average cost of capital, using assumptions consistent with publicly traded guideline companies operating within the medical device industry as well as Company specific risk factors for each reporting unit.

These inputs represent the Company's best estimate, however, different cash flows, growth and discount rate assumptions could generate different fair values, potentially impacting the Company's impairment assessment.

Domestic, Breg and International Reporting Units

The fair value of the Domestic, Breg and International reporting units have been established using a DCF method. These DCF results concluded the fair value of the Domestic, Breg and International reporting units exceeded the respective carrying values at December 31, 2009 and December 31, 2008. The assumptions used in the December 31, 2009 DCF results were consistent with the DCF results used in the prior year, reflecting appropriate adjustments for changes in the economic climate.

Spinal Implants and Biologics Reporting Unit

During the third quarter of 2008, the Company indentified indicators of impairment with respect to the Spinal Implants and Biologics reporting unit, prompting an interim impairment test. The determination of the Spinal Implants and Biologics fair value was calculated using a combination of income and market approaches, weighted based on guidance provided by an independent appraisal firm. The income approach was based on a DCF model. The market approach was based on the guideline transaction method, which derived applicable market multiples from the prices at which comparable companies have been acquired in the marketplace. The Company applied a weighted average percentage of 75% - 25%, placing greater weight on the income approach, which provided a lower fair value. This calculation resulted in a $126.9 million impairment loss, reducing the related goodwill balance to $9.4 million as of December 31, 2008.

The Company used a DCF to determine the fair value of the Spinal Implants and Biologics reporting units as of December 31, 2009. This resulted in no significant changes to the Spinal Implants and Biologics fair value assumptions. Accordingly, the annual impairment test as of December 31, 2009 resulted in no further impairment of the Spinal Implants and Biologics reporting unit.

(g) Revenue recognition and accounts receivable

Revenue is generally recognized as income in the period in which title passes and the products are delivered. Revenues exclude any value added or other local taxes, intercompany sales and trade discounts. Shipping and handling costs are included in cost of sales. Royalty revenues are recognized when the royalty is earned.

For bone growth stimulation and certain bracing products that are prescribed by a physician, the Company recognizes revenue when the product is placed on or implanted in and accepted by the patient. For domestic spinal implant and human cellular and tissue based products ("HCT/P products"), revenues are recognized when the product has been utilized and a confirming purchase order has been received from the hospital. For sales to commercial customers, including hospitals and distributors, revenues are recognized at the time of shipment unless contractual agreements specify that title passes on delivery. Revenues for inventory delivered on consignment are recognized as the product is used by the consignee.

In 2008, the Company entered into an agreement with the Musculoskeletal Transplant Foundation ("MTF") to develop and commercialize a new stem cell-based bone growth biologic matrix. With the development process completed in 2009, the Company and MTF operate under the terms of a separate commercialization agreement. Under the terms of this 10-year agreement, MTF sources the tissue, processes it to create the bone growth matrix, and packages and delivers it in accordance with orders received directly from customers and from the Company. The Company has exclusive global marketing rights for the new allograft and receives a marketing fee from MTF based on total sales. This marketing fee is recorded on a net basis within net sales.

The Company derives a significant amount of revenues in the U.S. from third-party payors, including commercial insurance carriers, health maintenance organizations, preferred provider organizations and governmental payors such as Medicare. Amounts paid by these third-party payors are generally based on fixed or allowable reimbursement rates. These revenues are recorded at the expected or pre-authorized reimbursement rates, net of any contractual allowances or adjustments. Certain billings are subject to review by the third-party payors and may be subject to adjustment.

The process for estimating the ultimate collection of accounts receivable involves significant assumptions and judgments. Historical collection and payor reimbursement experience is an integral part of the estimation process related to reserves for doubtful accounts and the establishment of contractual allowances. Accounts receivable are analyzed on a quarterly basis to assess the adequacy of both reserves for doubtful accounts and contractual allowances. Revisions in allowances for doubtful accounts estimates are recorded as an adjustment to bad debt expense within sales and marketing expenses. Revisions to contractual allowances are recorded as an adjustment to net sales. In the judgment of management, adequate allowances have been provided for doubtful accounts and contractual allowances. Our estimates are periodically tested against actual collection experience.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

(h) Research and development costs

Expenditures for research and development are expensed as incurred. Expenditures related to collaborative arrangements are expensed based on the terms of the related agreements. On July 24, 2008, the Company entered into an agreement with MTF to collaborate on the development and commercialization of a new stem cell-based bone growth biologic matrix. Under the terms of the agreement, the Company invested $10.0 million to develop the new stem cell-based bone growth biologic matrix that provides the beneficial properties of an autograft in spinal and orthopedic surgeries. The new matrix was launched with a full market release in the U.S. effective on July 1, 2009. A total of $6.1 million and $3.9 million of expenses was recognized under the terms of the agreement and are included in research and development expense for the years ended December 31, 2009 and 2008, respectively.

As previously announced in 2008, the Company entered into an agreement with Intelligent Implant Systems ("IIS") for the acquisition and development of a next-generation pedicle screw system for the spinal implants division. Under the agreement the Company purchased $2.5 million of intellectual property and related technology. During the year ended December 31, 2009, IIS met their first development milestone and under the terms of the agreement the Company paid IIS $1.0 million. Also in 2009, the Company and IIS amended the existing agreement and the Company paid IIS an additional $0.8 million for partially meeting its next milestone. The Company has recorded these payments totaling $1.8 million for the year ended December 31, 2009 as research and development expense. IIS will continue to perform research and development functions related to the technology and under the agreement and amended agreement we will pay IIS an additional amount up to $2.7 million for research and development performance milestones.

(i) Income taxes

The Company accounts for income taxes in accordance with ASC Topic 740 – Income Taxes ("ASC Topic 740"). The Company is subject to income taxes in both the United States and foreign jurisdictions, and uses estimates in determining the provision for income taxes. The Company accounts for income taxes using the asset and liability method for accounting and reporting for income taxes. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the financial reporting and income tax bases of assets and liabilities using statutory rates. This process requires that the Company project the current tax liability and estimate the deferred tax assets and liabilities, including net operating loss and tax credit carryforwards. In assessing the need for a valuation allowance, the Company has considered the recent operating results, future taxable income projections and all prudent and feasible tax planning strategies.

ASC Topic 740 also provides criteria for the recognition, measurement, presentation and disclosures of uncertain tax positions. A tax benefit from an uncertain tax position may be recognized if it is "more likely than not" that the position is sustainable based solely on its technical merits. The Company recognized $1.2 million in additional tax liability, inclusive of interest, which was accounted for as a reduction of retained earnings at the date of implementation of January 1, 2007. As of December 31, 2008 and December 31, 2009, the Company had $1.1 million and $0.8 million, respectively, including interest, of unrecognized tax benefits.

(j) Net income (loss) per common share

Net income per common share is computed in accordance with ASC Topic 260 – Earnings per Share (formerly known as SFAS No. 128, "Earnings per Share"). Net income per common share – basic is computed using the weighted average number of common shares outstanding during each of the respective years. Net income per common share – diluted is computed using the weighted average number of common and common equivalent shares outstanding during each of the respective years using the "treasury stock" method. Common equivalent shares represent the dilutive effect of the assumed exercise of outstanding share options (see Note 19) and the only differences between basic and diluted shares result solely from the assumed exercise of certain outstanding share options and warrants. In 2008, the effect of options was not included in the calculation because the inclusion would have been anti-dilutive.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

(k) Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents.

(l) Restricted cash

Restricted cash consists of cash held at certain subsidiaries, the distribution or transfer of which to Orthofix International N.V. (the "Parent") or other subsidiaries that are not parties to the credit facility described in Note 9 is restricted. The senior secured credit facility restricts the Parent and subsidiaries that are not parties to the facilities from access to cash held by Colgate Medical Limited and its subsidiaries. All credit party subsidiaries have access to this cash for operational and debt repayment purposes.

(m) Sale of accounts receivable

The Company follows the provisions of ASC Topic 860 – Transfers and Servicing (formerly known as SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities"). Trade accounts receivables sold without recourse are removed from the balance sheet at the time of sale. The Company generally does not require collateral on trade receivables.

(n) Use of estimates in preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, the Company evaluates its estimates including those related to contractual allowances, doubtful accounts, inventories, taxes and potential goodwill and intangible asset impairment. Actual results could differ from these estimates.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2009 presentation. The reclassifications have no effect on previously reported net earnings or shareholders' equity.

(p) Share-based compensation

The Company recognizes share-based compensation in accordance with ASC Topic 718 – Compensation – Stock Compensation ("ASC Topic 718") (formerly known as SFAS No. 123(R) (revised 2004), "Share-Based Payment"). The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period net of estimated forfeitures.

The expected term of options granted is estimated based on a number of factors, including the vesting term of the award, historical employee exercise behavior for both options that are currently outstanding and options that have been exercised or are expired, the expected volatility of the Company's common stock and an employee's average length of service. The risk-free interest rate is determined based upon a constant U.S. Treasury security rate with a contractual life that approximates the expected term of the option award. Management estimates expected volatility based on the historical volatility of the Company's stock. The compensation expense recognized for all equity-based awards is net of estimated forfeitures. Forfeitures are estimated based on an analysis of actual option forfeitures.

(q) Advertising costs

The Company expenses all advertising costs as incurred. Advertising expense for the years ended December 31, 2009, 2008 and 2007 was $0.7 million, $1.1 million and $1.8 million, respectively.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

(r) Derivative instruments

The Company manages its exposure to fluctuating cash flows resulting from changes in interest rates and foreign exchange within the consolidated financial statements according to its hedging policy. Under the policy, the Company may engage in non-leveraged transactions involving various financial derivative instruments to manage exposed positions. The policy requires the Company to formally document the relationship between the hedging instrument and hedged item, as well as its risk-management objective and strategy for undertaking the hedge transaction. For instruments designated as a cash flow hedge, the Company formally assesses (both at the hedge's inception and on an ongoing basis) whether the derivative that is used in the hedging transaction has been effective in offsetting changes in the cash flows of the hedged item and whether such derivative may be expected to remain effective in future periods. If it is determined that a derivative is not (or has ceased to be) effective as a hedge, the Company will discontinue the related hedge accounting prospectively. Such a determination would be made when (1) the derivative is no longer effective in offsetting changes in the cash flows of the hedged item; (2) the derivative expires or is sold, terminated, or exercised; or (3) management determines that designating the derivative as a hedging instrument is no longer appropriate. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The Company follows ASC Topic 815 – Derivatives and Hedging ("ASC Topic 815") (formerly known as SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended and interpreted), which requires that all derivatives be recorded as either assets or liabilities on the balance sheet at their respective fair values. For a cash flow hedge, the effective portion of the derivative's change in fair value (i.e. gains or losses) is initially reported as a component of other comprehensive income, net of related taxes, and subsequently reclassified into net earnings when the hedged exposure is no longer effective.

The Company utilizes a cross currency swap to manage its foreign currency exposure related to a portion of the Company's intercompany receivable of a U.S. dollar functional currency subsidiary that is denominated in Euro. The cross currency swap has been accounted for as a cash flow hedge in accordance with ASC Topic 815.

See Note 10 for a description of the types of derivative instruments the Company utilizes.

(s) Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of foreign currency translation adjustments and the effective portion of the gain (loss) for the Company's cross-currency swap which is designated and accounted for as a cash flow hedge (refer to Note 10). The components of and changes in accumulated other comprehensive income are as follows:

(US$ in thousands)	Foreign Currency Translation Adjustments	Fair Value of Cross - Currency Swap	Accumulated Other Comprehensive Income/(Loss)
Balance at December 31, 2008	$ (211)	$ 3,097	$ 2,886
Unrealized loss on cross-currency swap, net of tax of $(1,050)	-	(2,702)	(2,702)
Foreign currency translation adjustment [(1)]	7,006	-	7,006
Balance at December 31, 2009	$ 6,795	$ 395	$ 7,190

(1) As the cash remains permanently invested in the foreign subsidiaries, no deferred taxes are recognized on the related foreign currency translation adjustment.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

(t) Recently Issued Accounting Standards

In January 2009, the Company adopted the Financial Accounting Standards Board ("FASB") ASC Topic 808 – Collaborative Arrangements ("ASC Topic 808") (formerly known as Emerging Issues Task Force ("EITF") 07-1 "Accounting for Collaborative Arrangements"). ASC Topic 808 provides information related to the classification of the payments between participants, the appropriate income statement presentation, as well as disclosures related to certain collaborative arrangements. The adoption of ASC Topic 808 did not have a material impact on the Company's results of operations or financial position, as the Company had applied this guidance since there was no prevailing authority previously.

In January 2009, the Company adopted ASC Topic 810 - Consolidations ("ASC Topic 810") (formerly known as SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements, an Amendment of ARB 51"). ASC Topic 810 establishes accounting and reporting standards pertaining to ownership interest in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the non-controlling interest, changes in a parent's ownership interest, and the valuation of any retained non-controlling equity investment when a subsidiary is deconsolidated. ASC Topic 810 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. ASC Topic 810 and its adoption changed the method in which the Company accounted for a minority interest acquisition during the first quarter of 2009. It also requires the excess purchase price over the minority interest liability (at the time of the acquisition) to be recorded as a capital transaction. The disclosure requirements of ASC Topic 810 did not have an impact on the Company's financial reporting as the remaining minority interest liability is immaterial.

In May 2009, the FASB issued ASC Topic 855 – Subsequent Events ("ASC Topic 855") (formerly known as SFAS No. 165, "Subsequent Events"). ASC Topic 855 provides authoritative accounting literature for a topic that was previously addressed only in auditing literature (AICPA AU Section 560, Subsequent Events). The guidance in ASC Topic 855 is largely similar to the current guidance in the auditing literature with some exceptions that are not intended to result in significant changes in practice. Two modifications to the subsequent events guidance in AU Section 560 are: 1) to name the two types of subsequent events either as recognized subsequent events (currently referred to in practice as Type I subsequent events) or non-recognized subsequent events (currently referred to in practice as Type II subsequent events) and 2) to modify the definition of subsequent events to refer to events or transactions that occur after the balance sheet date, but before the financial statements are issued for public entities. ASC Topic 855 is effective for interim or annual financial periods ending after June 15, 2009. On February 24, 2010, the FASB issued Accounting Standards Updated ("ASU") 2010-09 to amend ASC Topic 855. In preparation of the December 31, 2009 financial statements, the Company has performed all related procedures required by ASC Topic 855.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

2. Inventories

(US$ in thousands)	December 31, 2009	2008
Raw materials	$ 11,777	$ 9,314
Work-in-process	6,687	8,829
Finished products	59,812	57,151
Field inventory	14,955	13,633
Consignment inventory	25,274	23,426
	118,505	112,353
Less reserve for obsolescence	(23,881)	(21,168)
	$ 94,624	$ 91,185

Field inventory represents immediately saleable finished products inventory that is in the possession of the Company's direct sales representatives

3. Investments

The Company had total investments held at cost of $0.3 million and $2.1 million as of December 31, 2009 and 2008, respectively. In August 2008, Orthofix entered into an agreement with Oped AG to liquidate a portion of the Company's investment in Oped AG. During the third quarter of 2008, the Company received net proceeds of $0.8 million for the sale of a portion of its ownership in OPED AG. In 2009, Orthofix modified its agreement with Oped AG and sold 100% of its remaining investment to them in the third quarter of 2009 for the net proceeds of $1.7 million. The Company's investments at December 31, 2009 reflect its ownership in Biowave Corporation, a pain therapy company. The Company has assessed these cost investments as of December 31, 2009 and 2008, noting no impairment in carrying value.

The Company also has an investment in OrthoRx which was reduced to zero in 2004.

4. Property, plant and equipment

(US$ in thousands)	December 31, 2009	2008
Cost		
Buildings	$ 3,611	$ 3,340
Plant, equipment and instrumentation	94,927	76,827
Furniture and fixtures	11,613	10,638
	110,151	90,805
Accumulated depreciation	(71,457)	(58,145)
	$ 38,694	$ 32,660

Depreciation expense for the years ended December 31, 2009, 2008 and 2007 was $15.3 million, $14.2 million and $10.4 million, respectively.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

5. Patents and other intangible assets

(US$ in thousands)	December 31, 2009	December 31, 2008
Cost		
Patents and developed technologies	$ 27,961	$ 25,602
Trademarks – definite lived (subject to amortization)	119	105
Trademarks – indefinite lived (not subject to amortization)	23,542	23,382
Distribution networks	44,586	44,586
	96,208	93,675
Accumulated amortization		
Patents and developed technologies	(17,499)	(13,194)
Trademarks – definite lived (subject to amortization)	(107)	(105)
Distribution networks	(30,974)	(26,830)
Patents and other intangible assets, net	$ 47,628	$ 53,546

Amortization expense for intangible assets is estimated to be approximately $6.0 million, $5.9 million, $4.7 million, $1.6 million, $1.6 million and $4.3 million for the periods ending December 31, 2010, 2011, 2012, 2013, 2014 and 2015 and thereafter, respectively.

During the third quarter of 2008, the Company determined that a test for impairment of indefinite lived assets at Blackstone in accordance with ASC Topic 350 was necessary due to decreasing revenues at Blackstone, among other matters. The Company evaluated the indefinite-lived intangible assets which included the Blackstone trademark acquired during the acquisition of Blackstone. The impairment analysis resulted in the carrying value, as adjusted for an impairment charge recognized in the fourth quarter of 2007, of the trademark exceeding the fair value for which the Company recognized a $57.0 million impairment charge included in Impairment of Goodwill and Certain Intangible Assets in the year ended December 31, 2008.

Also, during the third quarter of 2008, the Company determined that an impairment indicator as described in ASC Topic 360 occurred with respect to the definite-lived intangibles at Spinal Implants and Biologics. Due to the impairment indicator, the Company compared the expected cash flows to be generated by the Spinal Implants and Biologics reporting unit, which represented the lowest level at which cash flows are specifically identifiable, on an undiscounted basis to the carrying value of the reporting unit's assets, including goodwill. The Company determined the carrying value of the Spinal Implants and Biologics reporting unit exceeded the related undiscounted cash flows, which determination resulted in the impairment of the distribution network and technologies at Spinal Implants and Biologics based on their fair values. The resulting impairment charge of $105.7 million is included in Impairment of Goodwill and Certain Intangible Assets.

6. Goodwill

During the third quarter of 2008, due to the matters described in Note 5 above, the Company performed an impairment analysis of the goodwill at Spinal Implants and Biologics. The impairment analysis resulted in a goodwill impairment charge of $126.9 million because the carrying value exceeded the implied fair value of goodwill. For a discussion of how the Company tests to determine if goodwill is impaired, see Note 2.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

The following table presents the changes in the net carrying value of goodwill by reportable segment:

(US$ in thousands)	Domestic	Spinal Implants and Biologics	Breg	International	Total
At December 31, 2007	$ 31,793	$ 136,240	$ 101,322	$ 50,583	$ 319,938
Disposals [1]	-	-	(2,027)	-	(2,027)
Purchase of additional minority interest [2]	-	-	-	(365)	(365)
Impairment [3]	-	(126,873)	-	-	(126,873)
Foreign currency	-	-	-	(8,092)	(8,092)
At December 31, 2008	31,793	9,367	99,295	42,126	182,581
Foreign currency	-	-	-	2,594	2,594
At December 31, 2009	$ 31,793	$ 9,367	$ 99,295	$ 44,720	$ 185,175

(1) Sale of operations relating to the Pain Care® business at Breg during the first quarter of 2008.

(2) Purchase of the remaining 38.74% of the minority interest in Mexican subsidiary and 4.00% of the minority interest in Brazilian subsidiary.

(3) The impairment analysis resulted in a goodwill impairment charge of $126.9 million because the carrying value exceeded the implied fair value of goodwill.

As of December 31, 2009, the Company performed its annual impairment review of all its reporting units and determined there was no additional impairment of goodwill.

7. Bank borrowings

(US$ in thousands)	December 31, 2009	2008
Borrowings under line of credit	$ 2,209	$ 1,907

The weighted average interest rate on borrowings under lines of credit as of December 31, 2009 and 2008 was 5.15% and 5.86%, respectively.

Borrowings under the line of credit consist of borrowings in Euros. The Company had an unused available line of credit of 5.8 million Euros ($8.2 million) and 5.2 million Euros ($7.3 million) at December 31, 2009 and 2008, respectively, in its Italian line of credit. This line of credit provides the Company the option to borrow amounts in Italy at rates which are determined at the time of borrowing. This line of credit is unsecured.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

8. Other current liabilities

(US$ in thousands)	December 31, 2009	December 31, 2008
Accrued expenses	$ 15,240	$ 9,652
Salaries, bonuses, commissions and related taxes payable	30,779	20,919
Interest rate swap	6,123	7,975
Income taxes payable	1,510	2,833
Other payables	5,558	4,515
	$ 59,210	$ 45,894

9. Long-term debt

(US$ in thousands)	December 31, 2009	December 31, 2008
Long-term obligations	$ 252,400	$ 280,700
Other loans	64	162
	252,464	280,862
Less current portion	(3,332)	(3,329)
	$ 249,132	$ 277,533

On September 22, 2006 the Company's wholly-owned U.S. holding company subsidiary, Orthofix Holdings, Inc. ("Orthofix Holdings"), entered into a senior secured credit facility with a syndicate of financial institutions to finance the acquisition of Blackstone Medical Inc. ("Blackstone"). Certain terms of the senior secured credit facility were amended September 29, 2008. The senior secured credit facility provides for (1) a seven-year amortizing term loan facility of $330.0 million and (2) a six-year revolving credit facility of $45.0 million. As of December 31, 2009, the Company had $0.3 million of letters of credit outstanding under the revolving credit facility and $252.4 million outstanding under the term loan facility. Obligations under the senior secured credit facility have a floating interest rate of the London Inter-Bank Offered Rate ("LIBOR") plus a margin, with a LIBOR floor of 3.0%, or prime rate plus a margin. As of December 31, 2009, the entire term loan obligation of $252.4 million is at the prime rate plus a margin of 3.50%. The effective interest rates on the senior secured credit facility, including the impact of an interest rate swap (see Note 10), as of December 31, 2009 and December 31, 2008 were 8.8% and 8.4%, respectively.

Each of the domestic subsidiaries of the Company (which includes Orthofix Inc., Breg Inc., and Blackstone) and Colgate Medical Limited and Victory Medical Limited (wholly-owned financing subsidiaries of the Company) has guaranteed the obligations of Orthofix Holdings under the senior secured credit facility. The obligations of the subsidiaries under their guarantees are secured by the pledges of their respective assets.

Certain subsidiaries of the Company have restrictions on their ability to pay dividends or make intercompany loan advances pursuant to the Company's senior secured credit facility. The net assets of Orthofix Holdings and its subsidiaries are restricted for distributions to the parent company. Domestic subsidiaries of the Company, as parties to the credit agreement, have access to these net assets for operational purposes. The amount of restricted net assets of Orthofix Holdings and its subsidiaries as of December 31, 2009 is $143.0 million compared to $111.3 million at December 31, 2008. In addition, the senior secured credit facility restricts the Company and subsidiaries that are not parties to the credit facility from access to cash held by Colgate Medical Limited and its subsidiaries. All credit party subsidiaries have access to this cash for operational and debt repayment purposes.

As a result of the Company prepaying $25.0 million of its long-term debt in 2009, the aggregate maturities of long-term debt under contractual obligations after December 31, 2009 are as follows: 2010 - $0, 2011 - $0, 2012 - $35.4 million, and 2013 - $217.0 million. However, the Company's intentions are to follow the original agreed upon payment schedule under the senior secured credit facility and therefore, the aggregate maturities after December 31, 2009 are as follows: 2010 - $3.3 million, 2011 - $3.3 million, 2012 - $80.0 million and 2013 - $165.8 million.

In conjunction with obtaining the senior secured credit facility, the Company incurred debt issuance costs of $6.4 million which it has been amortizing over the life of the facility. A portion of the capitalized debt issuance costs included in other long-term assets related to the senior secured credit facility were expensed as a result of the amendment on September 29, 2008, and are included in the loss on refinancing of senior secured term loan for the year ended December 31, 2008. In connection with the amendment to the credit facility, the Company paid additional fees of $2.4 million in the year ended December 31, 2008, of which $2.1 million are included in the loss on refinancing of senior secured term loan. As of December 31, 2009 and 2008, $0.2 million and $0.8 million, respectively, of debt issuance costs which relate to the Company's revolving credit facility are included in other long-term assets.

10. Derivative instruments

In 2006, the Company entered into a cross-currency swap agreement to manage its cash flows related to foreign currency exposure for a portion of the Company's intercompany receivable of a U.S. dollar functional currency subsidiary that is denominated in Euro. The derivative instrument, a ten-year fully amortizable agreement with an initial notional amount of $63.0 million, is scheduled to expire on December 30, 2016. The instrument is designated as a cash flow hedge. The amount outstanding under the agreement as of December 31, 2009 and December 31, 2008 was $53.5 million and $56.7 million, respectively. Under the agreement, the Company pays Euro and receives U.S. dollars based on scheduled cash flows in the agreement. The Company recognized an unrealized gain (loss) on the change in fair value of this swap arrangement of $(2.7) million and $1.6 million, net of tax, within other comprehensive income for the year ended December 31, 2009 and December 31, 2008, respectively.

In June 2008, the Company entered into a three-year fully amortizable interest rate swap agreement (the "Swap") with a notional amount of $150.0 million and an expiration date of June 30, 2011. During the second and third quarters of 2008, the interest rate Swap was accounted for as a cash flow hedge, and changes in its value were recorded as part of accumulated other comprehensive income on the balance sheet. Due to declining interest rates and a LIBOR floor in the Company's amended credit facility, the Swap was no longer deemed highly effective. Therefore, during the fourth quarter of 2008, the Company recognized in earnings an unrealized, non-cash loss of approximately $8.0 million which resulted from changes in the fair value of the Company's interest rate Swap. Special hedge accounting is no longer applied and fair value adjustments are expected to be reported in current earnings through the expiration of the Swap in June 2011. For the year ended December 31, 2009, the Company recorded an unrealized gain of $1.9 million in unrealized non-cash gain (loss) on interest rate swap on the statement of operations. The Swap continues to provide an economic hedge against fluctuating interest rate exposure on the $150.0 million portion of outstanding debt it covers, should the LIBOR interest rate rise above 3.73%.

As required by ASC Topic 815 – Derivatives and Hedging (formerly known as SFAS No. 161 "Disclosures about Derivative Instruments and Hedging Activities"), the tables below disclose the types of derivative instruments the Company owns, the classifications and fair values of these instruments within the balance sheet, and the amount of gain (loss) recognized in other comprehensive income (loss) ("OCI") or income (loss).

(US$ in thousands) As of December 31, 2009	Fair value: favorable (unfavorable)	Balance sheet location	Amount of gain (loss) recognized in OCI
Cross-currency swap	$ (4,737)	Other long-term liabilities	$ (2,702)
Interest rate swap	$ (6,123)	Other current liabilities	$ -
As of December 31, 2008			
Cross-currency swap	$ 681	Other long-term assets	$ 1,567
Interest rate swap	$ (7,975)	Other current liabilities	$ -

(US$ in thousands)	For the year ended December 31,	
Amount of gain (loss) recognized in income (loss)	2009	2008
Interest rate swap	$ 1,852	$ (7,975)

11. Fair value measurements

The Company adopted the accounting guidance for fair value measurements on January 1, 2008. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Non-financial assets and liabilities of the Company measured at fair value include any long-lived assets or equity method investments that are impaired in a currently reported period. The authoritative guidance also describes three levels of inputs that may be used to measure fair value:

Level 1 – quoted prices in active markets for identical assets and liabilities

Level 2 – observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions

As of December 31, 2009, the Company held certain items that are required to be measured at fair value on a recurring basis. These included cash equivalents, restricted cash, accounts receivable, short-term bank borrowings, accounts payable, long-term secured debt, an interest rate derivative contract, and a cross currency derivative contract. Cash equivalents consist of short-term, highly liquid, income-producing investments, all of which have original maturities of 90 days or less, including money market funds. Restricted cash, accounts receivable, short-term bank borrowings and accounts payable approximate fair value due to the short-term maturities of these instruments. The Company's long-term secured debt carries a floating rate of interest and therefore, the carrying value is considered to approximate the fair value. The derivative instruments are related to the Company's interest rate and foreign currency hedges.

The Company's interest rate derivative instrument is an over-the-counter ("OTC") swap contract. The inputs used to determine the fair value of this contract are obtained in quoted public markets. Therefore, the Company has categorized the swap contract as Level 2. The Company also considers counterparty credit risk and its own credit risk in its determination of all estimated fair values. The Company has consistently applied these valuation techniques in all periods presented.

The Company's cross currency derivative instrument is an OTC contract, which is not traded on a public exchange. The fair value of the swap contract is determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized the swap contract as a Level 2 derivative financial instrument. The Company also considers counterparty credit risk and its own credit risk in its determination of all estimated fair values. The Company has consistently applied these valuation techniques in all periods presented.

The fair value of the Company's financial assets and liabilities on a recurring basis were as follows:

(US$ in thousands)	Balance December 31, 2009	Level 1	Level 2	Level 3
Derivative Financial Instruments [1]				
Cash Flow Hedges				
Interest rate hedge	$ (6,123)	$ -	$ (6,123)	$ -
Cross currency hedge	$ (4,737)	$ -	$ (4,737)	$ -

[1] See Note 10, "Derivative Instruments".

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

12. Commitments

Leases

The Company has entered into operating leases for facilities and equipment. These leases are non-cancellable and typically do not contain renewal options. Certain leases contain rent escalation clauses for which the Company recognizes the expense on a straight-line basis. Rent expense under the Company's operating leases for the years ended December 31, 2009, 2008 and 2007 was approximately $6.2 million, $5.6 million and $5.2 million, respectively. Future minimum lease payments under operating leases as of December 31, 2009 are as follows:

(US$ in thousands)	
2010	$ 5,621
2011	4,363
2012	2,883
2013	1,963
2014	1,567
Thereafter	8,300
Total	$ 24,697

In February 2009, as part of the consolidation and reorganization of the Company's spine business from New Jersey and Massachusetts into the Texas facility, the Company entered into a ten year operating lease in Lewisville, Texas. The future minimum lease payments of $1.5 million per year for the first five years and $1.6 million per year for the following five years are included in the table above. This lease will commence upon the earlier of occupancy or completion of improvements, which is expected to occur in the second quarter of 2010.

13. Business segment information

The Company's segment information is prepared on the same basis that the Company's management reviews the financial information for operational decision making purposes. The Company is comprised of the following segments:

Domestic

Domestic ("Domestic") consists of the operations of Orthofix Inc. within the U.S. Domestic designs, manufactures and distributes stimulation, orthopedic and biologics products. Domestic uses both direct and distributor sales representatives to sell Spine and Orthopedic products to hospitals, doctors and other healthcare providers in the U.S. market.

Spinal Implants and Biologics (previously referred to as "Blackstone")

Spinal Implants and Biologics ("Spinal Implants and Biologics") consists of Blackstone and its two subsidiaries, Blackstone GmbH and Goldstone GmbH. Spinal Implants and Biologics specializes in the design, development and marketing of spinal implant and related HCT/P products. Spinal Implants and Biologics distributes its products through a network of domestic and international distributors, sales representatives and affiliates.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

Breg

Breg, Inc. ("Breg"), based in Vista, California, designs, manufactures, and distributes orthopedic products for post-operative reconstruction and rehabilitative patient use and sells its products through a network of domestic and international distributors, sales representatives and affiliates.

International

International ("International") consists of international operations located in Europe, Mexico, Brazil and Puerto Rico, as well as independent distributors located outside the U.S. International uses both direct and distributor sales representatives to sell Spine, Orthopedics, Sports Medicine, Vascular and Other products to hospitals, doctors, and other healthcare providers.

Group Activities

Group activities are comprised of the operating expenses of Orthofix International N.V. and its U.S. holding company subsidiary, Orthofix Holdings, Inc.

The tables below present information by reportable segment:

	External Sales			Intersegment Sales		
(US$ in thousands)	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Domestic	$ 210,703	$ 188,807	$ 166,727	$ 4,516	$ 5,871	$ 4,090
Spinal Implants and Biologics	118,680	108,966	115,914	2,335	3,999	5,925
Breg	92,188	89,478	83,397	5,521	5,583	3,780
International	124,064	132,424	124,285	23,116	24,914	27,893
Total	$ 545,635	$ 519,675	$ 490,323	$ 35,488	$ 40,367	$ 41,688

Operating Income (Loss)		**Year Ended December 31,**		
(US$ in thousands)		**2009**	**2008**	**2007**
Domestic		$ 67,831	$ 64,301	$ 55,297
Spinal Implants and Biologics	(1) (2) (3)	(14,045)	(330,755)	(26,110)
Breg		13,061	12,393	9,717
International		17,664	18,664	19,973
Group Activities		(21,156)	(20,812)	(19,003)
Eliminations		520	(740)	(1,817)
Total		$ 63,875	$ (256,949)	$ 38,057

(1) Includes $5.7 million of research and development expense from collaborative arrangements and $3.6 million of restructuring charges for the year ended December 31, 2009.

(2) Includes impairment charges on goodwill and certain intangible assets of $289.5 million and $20.0 million during the years ended December 31, 2008 and 2007, respectively.

(3) Includes an increase in the reserve for obsolescence of $10.9 million during the year ended December 31, 2008, due to reduced projections in revenue, distributor terminations, new products, and the replacement of one product with a successor product.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

The following table presents identifiable assets by segment, excluding intercompany balances and investments in consolidated subsidiaries.

Identifiable Assets (US$ in thousands)	**2009**	**2008**
Domestic	$ 116,376	$ 110,981
Spinal Implants and Biologics	134,446	121,508
Breg	164,236	172,398
International	161,457	146,444
Group activities	13,438	10,624
Eliminations	520	(740)
Total	$ 590,473	$ 561,215

The following table presents depreciation and amortization, income tax expense (benefit) and other income (expense) by segment:

	Depreciation and amortization			**Income tax expense (benefit)**			**Other income (expense)**		
(US$ in thousands)	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Domestic	$ 2,519	$ 2,674	$ 2,831	$ 29,427	$ 25,457	$ 21,803	$ (20)	$ (1,414)	$ 69
Spinal Implants and Biologics	7,500	15,837	13,975	(12,725)	(86,857)	(16,186)	179	73	475
Breg	6,964	7,750	8,048	3,749	2,676	1,799	(209)	(119)	(89)
International	5,087	4,794	3,497	1,398	(222)	(520)	45	(7,460)	6,178
Group activities	274	224	180	(6,300)	(7,535)	(3,129)	(23,849)	(29,166)	(29,955)
Total	$ 22,344	$ 31,279	$ 28,531	$ 15,549	$ (66,481)	$ 3,767	$ (23,854)	$ (38,086)	$ (23,322)

Capital expenditures of tangible and intangible assets for each segment are as follows:

(US$ in thousands)	**2009**	**2008**	**2007**
Domestic	$ 4,569	$ 1,813	$ 2,936
Spinal Implants and Biologics	9,442	10,355	15,278
Breg	1,898	3,071	2,706
International	5,975	4,757	6,309
Group activities	114	196	-
Total	$ 21,998	$ 20,192	$ 27,229

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

Geographical information

Analysis of net sales by geographic destination:

(US$ in thousands)	2009	2008	2007
U.S.	$ 415,356	$ 381,016	$ 359,007
International:			
U.K.	19,407	27,465	33,109
Italy	19,679	26,075	25,175
Other	91,193	85,119	73,032
Total international	130,279	138,659	131,316
Total net sales	$ 545,635	$ 519,675	$ 490,323

There are no sales in the Netherlands Antilles.

Analysis of property, plant and equipment and investments by geographic area:

(US$ in thousands)	2009	2008
U.S.	$ 25,245	$ 21,409
Italy	7,567	6,540
U.K.	2,415	2,044
Others	3,812	4,762
Total	$ 39,039	$ 34,755

There are no long-lived assets in the Netherlands Antilles.

	Sales by Market Sector for the year ended December 31, 2009				
(US$ in thousands)	Domestic	Spinal Implants and Biologics	Breg	International	Total
Spine	$ 158,908	$ 118,680	$ -	$ 1,837	$ 279,425
Orthopedics	51,795	-	-	79,515	131,310
Sports Medicine	-	-	92,188	4,178	96,366
Vascular	-	-	-	18,710	18,710
Other	-	-	-	19,824	19,824
Total	$ 210,703	$ 118,680	$ 92,188	$ 124,064	$ 545,635

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

	Sales by Market Sector for the year ended December 31, 2008				
(US$ in thousands)	**Domestic**	**Spinal Implants and Biologics**	**Breg**	**International**	**Total**
Spine	$ 141,753	$ 108,966	$ -	$ 1,520	$ 252,239
Orthopedics	47,054	-	-	82,052	129,106
Sports Medicine	-	-	89,478	5,050	94,528
Vascular	-	-	-	17,890	17,890
Other	-	-	-	25,912	25,912
Total	$ 188,807	$ 108,966	$ 89,478	$ 132,424	$ 519,675

	Sales by Market Sector for the year ended December 31, 2007				
(US$ in thousands)	**Domestic**	**Spinal Implants and Biologics**	**Breg**	**International**	**Total**
Spine	$ 126,626	$ 115,914	$ -	$ 625	$ 243,165
Orthopedics	40,101	-	-	71,831	111,932
Sports Medicine	-	-	83,397	4,143	87,540
Vascular	-	-	-	19,866	19,866
Other	-	-	-	27,820	27,820
Total	$ 166,727	$ 115,914	$ 83,397	$ 124,285	$ 490,323

14. Income taxes

Income (loss) before provision (benefit) for income taxes consisted of:

	Year Ended December 31,		
(US$ in thousands)	**2009**	**2008**	**2007**
U.S.	$ 28,542	$ (304,542)	$ 551
Non-U.S.	11,479	9,507	14,184
	$ 40,021	$ (295,035)	$ 14,735

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

The provision for (benefit from) income taxes in the accompanying consolidated statements of operations consists of the following:

(US$ in thousands)	Year Ended December 31, 2009	2008	2007
U.S.			
-Current	$ 17,929	$ 12,697	$ 10,501
-Deferred	(6,698)	(81,661)	(10,817)
Non-U.S.			
-Current	2,029	(53)	2,134
-Deferred	2,289	2,536	1,949
Total tax expense	$ 15,549	$ (66,481)	$ 3,767

The tax effects of the significant temporary differences, which comprise the deferred tax assets and liabilities and assets, are as follows:

(US$ in thousands)	2009	2008
Goodwill	$ (1,029)	$ (901)
Patents, trademarks and other intangible assets	(12,181)	(12,760)
Property, plant and equipment	(4,297)	(2,172)
Other current	(6,115)	(4,509)
Inventories and related reserves	11,065	9,108
Accrued compensation	14,296	10,669
Allowance for doubtful accounts	4,306	4,254
Interest	12,254	9,284
Net operating loss carryforwards	18,664	15,320
Other long-term	6,195	7,383
Valuation allowance	(17,239)	(14,370)
Net deferred tax asset (liability)	$ 25,919	$ 21,306

The valuation allowance as of December 31, 2009 and 2008 was $17.2 million and $14.4 million, respectively. The net increase in the valuation allowance of $2.8 million during the year relates to current period foreign losses not benefitted. The valuation allowance is attributable to net operating loss carryforwards in certain foreign jurisdictions, the benefit for which is dependent upon the generation of future taxable income in that location. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2009.

The Company has tax net operating loss carryforwards in various taxing jurisdictions of approximately $67.3 million with the majority of the losses related to the Company's Netherlands operations expiring in various amounts in tax years beginning in 2010. The Company has provided a valuation allowance against a significant portion of these net operating loss carryforwards since it does not believe that this deferred tax asset can be realized prior to expiration.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

The rate reconciliation presented below is based on the U.S. federal income tax rate, rather than the parent company's country of domicile tax rate. Management believes, given the large proportion of taxable income earned in the United States, such disclosure is more meaningful.

(US$ in thousands, except percentages)	2009		2008		2007	
	Amount	Percent	Amount	Percent	Amount	Percent
Statutory U.S. federal income tax rate	$ 14,007	35%	$ (103,263)	35%	$ 5,179	35%
State taxes, net	1,574	3.9%	(4,798)	1.6%	317	2.1%
Foreign rate differential	(1,401)	(3.5)%	(1,422)	0.5%	(2,504)	(17.0)%
Valuation allowance – foreign losses	2,861	7.2%	3,031	(1.0)%	2,665	18.0%
Italy step-up amortization	(2,573)	(6.4)%	(2,527)	0.9%	(2,115)	(14.3)%
Blackstone purchased research and development	-	0.0%	(165)	0.1%	(1,320)	(8.9)%
Domestic manufacturing deduction	(839)	(2.1)%	(741)	0.3%	(453)	(3.1)%
Reserves, net	172	0.4%	(1,093)	0.4%	372	(2.5)%
Goodwill impairment	-	0.0%	44,406	(15.2)%	-	0.0%
Permanent items	935	2.4%	900	(0.3)%	451	3.0%
Tax rate changes	-	0.0%	(2,320)	0.8%	1,266	8.6%
Other items, net	813	2.0%	1,511	(0.6)%	(91)	(0.4)%
Income tax expense/effective rate	$ 15,549	38.9%	$ (66,481)	22.5%	$ 3,767	25.5%

The Company's gross unrecognized tax benefit was $0.4 million and $0.7 million for the years ended December 31, 2009 and 2008, respectively. The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits within its global operations in income tax expenses. The Company had approximately $0.4 million and $0.4 million accrued for payment of interest and penalties as of December 31, 2009 and 2008, respectively.

The entire amount of unrecognized tax benefits, including interest, would favorably impact the Company's effective tax rate if recognized. As of December 31, 2009, the Company does not expect the amount of unrecognized tax benefits to change significantly over the next twelve months.

A reconciliation of the gross unrecognized tax benefits (excluding interest) for the years ended December 31, 2009 and December 31, 2008 follows:

(US$ in thousands)	2009	2008
Balance as of January 1,	$ 707	$ 1,707
Additions for current year tax positions	-	-
Additions for prior year tax positions	338	-
Expiration of statutes	-	(1,000)
Audit settlements	(603)	-
Balance as of December 31,	$ 442	$ 707

The Company files a consolidated income tax return in the U.S. federal jurisdiction and numerous consolidated and separate income tax returns in many state and foreign jurisdictions. The statute of limitations with respect to federal tax authorities is closed for years prior to December 31, 2006. The statute of limitations for the various state tax filings is closed in most instances for the years prior to December 31, 2006. There are certain state tax statutes open for years from 1997 forward due to current examinations. The statute of limitations with respect to the major foreign tax filing jurisdictions is closed for years prior to December 31, 2005.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

The Company's intention is to reinvest the total amount of its unremitted foreign earnings (residing outside the Netherland Antilles) in the local jurisdiction, to the extent they are generated and available, or to repatriate the earnings only when tax-effective. As such, the Company has not provided tax expense on $276.1 million of the unremitted earnings of its foreign subsidiaries. It is not practicable to determine the amounts of net additional income tax that may be payable if such earnings were repatriated.

15. Related parties

The following related party balances and transactions as of and for the three years ended December 31, 2009, among the Company and other companies in which directors and/or executive officers have an interest are reflected in the consolidated financial statements. The Company buys components related to the A-V Impulse ® System and buys the Laryngeal Mask from companies in which a former board member has a beneficial minority interest. OrthoPro, Inc., an independent distributor for Breg, Inc., is owned by the son of one of the Company's current board members. The Company sells bracing products to OrthoRx, an entity in which the Company has a minority interest equity ownership, accounted for under the cost method.

	Year Ended December 31,		
(US$ in thousands)	**2009**	**2008**	**2007**
Sales	$ 4,043	$ 2,278	$ 1,478
Purchases	$ 11,901	$ 12,681	$ 13,207
Accounts payable	$ 1,481	$ 1,686	$ 2,189
Accounts receivable	$ 563	$ 460	$ 7

16. Contingencies

Litigation

On or about July 23, 2007, our subsidiary, Blackstone Medical Inc. ("Blackstone") received a subpoena issued by the Department of Health and Human Services, Office of Inspector General, under the authority of the federal healthcare anti-kickback and false claims statutes. The subpoena seeks documents for the period January 1, 2000 through July 31, 2006, which is prior to Blackstone's acquisition by the Company. The Company believes that the subpoena concerns the compensation of physician consultants and related matters. On September 17, 2007, the Company submitted a claim for indemnification from the escrow fund established in connection with the agreement and plan of merger between the Company, New Era Medical Corp. and Blackstone, dated as of August 4, 2006 (the "Blackstone Merger Agreement"), for any losses to us resulting from this matter. (The Company's indemnification rights under the Blackstone Merger Agreement are described further below). The Company was subsequently notified by legal counsel for the former shareholders that the representative of the former shareholders of Blackstone has objected to the indemnification claim and intends to contest it in accordance with the terms of the Blackstone Merger Agreement.

On or about January 7, 2008, the Company received a federal grand jury subpoena from the U.S. Attorney's Office for the District of Massachusetts. The subpoena seeks documents from the Company for the period January 1, 2000 through July 15, 2007. The Company believes that the subpoena concerns the compensation of physician consultants and related matters, and further believes that it is associated with the Department of Health and Human Services, Office of Inspector General's investigation of such matters. On September 18, 2008, the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to the Company resulting from this matter. On or about April 29, 2009, counsel for the Company received a HIPAA subpoena issued by the U.S. Department of Justice. The subpoena seeks documents from the Company for the period January 1, 2000 through July 15, 2007. The Company believes that the subpoena concerns the compensation of physician consultants and related matters, and further believes that it is associated with the Department of Health and Human Services, Office of Inspector General's investigation of such matters, as well as the January 7, 2008 federal grand jury subpoena. On or about February 25, 2010, counsel for Orthofix Inc. and Blackstone sent to the U.S. Attorney's Office for the District of Massachusetts a tolling agreement (the "Tolling Agreement") executed by Orthofix Inc. and Blackstone, that extends an agreement tolling the statute of limitations applicable to any criminal, civil, or administrative proceedings that the government might later initiate. Upon execution by the U.S. Attorney's Office for the District of Massachusetts, the Tolling Agreement will extend the period tolling the statute of limitations to include the period from December 1, 2008 through and including March 31, 2010.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

On or about December 5, 2008, the Company obtained a copy of a qui tam complaint filed by Susan Hutcheson and Philip Brown against Blackstone and the Company in the U.S. District Court for the District of Massachusetts. A qui tam action is a civil lawsuit brought by an individual for an alleged violation of a federal statute, in which the U.S. Department of Justice has the right to intervene and take over the prosecution of the lawsuit at its option. On November 21, 2008, the U.S. Department of Justice filed a notice of non-intervention in the case. The complaint was served on Blackstone on or about March 24, 2009. Counsel for the plaintiffs filed an amended complaint on June 4, 2009. The amended complaint sets forth a cause of action against Blackstone under the False Claims Act for alleged inappropriate payments and other items of value conferred on physician consultants; Orthofix is not named as a defendant in the amended complaint. The Company believes that this lawsuit is related to the matters described above involving the Department of Health and Human Services, Office of the Inspector General, and the U.S. Attorney's Office for the District of Massachusetts, and the U.S. Department of Justice. The Company intends to defend vigorously against this lawsuit. On September 18, 2008, after being informed of the existence of the lawsuit by representatives of the U.S. Department of Justice and prior to the unsealing of the complaint (which was unsealed by the court on or about November 24, 2008), the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to us resulting from this matter.

On or about September 27, 2007, Blackstone received a federal grand jury subpoena issued by the U.S. Attorney's Office for the District of Nevada ("USAO-Nevada subpoena"). The subpoena seeks documents for the period from January 1999 to the date of issuance of the subpoena. The Company believes that the subpoena concerns payments or gifts made by Blackstone to certain physicians. On February 29, 2008, Blackstone received a Civil Investigative Demand ("CID") from the Massachusetts Attorney General's Office, Public Protection and Advocacy Bureau, Healthcare Division. The CID seeks documents for the period from March 2004 through the date of issuance of the CID, and the Company believes that the CID concerns Blackstone's financial relationships with certain physicians and related matters. The Ohio Attorney General's Office, Health Care Fraud Section has issued a criminal subpoena, dated August 8, 2008, to Orthofix, Inc. (the "Ohio AG subpoena"). The Ohio AG subpoena seeks documents for the period from January 1, 2000 through the date of issuance of the subpoena. The Company believes that the Ohio AG subpoena arises from a government investigation that concerns the compensation of physician consultants and related matters. On September 18, 2008, the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to us resulting from the USAO-Nevada subpoena, the Massachusetts CID and the Ohio AG subpoena.

By order entered on January 4, 2007, the U.S. District Court for the Eastern District of Arkansas unsealed a qui tam complaint captioned Thomas v. Chan, et al., 4:06-cv-00465-JLH, filed against Dr. Patrick Chan, Blackstone and other defendants including another device manufacturer. The amended complaint in the Thomas action alleges causes of action under the False Claims Act for alleged inappropriate payments and other items of value conferred on Dr. Chan and another provider. The Company believes that Blackstone has meritorious defenses to the claims alleged and the Company intends to defend vigorously against this lawsuit. On September 17, 2007, the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to us resulting from this matter. The Company was subsequently notified by legal counsel for the former shareholders that the representative of the former shareholders of Blackstone has objected to the indemnification claim and intends to contest it in accordance with the terms of the Blackstone Merger Agreement.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

Under the Blackstone Merger Agreement, the former shareholders of Blackstone have agreed to indemnify the Company for breaches of representations and warranties under the agreement as well as certain other specified matters. These post-closing indemnification obligations of the former Blackstone shareholders are limited to a cumulative aggregate amount of $66.6 million. At closing, an escrow fund was established pursuant to the terms of the Blackstone Merger Agreement to fund timely submitted indemnification claims. The initial amount of the escrow fund was $50.0 million. As of December 31, 2009, the escrow fund, which has subsequently accrued interest, contained $52.0 million. The Company is also entitled to seek direct personal recourse against certain principal shareholders of Blackstone after all monies on deposit in the escrow fund have been paid out or released or are the subject of pending or unresolved indemnification claims but only for a period of six years from the closing date of the merger and only up to an amount equal to $66.6 million less indemnification claims previously paid.

In addition to the foregoing claims, the Company has submitted claims for indemnification from the escrow fund for losses that have resulted or may result from certain civil actions filed against Blackstone as well as certain claims against Blackstone alleging rights to payments for Blackstone stock options not reflected in Blackstone's corporate ledger at the time of its acquisition by the Company, or that the shares or stock options subject to those claims were improperly diluted by Blackstone. To date, the representative of the former shareholders of Blackstone has not objected to approximately $1.5 million in such claims from the escrow fund, with certain claims remaining pending.

The Company is unable to predict the outcome of each of the escrow claims described above in the preceding paragraphs or to estimate the amount, if any, that may ultimately be returned to the Company from the escrow fund and there can be no assurance that losses to the Company from these matters will not exceed the amount of the escrow fund. Expenses incurred by the Company relating to the above matters are recorded as an escrow receivable in the Company's financial statements to the extent the Company believes, among other things, that collection of the claims is reasonably assured. Expenditures related to such matters for which the Company believes collection is doubtful are recognized in earnings when incurred. As of December 31, 2009 and December 31, 2008, included in Prepaid expenses and other current assets is approximately $12.9 million and $8.3 million, respectively, of escrow receivable balances related to the Blackstone matters described above. These amounts include, among other things, attorneys' fees and costs related to the government investigations manifested by the subpoenas described above, the stock option-related claims described above, and costs related to the qui-tam action described above. As described above, some of these reimbursement claims are being contested by the representative of the former shareholders of Blackstone. To mitigate the risk that some reimbursement claims will not be collected, the Company records a reserve against the escrow receivable during the period in which reimbursement claims are recognized. During 2009, the Company received approximately $1.0 million of proceeds from the escrow fund which represented a portion of the escrow claims that had been previously submitted by the Company.

Effective October 29, 2007, Blackstone entered into a settlement agreement of a patent infringement lawsuit brought by certain affiliates of Medtronic Sofamor Danek USA Inc. In that lawsuit, the Medtronic plaintiffs had alleged that they were the exclusive licensees of certain U.S. patents and that Blackstone's making, selling, offering for sale, and using its Blackstone Anterior Cervical Plate, 3º Anterior Cervical Plate, Hallmark Anterior Cervical Plate, Reliant Cervical Plate, Pillar PEEK and Construx Mini PEEK VBR System products within the U.S. willfully infringed the subject patents. Blackstone denied infringement and asserted that the patents were invalid. The settlement agreement is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows. On July 20, 2007, the Company submitted a claim for indemnification from the escrow fund established in connection with the Blackstone Merger Agreement for any losses to us resulting from this matter. The Company was subsequently notified by legal counsel of the former shareholders that the representative of the former shareholders of Blackstone has objected to the indemnification claim and intends to contest it in accordance with the terms of the Blackstone Merger Agreement.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

On or about April 10, 2009, the Company received a HIPAA subpoena ("HIPAA subpoena") issued by the US Attorney's Office for the District of Massachusetts (the "Boston USAO"). The subpoena sought documents concerning, among other things, the Company's promotion and marketing of its bone growth stimulator devices. The Boston USAO issued a supplemental subpoena in this matter dated July 23, 2009, requiring testimony. That office later excused performance with the July 23, 2009 subpoena indefinitely. The Boston USAO also issued supplemental subpoenas in this matter, dated September 21, 2009 and December 16, 2009, respectively, seeking documents. The subpoenas seek documents for the period January 1, 1995 through the date of the respective subpoenas. Document production in response to the subpoenas is ongoing. On December 21, 2009, the Boston USAO provided the Company with grand jury subpoenas for the testimony of certain current employees in connection with its ongoing investigation. The Company intends to cooperate with the government's requests. In meetings with the Company and its attorneys regarding this matter, the Boston USAO has informed the Company that it is investigating possible criminal and civil violations of federal law related to the Company's promotion and marketing of its bone growth stimulator devices.

On or about April 14, 2009, the Company obtained a copy of a qui tam complaint filed by Jeffrey J. Bierman in the U.S. District Court for the District of Massachusetts against Orthofix, Inc., the Company, and other companies that have allegedly manufactured bone growth stimulation devices, including Orthologic Corp., DJO Incorporated, Reable Therapeutics, Inc., the Blackstone Group, L.P., Biomet, Inc., EBI, L.P., EBI Holdings, Inc., EBI Medical Systems, Inc., Bioelectron, Inc., LBV Acquisition, Inc., and Smith & Nephew, Inc. By order entered on March 24, 2009, the court unsealed the case. The amended complaint alleges various causes of action under the federal False Claims Act and state and city false claims acts premised on the contention that the defendants improperly promoted the sale, as opposed to the rental, of bone growth stimulation devices. The amended complaint also includes claims against the defendants for, among other things, allegedly misleading physicians and purportedly causing them to file false claims and for allegedly violating the Anti-kickback Act by providing free products to physicians, waiving patients' insurance co-payments, and providing inducements to independent sales agents to generate business. The Company believes that this lawsuit is related to the matter described above involving the HIPAA subpoena. The Company and Orthofix, Inc. were served on or about September 8, 2009. The Company intends to defend vigorously against this lawsuit.

On or about July 2, 2009, the Company obtained a copy of a qui tam complaint filed by Marcus Laughlin that is pending in the U.S. District Court for the District of Massachusetts against the Company. This complaint has been consolidated with the complaint described in the immediately preceding paragraph, and was unsealed on June 30, 2009. The complaint alleges violations of the False Claims Act, fraudulent billing, illegal kickbacks and wrongful termination based on allegations that the Company promoted the sale rather than the rental of bone growth stimulation devices, systematically overcharged for these products, provided physicians kickbacks in the form of free units, referral fees, and fitting fees, and that the defendant and its competitors discussed together strategies to encourage higher government pricing for the products. The complaint also alleges that TRICARE has been reimbursing the Company for its Cervical Stim ® product without approval to do so. An amended complaint alleges conspiracy and violations of the Sherman Anti-Trust Act in connection with the same alleged conduct. The Company was served with the complaint on or about September 9, 2009. The Company intends to defend vigorously against this lawsuit.

On June 18, 2008, a lawsuit against the Company was filed for unpaid royalties under an agreement terminated by the Company in 2007. The Company has counterclaimed for the overpayment of commissions previously paid under the agreement. The plaintiffs are seeking approximately $3.7 million. The Company's counterclaim exceeds this amount. The outcome of this matter is uncertain.

Our subsidiary, Breg, Inc., was engaged in the manufacturing and sale of local infusion pumps for pain management from 1999 to 2008, when the product line was divested. As between 2008 and present, numerous product liability cases have been filed in the United States alleging that the local anesthetic, when dispensed by such infusion pumps inside a joint, causes a rare arthritic condition called "chondrolysis." The Company believes that meritorious defenses exist to these claims and Breg, Inc. intends to vigorously defend these cases.

The Company cannot predict the outcome of any proceedings or claims made against the Company or its subsidiaries described in the preceding paragraphs and there can be no assurance that the ultimate resolution of any claim will not have a material adverse impact on our consolidated financial position, results of operations, or cash flows.

In addition to the foregoing, in the normal course of our business, the Company is involved in various lawsuits from time to time and may be subject to certain other contingencies. To the extent losses related to these contingencies are both probable and estimable, the Company provides appropriate amounts in the accompanying financial statements.

Concentrations of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash investments and accounts receivable. Cash investments are primarily in money market funds deposited with major financial center banks. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of entities comprising the Company's customer base. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Certain of these customers rely on third party healthcare payers, such as private insurance companies and governments, to make payments to the Company on their behalf. Accounts receivable in countries where the government funds medical spending are primarily located in North Africa, Middle East, South America, Asia and Europe. The Company has considered special situations when establishing allowances for potentially uncollectible accounts receivable in such countries as India, Egypt and Turkey. The Company also records reserves for bad debts for all other customers based on a variety of factors, including the length of time the receivables are past due, the financial condition of the customer, macroeconomic conditions and historical experiences. The Company maintains reserves for potential credit losses and such losses have been within management's expectations.

The Company sells via a direct sales force and distributors. There were no customers that accounted for 5% or more of net sales in 2009, 2008 or 2007.

17. Pensions and deferred compensation

Orthofix Inc. sponsors a defined contribution plan (the "Orthofix Inc. 401(k) Plan") covering substantially all full time employees. The Orthofix Inc. 401(k) Plan allows for participants to contribute up to 15% of their pre-tax compensation, subject to certain limitations, with the Company matching 100% of the first 2% of the employee's base compensation and 50% of the next 4% of the employee's base compensation if contributed to the Orthofix Inc. 401(k) Plan. Breg also sponsors a 401(k) plan (the "Breg 401(k) plan"). The Breg 401(k) Plan allows for participants to contribute up to 100% of their compensation, subject to certain limitations, with the Company matching 100% of the first $1,000 deferred. Blackstone also sponsors a 401(k) plan (the "Blackstone 401(k) Plan"). The Blackstone 401(k) Plan allows for participants to contribute up to 75% of their compensation, subject to certain limitations, with the Company matching 50% of the first 6% of the employee's compensation deferred. In 2010, the Blackstone 401(k) Plan will be merged into the Orthofix Inc. 401(k) Plan. During the years ended December 31, 2009, 2008 and 2007, expenses incurred relating to 401(k) Plans, including matching contributions, were approximately $1.9 million, $1.8 million and $1.5 million, respectively.

ORTHOFIX INTERNATIONAL N.V.
Notes to the consolidated financial statements (cont.)

The Company operates defined contribution pension plans for its other International employees not described above meeting minimum service requirements. The Company's expenses for such pension contributions during 2009, 2008 and 2007 were approximately $1.0 million in each year.

Under Italian Law, Orthofix S.r.l. accrues, on behalf of its employees, deferred compensation, which is paid on termination of employment. Each year's provision for deferred compensation is based on a percentage of the employee's current annual remuneration plus an annual charge. Deferred compensation is also accrued for the leaving indemnity payable to agents in case of dismissal which is regulated by a national contract and is equal to approximately 3.5% of total commissions earned from the Company. The Company's expense for deferred compensation during 2009, 2008 and 2007 was approximately $0.6 million, $0.5 million and $0.4 million, respectively. Deferred compensation payments of $0.6 million, $0.5 million and $0.3 million were made in 2009, 2008 and 2007, respectively. The balance as of December 31, 2009 and 2008 of $1.7 million represents the amount which would be payable if all the employees and agents had terminated employment at that date and is included in other long-term liabilities.

The Orthofix Deferred Compensation Plan (the "Plan"), administered by the Board of Directors of Orthofix, effective January 1, 2007, and as amended and restated effective January 1, 2009, is a plan intended to allow a select group of key management and highly compensated employees of Orthofix to defer the receipt of compensation that would otherwise be payable to them. The terms of this plan are intended to comply in all respects with the provisions of Code Section 409A and Code Section 457A. Under the Plan, employees of Orthofix and its subsidiaries are eligible to participate if the employee is in management or a highly compensated employee and is named by the Board of Directors to be a participant in the Plan. All directors were eligible to participate in the Plan, but effective January 1, 2009, they were prohibited from further participation, unless a director performs services as an employee attributable, for tax purposes, to any U.S. subsidiary of the Company. An eligible employee may elect to enter into a salary deferral commitment and/or a director's fees deferral commitment with respect to any plan year by submitting a participation agreement to the plan administrator by December 31 of the calendar year immediately preceding the plan year. Further, an eligible employee may elect to enter into a bonus deferral commitment with respect to bonus compensation earned during any plan year by submitting a participation agreement to the plan administrator by December 31 of the calendar year immediately preceding the plan year. Deferral commitments can be stated as a percentage or a flat dollar amount as allowed by the plan administrator. A participant's participation agreement will remain in effect only for the immediately succeeding plan year. Distributions are made in accordance with the requirements of Code Section 409A.

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Notes to the consolidated financial statements (cont.)

18. Share-based compensation plans

At December 31, 2009, the Company had three stock option and award plans and one stock purchase plan which are described below.

2004 Long Term Incentive Plan

The 2004 Long Term Incentive Plan (the "2004 LTIP Plan") is a long term incentive plan that was originally adopted in April 2004. The 2004 LTIP Plan was approved by shareholders on June 29, 2004 and 2.0 million shares were reserved for issuance under this plan (in addition to shares (i) available for future awards as of June 29, 2004 under prior plans or (ii) that become available for future issuance upon the expiration or forfeiture after June 29, 2004 of awards upon prior plans). Awards generally vest on years of service with all awards fully vesting within three years from the date of grant for employees and either three or five years from the date of grant for non-employee directors. Awards can be in the form of a stock option, restricted stock, restricted share unit, performance share unit, or other award form determined by the Board of Directors. Awards granted under the 2004 LTIP Plan expire no later than 10 years after the date of the grant. On June 20, 2007, the Company's shareholders approved amendments and a restatement of the 2004 LTIP Plan, providing for the following major changes: an increase in the number of shares available for grant from 2.0 million shares to 2.8 million shares, a specific allowance for grants of restricted stock awards, and a provision for fixed awards to non-employee directors on the date of their first election to the Board and on each subsequent re-election. On June 19, 2008, the Company's shareholders approved further amendments to the 2004 LTIP Plan to increase the number of shares available for grant from 2.8 million shares to 3.1 million shares, to increase the annual grant to non-employee directors from 3,000 shares to 5,000 shares, and to limit in the future the number of shares that may be awarded under the plan as full value awards to 100,000 shares. At December 31, 2009, there were 2,948,798 options outstanding under the 2004 LTIP Plan, of which 1,501,982 were exercisable; in addition, there were 62,161 shares of restricted stock outstanding, none of which were vested.

Staff Share Option Plan

The Staff Stock Option Plan (the "Staff Plan") is a fixed stock option plan which was adopted in April 1992. Under the Staff Plan, the Company granted options to its employees at the estimated fair market value of such options at the date of grant. Options generally vest based on years of service with all options to be fully vested within five years from date of grant. Options granted under the Staff Plan expire ten years after the date of grant. There are no options left to be granted under the Staff Plan. At December 31, 2009, there were 128,825 options outstanding and exercisable under the Staff Plan.

Performance Accelerated Stock Option Inducement Grants

On December 30, 2003, the Company granted inducement stock option awards to two key executives of Breg, in conjunction with the acquisition of Breg. The exercise price was fixed at $38.00 per share on November 20, 2003, when the Company announced it had entered into an agreement to acquire Breg. The inducement grants included both service-based and performance-based vesting provisions. The inducement grants became 100% vested on the fourth anniversary of the grant date but are subject to certain exercisability limitations. Following vesting on December 30, 2007, the original inducement grants limited the executives' ability to exercise specific numbers of options during the years 2008 – 2012. Prior to the options fully vesting and as an inducement for the executives to extend the term of their employment agreements for one year, in November 2007 the Company entered into amended award agreements with the two executives. The amended agreements did not change the vesting date of the options, but provided that the options granted thereunder will only be exercisable during the fixed period beginning January 1, 2009 and ending on December 31, 2009 . In December 2008, in order to meet certain requirements of Code Section 409A and the Treasury Regulations promulgated thereunder, and fulfill the Company's desire to extend each of the executives' terms of employment with the Company, the Company and the executives entered into second amended and restated award agreements. The second amended agreements provided for the election by the executives of respective periods during which they can exercise options. Bradley Mason has elected to exercise 50,000 options in each of the following periods: April 1, 2010 through December 31, 2010, January 1, 2011 through December 31, 2011 and January 1, 2012 through December 31, 2012. William Hopson has elected to exercise his 50,000 options in the period between January 1, 2011 and December 31, 2011. Subject to certain termination of employment provisions and notwithstanding any other provisions of the second amended agreements, any portion of the options that are not exercised during their respective exercise periods will not be exercisable thereafter and will lapse and be cancelled. At December 31, 2009, there were 200,000 options outstanding and exercisable under the inducement grants.

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Notes to the consolidated financial statements (cont.)

Inducement Stock Option Agreement

In the years ended December 31, 2009 and 2008, 50,000 stock options and 150,000 stock options, respectively, were granted pursuant to standalone inducement stock option agreements, on terms substantially the same as grants made under the Company's Amended and Restated 2004 Long Term Incentive Plan. These stock option grants vest in one-third increments annually.

Stock Purchase Plan

The Orthofix International N.V. Amended and Restated Stock Purchase Plan (the "Stock Purchase Plan") provides for the issuance of shares of the Company's common stock to eligible employees and directors of the Company and its subsidiaries that elect to participate in the plan and acquire shares of common stock through payroll deductions (including executive officers). On June 20, 2008, the Company's shareholders approved an amendment and restatement of the plan, providing for the following major change: (i) to allow officers and directors of Orthofix Inc. to participate in the plan on the same basis as our other employees, (ii) to provide that the Company will assume and adopt the plan, as amended, in lieu of Orthofix Inc. acting as sponsor of the plan, (iii) to allow non-employee directors of the Company to participate in the plan, (iv) to increase by 500,000 shares the maximum number of shares available for issuance under the plan, and (v) to provide that the determination of the value of common stock under the plan will be determined either on the first or last day of the plan year, whichever date renders the lower value. These changes were generally effective for the plan year starting January 1, 2009. In June 2009, the Company's shareholders approved a further amendment to the Stock Purchase Plan to increase the number of shares available for grant from 950,000 shares to 1,400,000 shares.

During each purchase period, eligible employees may designate between 1% and 25% of their compensation to be deducted for the purchase of common stock under the plan (up to 25% for employees working in North America, South America and Asia, and up to 15% for employees working in Europe). For eligible directors, the designated percentage will be an amount equal to his or her annual or other director compensation paid in cash for the current plan year . The purchase price of the shares under the plan is equal to 85% of the fair market value on the first day of the plan year (which is a calendar year, running from January 1 st to December 31 st) or, if lower, on the last day of the plan year. The aggregate number of shares reserved for issuance under the Employee Stock Purchase Plan is 1,400,000 shares. As of December 31, 2009, 429,688 shares had been issued under the Stock Purchase Plan.

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Notes to the consolidated financial statements (cont.)

Share-Based Compensation:

As of December 31, 2009, the unamortized compensation expense relating to options granted and expected to be recognized was $7.6 million. This amount is expected to be recognized over a weighted average period of 1.24 years.

The following table shows the detail of share-based compensation by line item in the consolidated statements of operations for the years ended December 31, 2009, 2008 and 2007 and the assumptions for each of these years:

(US$ in thousands, except assumptions)	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Cost of sales	$ 677	$ 175	$ 403
Sales and marketing	3,045	1,890	2,749
General and administrative	6,467	7,731	7,884
Research and development	563	793	877
Total	$ 10,752	$ 10,589	$ 11,913
Assumptions:			
Expected term	4.00 years	3.92 years	3.94 years
Expected volatility	45.0% - 48.7%	28.4%	30.3%
Risk free interest rate	1.60% - 2.57%	1.52% - 3.49%	3.49% - 5.03%
Dividend rate	-	-	-
Weighted average fair value of options granted during the year	$ 9.29	$ 7.51	$ 15.09

The Company has chosen to use the “short-cut method” to determine the pool of windfall tax benefits as of the adoption of ASC Topic 718.

During the year ended December 31, 2008, the Company granted to employees 83,434 shares of restricted stock, which vest at various dates through December 2011. The compensation expense, which represents the fair value of the stock measured at the market price at the date of grant, less estimated forfeitures, is recognized on a straight-line basis over the vesting period. Unamortized compensation expense related to restricted stock amounted to $1.4 million at December 31, 2009. No shares of restricted stock were granted in 2009.

Stock Option Activity:

Summaries of the status of the Company’s stock option plans as of December 31, 2009 and 2008 and changes during the year ended December 31, 2009 are presented below:

	2009	
	Options	Weighted Average Exercise Price
Outstanding at beginning of year	3,150,020	$ 35.30
Granted	792,500	$ 23.51
Exercised	(10,768)	$ 23.89
Forfeited	(454,129)	$ 39.45
Outstanding at end of year	3,477,623	$ 32.09
Options exercisable at end of year	1,880,807	

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Notes to the consolidated financial statements (cont.)

No options were granted during 2009 at less than market value.

Outstanding and exercisable by price range as of December 31, 2009

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$10.42 - $23.58	511,766	8.68	$ 18.50	63,612	$ 13.61
$24.01 - $25.01	361,100	9.09	$ 24.98	20,434	$ 24.84
$25.05 - $28.50	257,000	8.55	$ 25.83	68,000	$ 25.96
$28.95 - $28.95	538,860	8.37	$ 28.95	179,631	$ 28.95
$29.17 - $37.76	515,690	5.88	$ 34.57	418,861	$ 35.26
$38.00 - $38.11	540,224	5.49	$ 38.07	540,224	$ 38.07
$38.40 - $43.04	460,800	5.74	$ 41.50	408,803	$ 41.56
$43.26 - $50.15	282,683	7.32	$ 45.46	174,908	$ 45.50
$50.50 - $50.50	2,000	7.01	$ 50.50	1,334	$ 50.50
$50.99 - $50.99	7,500	7.04	$ 50.99	5,000	$ 50.99
	3,477,623	7.25	$ 32.09	1,880,807	$ 36.66

The weighted average remaining contractual life of exercisable options was 5.98 years at December 31, 2009. The total intrinsic value of options exercised was $67,000, $88,000 and $14.6 million for the years ended December 31, 2009, 2008 and 2007, respectively. The aggregate intrinsic value of options outstanding and options exercisable as of December 31, 2009 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the shares that had exercise prices that were lower than the $30.93 closing price of the Company's stock on December 31, 2009. The aggregate intrinsic value of options outstanding was $10.9 million, $0.5 million and $38.1 million for the years ended December 31, 2009, 2008 and 2007, respectively. The aggregate intrinsic value of options exercisable was $1.9 million, $10,000, and $19.4 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Restricted Stock:

A summary of the status of our restricted stock as of December 31, 2009 and 2008 and changes during the year ended December 31, 2009 are presented below:

	Shares	Weighted Average Grant Date Fair Value
Non-vested as of December 31, 2008	118,993	$ 37.49
Granted	-	$ -
Vested	(42,978)	$ 37.91
Cancelled	(13,854)	$ 36.86
Non-vested as of December 31, 2009	62,161	$ 37.40

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Notes to the consolidated financial statements (cont.)

19. Earnings per share

For each of the three years in the period ended December 31, 2009, there were no adjustments to net income (loss) for purposes of calculating basic and diluted net income (loss) available to common shareholders. The following is a reconciliation of the weighted average shares used in the basic and diluted net income (loss) per common share computations.

	Year Ended December 31,		
	2009	**2008**	**2007**
Weighted average common shares-basic	17,119,474	17,095,416	16,638,873
Effect of diluted securities:			
Unexercised stock options net of treasury share repurchase	83,469	-	408,714
Weighted average common share-diluted	17,202,943	17,095,416	17,047,587

For the year ended December 31, 2008, the effects of all potentially dilutive options were excluded from the computation of diluted earnings per share because the Company had a net loss and, therefore, the effect would have been anti-dilutive. Options to purchase shares of common stock with exercise prices in excess of the average market price of common shares are not included in the computation of diluted earnings per share. There were 3,220,357 outstanding options not included in the diluted earnings per share computation for the fiscal year ended December 31, 2009, because the inclusion of these options was anti-dilutive. There were 309,651 outstanding options not included in the diluted earnings per share computation for the fiscal year ended December 31, 2007, because the inclusion of these options was anti-dilutive.

20. Restructuring charges

In the fourth quarter of 2008, as part of the Company's strategic plan to strengthen the business, the Company initiated a restructuring plan to improve operations and reduce costs at Blackstone. The plan involves the consolidation of substantially all of Blackstone's operations previously conducted in Wayne, NJ and Springfield, MA into the same facility housing its spine stimulation and U.S. orthopedics business in the Dallas, TX area. The Company plans to complete the restructuring and consolidation by the second quarter of 2010, at which time the Company anticipates a total restructuring expense of $3.6 million. During the year ended December 31, 2009, the Company recorded net restructuring charges of $3.6 million which were primarily related to severance costs and accelerated depreciation costs related to shortening lives of assets which will be disposed. These restructuring costs are recorded in general and administrative expense and are classified in the Spinal Implants and Biologics segment.

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Notes to the consolidated financial statements (cont.)

The following table presents changes in the restructuring liability for the activity discussed above, which is included within Other Current Liabilities in the Company's consolidated balance sheets as of December 31, 2009 and December 31, 2008:

(US$ in thousands)	Severance	Assets Abandoned	Total
Balance at December 31, 2008	$ 548	$ -	$ 548
Charges	2,565	1,020	3,585
Cash Payments	(1,287)	-	(1,287)
Non-cash Items	-	(1,020)	(1,020)
Balance at December 31, 2009	$ 1,826	$ -	$ 1,826

21. Quarterly financial data (unaudited)

(U.S. Dollars, in thousands, except per share data)

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Year
2009					
Net sales	$ 128,975	$ 137,546	$ 135,098	$ 144,016	$ 545,635
Gross profit	96,168	100,637	103,113	107,267	407,185
Net income (loss)	2,879	5,944	6,188	9,461	24,472
Net income (loss) per common share:					
Basic	$ 0.17	$ 0.35	$ 0.36	$ 0.55	$ 1.43
Diluted	$ 0.17	$ 0.35	$ 0.36	$ 0.55	$ 1.42
2008					
Net sales	$ 128,032	$ 130,039	$ 129,301	$ 132,303	$ 519,675
Gross profit	93,794	94,991	81,303	97,573	367,661
Net income (loss)	3,606	5,808	(237,251)	(717)	(228,554)
Net income (loss) per common share:					
Basic	$ 0.21	$ 0.34	$ (13.87)	$ (0.04)	$ (13.37)
Diluted	$ 0.21	$ 0.34	$ (13.87)	$ (0.04)	$ (13.37)

The sum of per share earnings by quarter may not equal earnings per share for the year due to the change in average share calculations. This is in accordance with prescribed reporting requirements.

Orthofix International N.V.
Schedule 1 — Condensed Financial Information of Registrant Orthofix International N.V.

Condensed Balance Sheets

(US$ in thousands)	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 403	$ 623
Prepaid expenses and other current assets	488	484
Total current assets	891	1,107
Other long term assets	279	274
Investments in and amounts due from subsidiaries and affiliates	247,530	207,125
Total assets	$ 248,700	$ 208,506
Liabilities and shareholder's equity		
Current liabilities	$ 1,996	$ 1,669
Long-term liabilities	6,435	4,776
Shareholder's equity:		
Common stock	1,714	1,710
Additional paid in capital	177,246	167,818
Accumulated earnings	54,119	29,647
Accumulated other comprehensive income	7,190	2,886
	240,269	202,061
Total liabilities and shareholder's equity	$ 248,700	$ 208,506

See accompanying notes to condensed financial statements.

Orthofix International N.V.
Schedule 1 — Condensed Financial Information of Registrant Orthofix International N.V.

Condensed Statements of Operations

(US$ in thousands)	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
(Expenses) income:			
General and administrative	$ (10,444)	$ (11,945)	$ (10,172)
Equity in earnings of investments in subsidiaries and affiliates	36,592	(215,310)	22,334
Other, net	301	481	653
Income (loss) before income taxes	26,449	(226,774)	12,815
Income tax expense	(1,977)	(1,780)	(1,847)
Net income (loss)	$ 24,472	$ (228,554)	$ 10,968

See accompanying notes to condensed financial statements.

Orthofix International N.V.
Schedule 1 — Condensed Financial Information of Registrant Orthofix International N.V.

Condensed Statement of Cash Flows

(US$ in thousands)	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Net income (loss)	$ 24,472	$ (228,554)	$ 10,968
Equity in earnings of investments in subsidiaries and affiliates	(36,592)	215,310	(22,334)
Cash provided by (used in) other operating activities	3,574	2,350	(772)
Net cash used in operating activities	(8,546)	(10,894)	(12,138)
Cash flows from investing activities:			
Distributions and amounts received from subsidiaries	13,237	11,074	21,991
Capital expenditures	(114)	(196)	-
Net cash provided by investing activities	13,123	10,878	21,991
Cash flows from financing activities:			
Net proceeds from issuance of common stock	70	1,734	17,198
Contributions to subsidiaries and affiliates	(4,672)	(11,165)	(27,748)
Repurchase of equity	(220)	-	-
Tax benefit on exercise of stock options	25	22	-
Net cash used in financing activities	(4,797)	(9,409)	(10,550)
Net decrease in cash and cash equivalents	(220)	(9,425)	(697)
Cash and cash equivalents at the beginning of the year	623	10,048	10,745
Cash and cash equivalents at the end of the year	$ 403	$ 623	$ 10,048

See accompanying notes to condensed financial statements.

Orthofix International N.V.
Schedule 1 — Condensed Financial Information of Registrant Orthofix International N.V.

Notes to Condensed Financial Statements

1. Background and basis of presentation

These condensed parent company financial statements have been prepared in accordance with Rule 12-04, Schedule 1 of Regulation S-X, as the restricted net assets of Orthofix Holdings, Inc. and its subsidiaries exceed 25% of the consolidated net assets of Orthofix International N.V. and its subsidiaries (the "Company"). This information should be read in conjunction with the Company's consolidated financial statements included elsewhere in this filing.

2. Restricted net assets of subsidiaries

Certain of the Company's subsidiaries have restrictions, with an effective date of September 22, 2006, on their ability to pay dividends or make intercompany loans and advances pursuant to their financing arrangements. The amount of restricted net assets the Company's subsidiaries held at December 31, 2009 and 2008 was approximately $143.0 million and $111.3 million, respectively. Such restrictions are on net assets of Orthofix Holdings, Inc. and its subsidiaries.

3. Commitments, contingencies and long-term obligations

For a discussion of the Company's commitments, contingencies and long term obligations under its senior secured credit facility, see Note 9, Note 12 and Note 16 of the Company's consolidated financial statements.

4. Dividends from subsidiaries

Cash dividends received by Orthofix International N.V. from its consolidated subsidiaries accounted for by the equity method were $13.2 million, $11.1 million and $22.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Orthofix International N.V.
Schedule 2 — Valuation and Qualifying Accounts

For the years ended December 31, 2009, 2008 and 2007:

(US$ in thousands)		Additions			
Provisions from assets to which they apply:	**Balance at beginning of year**	**Charged to cost and expenses**	**Charged (credited) to other accounts**	**Deductions/ Other**	**Balance at end of year**
2009					
Allowance for doubtful accounts receivable	$ 6,473	$ 7,335	$ (70)	$ (6,533)	$ 7,205
Inventory provisions	21,168	8,760	-	(6,047)	23,881
Deferred tax valuation allowance	14,370	2,869	-	-	17,239
2008					
Allowance for doubtful accounts receivable	$ 6,441	$ 7,261	$ (133)	$ (7,096)	$ 6,473
Inventory provisions [(1)]	9,893	14,858	(22)	(3,561)	21,168
Deferred tax valuation allowance	11,377	2,993	-	-	14,370
2007					
Allowance for doubtful accounts receivable	$ 6,265	$ 7,431	$ 44	$ (7,299)	$ 6,441
Inventory provisions	7,213	3,472	52	(844)	9,893
Deferred tax valuation allowance	9,428	2,665	(716)	-	11,377

(1) In the year ended December 31, 2008, due to reduced projections in revenue, distributor terminations, new products, and the replacement of one product with a successor product, the Company changed its estimates regarding the inventory allowance at Spinal Implants and Biologics, primarily based on estimated net realizable value using assumptions about future demand and market conditions. The change in estimate resulted in an increase in the reserve for obsolescence of approximately $10.9 million.

Exhibit 10.18

$375,000,000

CREDIT AGREEMENT

among

ORTHOFIX HOLDINGS, INC.,
as Borrower,

and

ORTHOFIX INTERNATIONAL N.V.,
COLGATE MEDICAL LIMITED,
VICTORY MEDICAL LIMITED,
SWIFTSURE MEDICAL LIMITED,
ORTHOFIX UK LTD,
AND THE DOMESTIC SUBSIDIARIES OF ORTHOFIX INTERNATIONAL N.V.,
as Guarantors,

THE LENDERS PARTIES HERETO,

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

and

CITICORP NORTH AMERICA, INC.,
as Syndication Agent

Dated as of September 22, 2006

WACHOVIA CAPITAL MARKETS, LLC,

and

CITIGROUP GLOBAL MARKETS INC.,
as Joint Lead Arrangers and Joint Bookrunners

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CREDIT AGREEMENT , dated as of September 22, 2006, among **ORTHOFIX HOLDINGS, INC.** , a Delaware corporation (the " Borrower "), **ORTHOFIX INTERNATIONAL N.V** ., a Netherlands Antilles corporation (the " Company "), **COLGATE MEDICAL LIMITED** , a company formed under the laws of England and Wales (" Colgate "), **VICTORY MEDICAL LIMITED** , a company formed under the laws of England and Wales (" Victory "), **SWIFTSURE MEDICAL LIMITED** , a company formed under the laws of England and Wales (" Swiftsure "), **ORTHOFIX UK LTD** , a company formed under the laws of England and Wales (" UK Ltd "), those Domestic Subsidiaries of the Company identified as a "Guarantor" on the signature pages hereto and such other Domestic Subsidiaries of the Company as may from time to time become a party hereto (together with Swiftsure and UK Ltd, each a " Subsidiary Guarantor " and, together with the Company, Colgate and Victory, the " Guarantors "), the several banks and other financial institutions as may from time to time become parties to this Agreement (collectively, the " Lenders "; and individually, a " Lender "), and **WACHOVIA BANK, NATIONAL ASSOCIATION** , a national banking association, as administrative agent for the Lenders hereunder (in such capacity, the " Administrative Agent ").

W I T N E S S E T H :

WHEREAS , the Borrower has requested that the Lenders make loans and other financial accommodations to the Borrower in the amount of up to $375,000,000, as more particularly described herein; and

WHEREAS , the Lenders have agreed to make such loans and other financial accommodations to the Borrower on the terms and conditions contained herein.

NOW, THEREFORE , in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1 . 1 Defined Terms .

As used in this Agreement, terms defined in the first paragraph of this Agreement have the meanings therein indicated, and the following terms have the following meanings:

" Account Designation Letter " shall mean the Account Designation Letter dated the Closing Date from the Borrower to the Administrative Agent substantially in the form attached hereto as Schedule 1.1-1 .

" Acquired Company " shall mean Blackstone Medical, Inc., a Massachusetts corporation.

" Acquisition " shall mean the merger of New Era Medical Corp., a Massachusetts corporation and a direct wholly-owned Subsidiary of the Borrower, with and into the Acquired Company, with the Acquired Company being the surviving company, pursuant to the Acquisition Documents.

" Acquisition Documents " shall mean (a) the Agreement and Plan of Merger, dated as of August 4, 2006, among the Company, the Borrower, New Era Medical Corp, a Massachusetts corporation and a direct wholly-owned Subsidiary of the Borrower, the Acquired Company, the principal shareholders of the Acquired Company and William G. Lyons, III, as equityholders' representative and (b) all other agreements and documents executed in connection with the Acquisition, each as amended or modified prior to the Closing Date.

" Additional Credit Party " shall mean each Person that becomes a Guarantor by execution of a Joinder Agreement in accordance with Section 5.10.

" Additional Revolving Loan " shall have the meaning set forth in Section 2.1.

" Additional Term Loan " shall have the meaning set forth in Section 2.2.

" Administrative Agent " shall have the meaning set forth in the first paragraph of this Agreement and any successors in such capacity.

" Administrative Details Form " shall mean, with respect to any Lender, a document containing such Lender's contact information for purposes of notices provided under this Agreement and account details for purposes of payments made to such Lender under this Agreement.

" Affiliate " shall mean as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, a Person shall be deemed to be "controlled by" a Person if such Person possesses, directly or indirectly, power either (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

" Agent's Fee Letter " shall mean the letter agreement dated July 27, 2006 addressed to the Borrower from Wachovia and WCM, as amended, modified, restated or supplemented from time to time in accordance with its terms.

" Agents " shall mean a collective reference to Wachovia and Citigroup North America, Inc.

" Agreement " or " Credit Agreement " shall mean this Credit Agreement, as amended, restated, modified or supplemented from time to time in accordance with its terms.

" Alternate Base Rate " shall mean, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: " Prime Rate " shall mean, at any time, the rate of interest per annum publicly announced from time to time by Wachovia at its principal office in Charlotte, North Carolina as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in the Prime Rate occurs. The parties hereto acknowledge that the rate announced publicly by Wachovia as its Prime Rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks; and " Federal Funds Effective Rate " shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published on the next succeeding Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive in the absence of manifest error) that it is unable to ascertain the Federal Funds Effective Rate, for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms thereof, the Alternate Base Rate shall be determined without regard to clause (b) of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the opening of business on the date of such change.

" Alternate Base Rate Loans " shall mean Loans that bear interest at an interest rate based on the Alternate Base Rate.

" Applicable Percentage " shall mean, for any day, the rate per annum set forth below opposite the applicable level then in effect, it being understood that the Applicable Percentage for (a) Revolving Loans that are Alternate Base Rate Loans shall be the percentage set forth under the column "Alternate Base Rate Margin for Revolving Loans", (b) Revolving Loans that are LIBOR Rate Loans shall be the percentage set forth under the column "LIBOR Rate Margin for Revolving Loans and Letter of Credit Fee", (c) the Letter of Credit Fee shall be the percentage set forth under the column "LIBOR Rate Margin for Revolving Loans and Letter of Credit Fee", (d) Term Loans that are Alternate Base Rate Loans shall be the percentage set forth under the column "Alternate Base Rate Margin for Term Loans", (e) Term Loans that are LIBOR Rate Loans shall be the percentage set forth under the column "LIBOR Rate Margin for Term Loans", and (f) the Commitment Fee shall be the percentage set forth under the column "Commitment Fee":

Level	Leverage Ratio	Alternate Base Rate Margin for Revolving Loans	LIBOR Rate Margin for Revolving Loans and Letter of Credit Fee	Alternate Base Rate Margin for Term Loans	LIBOR Rate Margin for Term Loans	Commitment Fee
I	≥ 4.00 to 1.0	1.25%	2.25%	0.75%	1.75%	0.500%
II	≥ 3.25 to 1.0 but < 4.00 to 1.0	1.00%	2.00%	0.75%	1.75%	0.375%
III	≥ 2.50 to 1.0 but < 3.25 to 1.0	0.75%	1.75%	0.75%	1.75%	0.375%
IV	≥ 1.75 to 1.0 but < 2.50 to 1.0	0.50%	1.50%	0.75%	1.75%	0.250%
V	< 1.75 to 1.0	0.25%	1.25%	0.75%	1.75%	0.250%

The Applicable Percentage shall, in each case, be determined and adjusted quarterly on the date five (5) Business Days after the date on which the Administrative Agent has received from the Borrower the financial information and certifications required to be delivered to the Administrative Agent and the Lenders in accordance with the provisions of Sections 5.1(a), (b) and (c) and Section 5.2(b) (each, an " Interest Determination Date "). Such Applicable Percentage shall be effective from such Interest Determination Date until the next such Interest Determination Date. The initial Applicable Percentages shall be based on Level II until the first Interest Determination Date occurring after the delivery of the officer's compliance certificate pursuant to Section 5.2(b) for the quarter ended December 31, 2006. If the Borrower shall fail to provide the annual and quarterly financial information and certifications in accordance with the provisions of Sections 5.1(a), (b) and (c) and Section 5.2(b), the Applicable Percentage from such Interest Determination Date shall, on the date five (5) Business Days after the date by which the Borrower was so required to provide such financial information and certifications to the Administrative Agent and the Lenders, be based on Level I until such time as such information and certifications are provided, whereupon the level shall be determined by the then current Leverage Ratio.

" Approved Fund " shall mean any Fund that is administered, managed or underwritten by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

" Arrangers " shall mean Wachovia Capital Markets, LLC and Citigroup Global Markets Inc., as joint lead arrangers and joint bookrunners, together with their successors and/or assigns.

" Asset Disposition " shall mean the disposition of any or all of the assets (including, without limitation, the disposition to any person that is not a Credit Party or a Subsidiary of Capital Stock of a Subsidiary or any ownership interest in a joint venture) of the Company or any of its Subsidiaries whether by sale, lease, transfer or otherwise. The term "Asset Disposition" shall not include (i) the sale, lease, transfer or other disposition of assets permitted by Section 6.4(a)(i), (ii), (iii), (iv), (v) or (vi) hereof or (ii) any Equity Issuance, including any equity issued upon exercise of employee stock options.

" Assignment Agreement " shall mean an Assignment Agreement entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 9.6), and accepted by the Administrative Agent, in substantially the form of Schedule 9.6(c) or any other form approved by the Administrative Agent.

" Bank Products " shall mean any one or more of the following types of services or facilities extended to any of the Credit Parties and their Subsidiaries by an Agent or an Affiliate thereof, to the extent not prohibited by the terms of this Agreement: (a) Automated Clearing House (ACH) transactions and other similar money transfer services; (b) cash management, including controlled disbursement and lockbox services; (c) establishing and maintaining deposit accounts; (d) credit cards or stored value cards; and (e) other similar or related bank products and services.

" Bankruptcy Code " shall mean the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

" Borrower " shall have the meaning set forth in the first paragraph of this Agreement.

" Borrowing Date " shall mean, in respect of any Loan, the date such Loan is made.

" Business " shall have the meaning set forth in Section 3.10.

" Business Day " shall mean a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina or New York, New York are authorized or required by law to close; provided , however , that when used in connection with a rate determination, borrowing or payment in respect of a LIBOR Rate Loan, the term "Business Day" shall also exclude any day on which banks in London, England are not open for dealings in Dollar deposits in the London interbank market.

" Capital Lease " shall mean any lease of property, real or personal, the obligations with respect to which are required to be capitalized on a balance sheet of the lessee in accordance with GAAP.

" Capital Lease Obligations " shall mean the capitalized lease obligations relating to a Capital Lease determined in accordance with GAAP.

" Capital Stock " shall mean (a) in the case of a corporation, capital stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests and (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

" Cash Equivalents " shall mean (a) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition (" Government Obligations "), (b) U.S. dollar denominated (or foreign currency fully hedged) time deposits, certificates of deposit, Eurodollar time deposits and Eurodollar certificates of deposit of (i) any United States commercial bank of recognized standing having capital and surplus in excess of $250,000,000 or (ii) bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an " Approved Bank "), in each case with maturities of not more than 364 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition, (d) repurchase agreements with a bank or trust company (including a Lender) or a recognized securities dealer having capital and surplus in excess of $500,000,000 for direct obligations issued by or fully guaranteed by the United States of America, (e) obligations of any state of the United States or any political subdivision thereof for the payment of the principal and redemption price of and interest on which there shall have been irrevocably deposited Government Obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment, (f) Investments, classified in accordance with GAAP as current assets of the Borrower or its Subsidiaries, in money market investment programs registered under the Investment Company Act of 1940, as amended, that are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to Investments (i) in corporate obligations having a remaining maturity of less than two years, issued by corporations having outstanding comparable obligations that are rated in the two highest categories of Moody's and S&P or no lower than the two highest long term debt ratings categories of either Moody's or S&P or (ii) of the character, quality and maturity described in clauses (a)-(e) of this definition and (g) money market funds compliant with Rule 2a-7 of the Exchange Act which consist primarily of cash and cash equivalents set forth in clauses (a) through (f) above.

" CHAMPUS " shall mean the United States Department of Defense Civilian Health and Medical Program of the United States.

" Change of Control " shall mean the occurrence of any of the following: (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule l3d-3 under the Exchange Act) of more than 30% of then outstanding Voting Stock of the Company, measured by voting power rather than the number of shares; (b) Continuing Directors shall cease for any reason to constitute a majority of the members of the board of directors of the Company then in office, (c) the Company shall cease to own, directly or indirectly through wholly-owned Subsidiaries, all of the outstanding Capital Stock of the Borrower or, except as result of the dissolution of Colgate or Victory pursuant to Section 6.4(a)(viii), Colgate or Victory, (d) Victory or any successor parent company of the Borrower resulting from the dissolution of Victory pursuant to Section 6.4(a)(viii) shall cease to own directly all of the outstanding Capital Stock of the Borrower or (e) the occurrence of a "Change of Control" (or any comparable term) under, and as defined in, the documents evidencing or governing any Subordinated Indebtedness .

" Closing Date " shall mean the date of this Agreement.

" CMS " shall mean the Centers for Medicare and Medicaid Services and any successor thereto.

" Code " shall mean the Internal Revenue Code of 1986, as amended, modified, succeeded or replaced from time to time.

" Colgate " shall have the meaning set forth in the first paragraph of this Agreement.

" Collateral " shall mean a collective reference to the collateral that is identified in, and at any time will be covered by, the Security Documents and any other property or assets of a Credit Party, whether tangible or intangible and whether real or personal, that may from time to time secure the Credit Party Obligations.

" Commitment " shall mean the Revolving Commitment, the LOC Commitment, the Swingline Commitment and the Term Loan Commitment, individually or collectively, as appropriate.

" Commitment Fee " shall have the meaning set forth in Section 2.5(a).

" Commitment Percentage " shall mean the Revolving Commitment Percentage and/or the Term Loan Commitment Percentage, as appropriate.

" Commitment Period " shall mean the period from and including the Closing Date to but not including the Revolver Maturity Date.

" Commonly Controlled Entity " shall mean an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001(b)(1) of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414(b) or 414(c) of the Code or, solely for purposes of Section 412 of the Code to the extent required by such section, Section 414 (m) or 414(o) of the Code.

" Company " shall have the meaning set forth in the first paragraph of this Agreement.

" Consolidated Capital Expenditures " shall mean, for any applicable period of computation, the aggregate amount (whether paid in cash or accrued as a liability) of all capital expenditures of the Company and its Subsidiaries on a consolidated basis for such period, as determined in accordance with GAAP; provided , however , Consolidated Capital Expenditures shall not include any such expenditures (i) for replacements and substitutions for capital assets or acquisitions of capital assets, to the extent made with the proceeds of insurance in accordance with Section 2.7(b)(ii) or (ii) for replacements and substitutions for capital assets or acquisitions of capital assets, to the extent made with proceeds from the sale, exchange or other disposition of assets as permitted under Section 2.7(b)(iv) or Section 6.4(a)(iii).

" Consolidated EBITDA " shall mean , for any applicable period of computation, the sum of (a) Consolidated Net Income for such period, but excluding therefrom all extraordinary items of income or loss, plus (b) to the extent deducted in determining Consolidated Net Income for such period, the sum of (i) the aggregate amount of depreciation and amortization charges for such period, plus (ii) Consolidated Interest Expense for such period, plus (iii) the aggregate amount of all income taxes reflected on the consolidated statements of income of the Company and its Subsidiaries for such period plus (iv) non-cash charges related to Hedging Agreements plus (v) non-cash expenses resulting from the grant of stock options to any director, officer or employee of any Credit Party or any Subsidiary pursuant to a written plan or agreement plus (vi) fees and expenses associated with Permitted Acquisitions to the extent such fees and expenses do not exceed $8,000,000 during the term of this Agreement plus (vii) other non-cash charges (excluding non-cash charges relating to accounts receivable and inventories) in an aggregate amount not to exceed $8,000,000 per year plus (viii) fees and expenses associated with the Acquisition and the closing of this Credit Agreement in an aggregate amount not to exceed $12,500,000 plus (ix) certain one-time termination costs incurred in connection with the termination of the Medtronic Services Agreement in an aggregate amount not to exceed $6,100,000 plus (x) non-cash charges with respect to the write-off of research and development expenses and inventory step-ups related to the Acquisition and the purchase accounting treatment thereof minus (xi) non-cash gains related to Hedging Agreements ; provided , however , notwithstanding the foregoing, for purposes of determining the portion of Consolidated EBITDA attributable to the Acquired Company and its Subsidiaries for the fiscal quarters ended December 31, 2005, March 31, 2006 and June 30, 2006, such amounts shall be $2,300,000, $2,300,000 and $2,800,000, respectively.

" Consolidated Interest Expense " shall mean, for any applicable period of computation, all interest expense of the Company and its Subsidiaries on a consolidated basis for such period (including, without limitation, the interest component under Capital Leases and any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product, but excluding interest income), as determined in accordance with GAAP.

" Consolidated Net Income " shall mean, for any applicable period of computation, net income after taxes for such period of the Company and its Subsidiaries on a consolidated basis, as determined in accordance with GAAP.

" Consolidated Working Capital " shall mean, at any date, (a) the consolidated current assets of the Company and its Subsidiaries as of such date (excluding cash and Permitted Investments and current deferred tax assets) minus (b) the consolidated current liabilities of the Company and its Subsidiaries as of such date (excluding current liabilities in respect of Indebtedness and current deferred tax liabilities). Consolidated Working Capital at any date may be a positive or negative number. Consolidated Working Capital increases when it becomes more positive or less negative and decreases when it becomes less positive or more negative.

" Continuing Directors " shall mean, during any period of up to twenty-four (24) consecutive months commencing after the Closing Date, individuals who at the beginning of such twenty-four (24) month period were directors of the Company (together with any new director whose (a) election by the Company's board of directors, (b) nomination for election by the Company's shareholders or board of directors or (c) appointment was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election, nomination for election or appointment was previously so approved).

" Contractual Obligation " shall mean, as to any Person, any provision of any security issued by such Person or of any contract, agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

" Copyright Licenses " shall mean any agreement, written or oral, naming the Borrower or any of its Subsidiaries which are Credit Parties as licensor and granting any right under any Copyright including, without limitation, any thereof referred to in Schedule 3.16 .

" Copyrights " shall mean (a) all registered United States copyrights in all Works, now existing or hereafter created or acquired, all registrations and recordings thereof, and all applications in connection therewith (including, without limitation, registrations, recordings and applications in the United States Copyright Office), including, without limitation, any thereof referred to in Schedule 3.16 , and (b) all renewals thereof including, without limitation, any renewals referred to in Schedule 3.16 .

" Credit Documents " shall mean this Agreement, each of the Notes, any Joinder Agreement, the LOC Documents, the Security Documents and all other agreements, documents, certificates and instruments delivered to the Administrative Agent or any Lender by any Credit Party in connection therewith (excluding, however, any Hedging Agreement).

" Credit Party " shall mean any of the Borrower or the Guarantors.

" Credit Party Obligations " shall mean, without duplication, (a) all of the obligations of the Credit Parties to the Lenders (including the Issuing Lender) and the Administrative Agent, whenever arising, under this Agreement, the Notes or any of the other Credit Documents (including, but not limited to, any interest accruing after the occurrence of a filing of a petition of bankruptcy under the Bankruptcy Code with respect to any Credit Party, regardless of whether such interest is an allowed claim under the Bankruptcy Code), and (b) all liabilities and obligations, whenever arising, owing from any Credit Party or any of its Subsidiaries to any Hedging Agreement Provider arising under any Secured Hedging Agreement permitted pursuant to Section 6.1(f).

" Debt Issuance " shall mean the issuance of any Indebtedness for borrowed money by the Company or any of its Subsidiaries (excluding, for purposes hereof, any Equity Issuance or any Indebtedness of the Company and its Subsidiaries permitted to be incurred pursuant to Section 6.1 (other than Section 6.1(h) (except to the extent proceeds from such issuance are used to consummate a Permitted Acquisition if permitted by such Section)).

" Default " shall mean any event which would constitute an Event of Default, whether or not any requirement for the giving of notice or the lapse of time, or both, or any other condition with respect to such Event of Default, has been satisfied.

" Defaulting Lender " shall mean, at any time, any Lender that, at such time (a) has failed to make a Loan required pursuant to the term of this Credit Agreement or failed to fund a Participation Interest in accordance with the terms hereof, (b) has failed to pay to the Administrative Agent or any Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement, or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or to a receiver, trustee or similar official.

" Deposit Account Control Agreement " shall mean an agreement, among a Credit Party, a depository institution, and the Administrative Agent, which agreement is in a form reasonably acceptable to the Administrative Agent and which provides the Administrative Agent with "control" (as such term is used in Article 9 of the Uniform Commercial Code) over the deposit account(s) described therein, as the same may be as amended, modified, extended, restated, replaced, or supplemented from time to time.

" Dispute " shall have the meaning set forth in Section 9.21.

" Dollars " and " $ " shall mean dollars in lawful currency of the United States of America.

" Domestic Lending Office " shall mean, initially, the office of each Lender designated as such Lender's Domestic Lending Office in such Lender's Administrative Details Form; and thereafter, such other domestic office of such Lender as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office of such Lender at which Alternate Base Rate Loans of such Lender are to be made.

" Domestic Subsidiary " shall mean any Subsidiary that is organized and existing under the laws of the United States or any state or commonwealth thereof or under the laws of the District of Columbia (other than any Subsidiary domiciled in Puerto Rico).

" Eligible Assignee " means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent, (ii) in the case of any assignment of a Revolving Commitment, the Issuing Bank, and (iii) unless an Event of Default has occurred and is continuing, the Borrower (each such approval not to be unreasonably withheld or delayed); provided that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries.

" Environmental Laws " shall mean any and all applicable foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirement of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health as such relates to exposure to Materials of Environmental Concern or the environment, as now or may at any time be in effect during the term of this Agreement.

" Equity Issuance " shall mean any issuance by the Company or any of its Subsidiaries to any Person that is not a Credit Party or a Subsidiary of (a) shares of its Capital Stock, (b) any shares of its Capital Stock pursuant to the exercise of options or warrants (excluding employee stock options), (c) any shares of its Capital Stock pursuant to the conversion of any debt securities to equity or (d) warrants or options which are exercisable for shares of its Capital Stock. The term "Equity Issuance" shall not include any Asset Disposition, Debt Issuance, stock options, restricted stock or stock appreciation rights issued by the Company or any of its Subsidiaries under a long-term incentive or employee benefit plan of the Company or any successor plan, any shares of Capital Stock issued in connection with a stock split (whether pursuant to a stock split in the form of a stock dividend or otherwise), or any Capital Stock or stock options issued in connection with or relating to the Acquisition.

" ERISA " shall mean the Employee Retirement Income Security Act of 1974, as amended, modified, succeeded or replaced from time to time.

" Eurodollar Reserve Percentage " shall mean for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) that is in effect for such day as prescribed by the Federal Reserve Board (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) in respect of Eurocurrency liabilities, as defined in Regulation D of such Board as in effect from time to time, or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

" Event of Default " shall mean any of the events specified in Section 7.1; provided , however , with respect to any such event, that any requirement for the giving of notice or the lapse of time, or both, or any other condition with respect thereto, has been satisfied.

" Excess Cash Flow " shall mean, with respect to any fiscal year of the Company commencing with the Company's fiscal year ending December 31, 2007, for the Company and its Subsidiaries on a consolidated basis, an amount equal to (a) Consolidated EBITDA for such period minus (b) Consolidated Capital Expenditures paid in cash for such period minus (c) Scheduled Funded Debt Payments made during such period minus (d) Consolidated Interest Expense paid in cash (excluding any Consolidated Interest Expense associated with intercompany Indebtedness) for such period minus (e) amounts paid in respect of federal, state, local and foreign income taxes of the Company and its Subsidiaries with respect to such period minus (f) increases in Consolidated Working Capital plus (g) decreases in Consolidated Working Capital minus (h) optional prepayments of Revolving Loans (to the extent accompanied by a corresponding reduction of the Revolving Committed Amount) and the Term Loan made pursuant to Section 2.7(a) minus (i) except to the extent financed with the proceeds from the incurrence of Indebtedness or any Equity Issuance, the amount of any cash consideration paid in connection with any Permitted Acquisition during such period.

" Exchange Act " shall mean the Securities Exchange Act of 1934, as amended.

" Extension of Credit " shall mean, as to any Lender, the making of a Loan by such Lender or the issuance of, or participation in, a Letter of Credit by such Lender.

" Federal Funds Effective Rate " shall have the meaning set forth in the definition of "Alternate Base Rate".

" Fee Letters " shall mean (a) the Agent's Fee Letter and (b) the letter agreement dated July 27, 2006 addressed to the Borrower from Wachovia, WCM and Citigroup Global Markets Inc.

" Fixed Charge Coverage Ratio " shall mean, with respect to the Company and its Subsidiaries on a consolidated basis for the twelve-month period ending on the last day of any fiscal quarter of the Company , the ratio of (a) Consolidated EBITDA for such period to (b) the sum of Consolidated Interest Expense for such period plus Scheduled Funded Debt Payments required to be made during such period plus cash taxes paid or payable during such period plus Consolidated Capital Expenditures for such period plus Restricted Payments made during such period. Notwithstanding the foregoing, for purposes of calculating the Fixed Charge Coverage Ratio for the fiscal quarters ending December 31, 2006, March 31, 2007 and June 30, 2007, the Fixed Charge Coverage Ratio shall be determined by annualizing the Consolidated Interest Expense and Scheduled Funded Debt Payments during such fiscal quarters such that (i) for the calculation of the Fixed Charge Coverage Ratio as of December 31, 2006, the Consolidated Interest Expense and Scheduled Funded Debt Payments for such fiscal quarter would be multiplied by four (4), (ii) for the calculation of the Fixed Charge Coverage Ratio as of March 31, 2007, the Consolidated Interest Expense and the Scheduled Funded Debt Payments for the two fiscal quarter period then ending would be multiplied by two (2) and (iii) for the calculation of the Fixed Charge Coverage Ratio as of June 30, 2007, the Consolidated Interest Expense and the Scheduled Funded Debt Payments for the three fiscal quarter period then ending would be multiplied by one and one-third (1 1/3).

" Flood Hazard Property " shall have the meaning set forth in Section 5.14(d).

" Foreign Subsidiary " shall mean any Subsidiary that is not a Domestic Subsidiary, but shall not include Victory, Colgate, Swiftsure or UK Ltd.

" Fund " means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

" Funded Debt " shall mean, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person incurred, issued or assumed as the deferred purchase price of property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof) that would appear as liabilities on a balance sheet of such Person, including, without limitation, the reasonably anticipated liability relating to any earnout obligations whether or not included on the balance sheet of such Person, (e) the principal portion of all obligations of such Person under Capital Leases, (f) all obligations of such Person under Hedging Agreements to the extent required to be accounted for as a liability under GAAP, excluding any portion thereof which would be accounted for as interest expense under GAAP, (g) the maximum amount of all letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (h) all preferred Capital Stock or other equity interests issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, redemption or other acceleration, (i) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product , (j) all Indebtedness of others of the type described in clauses (a) through (i) hereof secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed; provided that for purposes of the amount of Indebtedness pursuant to this clause (j) shall equal the lesser of (i) such Indebtedness, or (ii) the value of the property subject to such Lien, (k) all Guaranty Obligations of such Person with respect to Indebtedness of another Person of the type described in clauses (a) through (i) hereof, and (l) all Indebtedness of the type described in clauses (a) through (i) hereof of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer; provided , however , that with respect to Funded Debt of the Company and its Subsidiaries, Funded Debt shall not include (x) Subordinated Indebtedness among the Borrower and the Guarantors to the extent such Indebtedness would be eliminated on a consolidated basis or (y) any obligation of the Company to Medtronic in connection with the termination of the Medtronic Services Agreement in an aggregate amount not to exceed $6,100,000 during the term of this Agreement.

" GAAP " shall mean generally accepted accounting principles in effect in the United States of America applied on a consistent basis, subject , however , in the case of determination of compliance with the financial covenants set out in Section 5.9, to the provisions of Section 1.3.

" German Breg " shall mean Breg Deutschland GmbH, a German company.

" German Buyout " shall mean the purchase by Orthofix GmbH of the remaining 48% ownership interest in German Breg pursuant to that certain deferred purchase agreement, dated as of February 17, 2006 by and among Orthofix GmbH, Stephan Michels, Ronald Hansjorg, Nikolaus Murges and Albert Engal.

" Government Acts " shall have the meaning set forth in Section 2.19(a).

" Governmental Authority " shall mean any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

" Guarantor " shall mean the Company, Colgate, Victory and each Subsidiary Guarantor.

" Guaranty " shall mean the guaranty of the Guarantors set forth in Article X.

" Guaranty Obligations " shall mean, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such Indebtedness or any property constituting security therefore, (b) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (c) to lease or purchase Property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (d) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

" Hedging Agreement Provider " shall mean any Person that enters into a Secured Hedging Agreement with a Credit Party or any of its Subsidiaries that is permitted by Section 6.1(f) to the extent such Person is a Lender, an Affiliate of a Lender or any other Person that was a Lender (or an Affiliate of a Lender) at the time it entered into the Secured Hedging Agreement but has ceased to be a Lender (or whose Affiliate has ceased to be a Lender) under the Credit Agreement; provided, in the case of a Secured Hedging Agreement with a Person who is no longer a Lender, such Person shall be considered a Hedging Agreement Provider only through the stated maturity date (without extension or renewal) of such Secured Hedging Agreement.

" Hedging Agreements " shall mean, with respect to any Person, any agreements entered into to protect such Person against fluctuations in interest rates, or currency or raw materials values, including, without limitation, any interest rate swap, cap or collar agreements or similar arrangements between such Person and one or more counterparties, any foreign currency exchange agreements, currency protection agreements, commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements.

" Incremental Term Facility " shall have the meaning set forth in Section 2.2.

" Indebtedness " shall mean, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof) that would appear as liabilities on a balance sheet of such Person, including, without limitation, the reasonably anticipated liability relating to any earnout obligations whether or not included on the balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, provided that for purposes of the amount of Indebtedness pursuant to this clause (j) shall equal the lesser of (i) such Indebtedness, or (ii) the value of the property subject to such Lien, (g) all Guaranty Obligations of such Person with respect to Indebtedness of another Person, (h) the principal portion of all obligations of such Person under Capital Leases plus any accrued interest thereon, (i) all obligations of such Person under Hedging Agreements to the extent required to be accounted for as a liability under GAAP, excluding any portion thereof which would be accounted for as interest expense under GAAP, (j) the maximum amount of all letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (k) all preferred Capital Stock or other equity interest issued by such Person and which by the terms thereof could be (at the request of the holders thereof or otherwise) subject to mandatory sinking fund payments, redemption or other acceleration, (l) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product plus any accrued interest thereon , and (m) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer; provided , however , that with respect to Indebtedness of the Company, Indebtedness shall not include any obligation of the Company to Medtronic in connection with the termination of the Medtronic Services Agreement in an aggregate amount not to exceed $6,100,00 during the term of this Agreement.

" Insolvency " shall mean, with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of such term as used in Section 4245 of ERISA.

" Insolvent " shall mean being in a condition of Insolvency.

" Intellectual Property " shall mean, collectively, all Copyrights, Copyright Licenses, Patents, Patent Licenses, Trademarks and Trademark Licenses.

" Interest Determination Date " shall have the meaning assigned thereto in the definition of "Applicable Percentage".

" Interest Payment Date " shall mean (a) as to any Alternate Base Rate Loan or Swingline Loan, the last Business Day of each March, June, September and December during the term of this Agreement and on the applicable Maturity Date, (b) as to any LIBOR Rate Loan having an Interest Period of three months or less, the last day of such Interest Period, (c) as to any LIBOR Rate Loan having an Interest Period longer than three months, (i) each three month anniversary of the first day of such Interest Period and (ii) the last day of such Interest Period, and (d) as to any Loan which is the subject of a mandatory prepayment required pursuant to Section 2.7(b) hereof, the date of such prepayment.

" Interest Period " shall mean, subject to availability, with respect to any LIBOR Rate Loan,

(a) initially, the period commencing on the Borrowing Date or conversion date, as the case may be, with respect to such LIBOR Rate Loan and ending one, two, three, six, or subject to the consent of all applicable Lenders, nine months thereafter, as selected by the Borrower in the Notice of Borrowing or Notice of Conversion/Extension given with respect thereto; and

(b) thereafter, each period commencing on the last day of the immediately preceding Interest Period applicable to such LIBOR Rate Loan and ending one, two, three, six, or, subject to the consent of all applicable Lenders, nine months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three (3) Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that the foregoing provisions are subject to the following:

(i) if any Interest Period pertaining to a LIBOR Rate Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period pertaining to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month for such Interest Period;

(iii) if the Borrower shall fail to give notice as provided above, the Borrower shall be deemed to have selected an Alternate Base Rate Loan to replace the affected LIBOR Rate Loan;

(iv) any Interest Period in respect of any Loan that would otherwise extend beyond the Maturity Date for such Loan shall end on such Maturity Date;

(v) with regard to the Term Loan, no Interest Period shall extend beyond any principal amortization payment date unless the portion of the Term Loan consisting of Alternate Base Rate Loans together with the portion of the Term Loan consisting of LIBOR Rate Loans with Interest Periods expiring prior to or concurrently with the date such principal amortization payment date is due, is at least equal to the amount of such principal amortization payment due on such date; and

(vi) no more than six (6) LIBOR Rate Loans may be in effect at any time; provided that, for purposes hereof, LIBOR Rate Loans with different Interest Periods shall be considered as separate LIBOR Rate Loans, even if they shall begin on the same date and have the same duration, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new LIBOR Rate Loan with a single Interest Period.

" Internal Control Event " shall mean a material weakness in, or fraud that involves management or other employees who have a significant role in, any Credit Party's internal controls over financial reporting, in each case as described in the Securities Laws, to the extent such material weakness or fraud could reasonably be expected to cause a Material Adverse Effect.

" Investment " shall mean all investments made directly or indirectly in, to or from any Person, whether in cash or by acquisition of shares of Capital Stock, property, assets, indebtedness or other obligations or securities or by loan advance, capital contribution or otherwise.

" Issuing Lender " shall mean Wachovia.

" Issuing Lender Fees " shall have the meaning set forth in Section 2.5(c).

" Joinder Agreement " shall mean a Joinder Agreement substantially in the form of Schedule 5.10 , executed and delivered by an Additional Credit Party in accordance with the provisions of Section 5.10.

" Judgment Currency " shall have the meaning set forth in Section 9.20.

" Lender " shall have the meaning set forth in the first paragraph of this Agreement and shall include the Issuing Lender and the Swingline Lender.

" Lender Commitment Letter " shall mean, with respect to any Lender, the letter (or other correspondence) to such Lender from the Administrative Agent notifying such Lender of its LOC Commitment, Revolving Commitment Percentage and/or Term Loan Commitment Percentage.

" Letters of Credit " shall mean any letter of credit issued by the Issuing Lender pursuant to the terms hereof, as such Letters of Credit may be amended, modified, extended, renewed or replaced from time to time.

" Letter of Credit Fee " shall have the meaning set forth in Section 2.5(b).

" Leverage Ratio " shall mean, with respect to the Company and its S ubsidiaries on a consolidated basis for the twelve-month period ending on the last day of any fiscal quarter of the Company , the ratio of (a) Funded Debt of the Company and its Subsidiaries on a consolidated basis on the last day of such period to (b) Consolidated EBITDA of the Company and its Subsidiaries for such period.

" LIBOR " shall mean, for any LIBOR Rate Loan for any Interest Period therefore, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M . (London time) two (2) Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "LIBOR" shall mean, for any LIBOR Rate Loan for any Interest Period therefore, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 A.M . (London time) two (2) Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided , however , if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%). If, for any reason, neither of such rates is available, then "LIBOR" shall mean the rate per annum at which, as determined by the Administrative Agent, Dollars in an amount comparable to the Loans then requested are being offered to leading banks at approximately 11:00 A.M. London time, two (2) Business Days prior to the commencement of the applicable Interest Period for settlement in immediately available funds by leading banks in the London interbank market for a period equal to the Interest Period selected.

" LIBOR Lending Office " shall mean, initially, the office of each Lender designated as such Lender's LIBOR Lending Office in such Lender's Administrative Details Form; and thereafter, such other office of such Lender as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office of such Lender at which the LIBOR Rate Loans of such Lender are to be made.

" LIBOR Rate " shall mean a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

" LIBOR Rate Loan " shall mean Loans the rate of interest applicable to which is based on the LIBOR Rate.

" Lien " shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Capital Lease having substantially the same economic effect as any of the foregoing).

" Loan " shall mean a Revolving Loan, a Swingline Loan and/or a Term Loan, as appropriate.

" LOC Commitment " shall mean the commitment of the Issuing Lender to issue Letters of Credit and, with respect to each Revolving Lender, the commitment of such Revolving Lender to purchase participation interests in the Letters of Credit up to the amount identified as such Revolving Lender's "LOC Commitment" on such Lender's Lender Commitment Letter or in the Register, as such amount may be modified in connection with any assignment made in accordance with the provisions of Section 9.6(c) or reduced from time to time in accordance with the provisions hereof.

" LOC Committed Amount " shall have the meaning set forth in Section 2.3(a).

" LOC Documents " shall mean, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefore, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or (b) any collateral security for such obligations.

" LOC Obligations " shall mean, at any time, the sum of (a) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (b) the aggregate amount of all drawings under Letters of Credit honored by the Issuing Lender but not theretofore reimbursed.

" Mandatory Borrowing " shall have the meaning set forth in Section 2.3(e) and Section 2.4(b)(ii), as the context may require.

" Material Adverse Effect " shall mean a material adverse effect on (a) the business, operations, property, condition (financial or otherwise) or prospects of the Company and its Subsidiaries taken as a whole or the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower or the Borrower and the Guarantors taken as a whole, to perform their obligations when such obligations are required to be performed, under this Agreement, any of the Notes or any other Credit Document or (c) the validity or enforceability of this Agreement, any of the Notes or any of the other Credit Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

" Material Contract " shall mean any contract or other arrangement, whether written or oral, to which any Credit Party is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could reasonably be expected to have a Material Adverse Effect.

" Material Property " shall mean real and/or personal property of the Credit Parties with an aggregate fair market value greater than or equal to $5,000,000.

" Materials of Environmental Concern " shall mean any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

" Maturity Date " shall mean the Revolver Maturity Date and/or the Term Loan Maturity Date, as applicable.

" Medicaid " shall mean that entitlement program under Title XIX of the Social Security Act that provides federal grants to states for medical assistance based on specific eligibility criteria.

" Medicaid Certification " shall mean recognition by a state agency or other such entity administering a particular state's Medicaid program that a health care provider or supplier is in compliance with all the conditions of participation set forth in the appropriate state and federal Medicaid Regulations.

" Medicaid Provider Agreement " shall mean an agreement entered into between a state agency or other such entity administering the Medicaid program and a health care provider or supplier under which the health care provider or supplier agrees to provide services for Medicaid patients in accordance with the terms of the agreement and Medicaid Regulations.

" Medicaid Regulations " shall mean, collectively, (a) all federal statutes (whether set forth in Title XIX of the Social Security Act or elsewhere) affecting the medical assistance program established by Title XIX of the Social Security Act and any statutes succeeding thereto; (b) all applicable provisions of all federal rules, regulations, manuals and orders of all Governmental Authorities promulgated pursuant to or in connection with the statutes described in clause (a) above and all federal administrative, reimbursement and other guidelines of all Governmental Authorities having the force of law promulgated pursuant to or in connection with the statutes described in clause (a) above; (c) all state statutes and plans for medical assistance enacted in connection with the statutes and provisions described in clauses (a) and (b) above; and (d) all applicable provisions of all rules, regulations, manuals and orders of all Governmental Authorities promulgated pursuant to or in connection with the statutes described in clause (c) above and all state administrative, reimbursement and other guidelines of all Governmental Authorities having the force of law promulgated pursuant to or in connection with the statutes described in clause (b) above, in each case as may be amended, supplemented or otherwise modified from time to time.

" Medical Reimbursement Programs " shall mean Medicare, Medicaid and TRICARE programs and any other healthcare program operated by or financed in whole or in part by any foreign, federal, state or local government and any other non-government funded third party payor programs.

" Medicare Certification " shall mean recognition by CMS or an entity under contract with CMS that the health care provider or supplier is in compliance with all of the conditions of participation set forth in the Medicare Regulations.

" Medicare Provider Agreement " means an agreement entered into between CMS or other such entity administering the Medicare program on behalf of CMS, and a health care provider or supplier under which the health care provider or supplier agrees to provide services for Medicare patients in accordance with the terms of the agreement and Medicare Regulations.

" Medicare " shall mean that government-sponsored entitlement program under Title XVIII of the Social Security Act that provides for a health insurance system for eligible elderly and disabled individuals.

" Medicare Regulations " shall mean, collectively, all Federal statutes (whether set forth in Title XVIII of the Social Security Act or elsewhere) affecting the health insurance program for the aged and disabled established by Title XVIII of the Social Security Act and any statutes succeeding thereto; together with all applicable provisions of all rules, regulations, manuals and orders and administrative, reimbursement and other guidelines having the force of law of all Governmental Authorities (including, without limitation, the United States Department of Health and Human Services (" HHS "), CMS, the OIG, or any person succeeding to the functions of any of the foregoing) promulgated pursuant to or in connection with any of the foregoing having the force of law, as each may be amended, supplemented or otherwise modified from time to time.

" Medtronic " shall mean Medtronic Sofamor Danek USA, Inc., a Tennessee corporation.

" Medtronics Services Agreement " shall mean that certain Marketing Services Agreement, effective May 1, 2005 and terminated August 10, 2006, between the Company and Medtronic.

" Moody's " shall mean Moody's Investors Service, Inc or any successor rating agency.

" Mortgage Instruments " shall mean any mortgage, deed of trust or deed to secure debt executed by a Credit Party in favor of the Administrative Agent pursuant to the terms of Section 5.14(d), 5.10 or 5.12, as the same may be amended, modified, restated or supplemented from time to time.

" Mortgage Policy " shall mean an ALTA mortgagee title insurance policy issued by the Title Insurance Company in an amount (limited to 125% of the appraised value (if an appraisal is available) or, if no appraisal is available, then 125% of the assessed value) satisfactory to the Administrative Agent, in form and substance satisfactory to the Administrative Agent.

" Mortgaged Property " shall mean any owned or leased real property of a Credit Party with respect to which such Credit Party executes a Mortgage Instrument in favor of the Administrative Agent.

" Multiemployer Plan " shall mean a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

" Net Cash Proceeds " shall mean the aggregate cash proceeds received by (a) the Company or any of its Subsidiaries in respect of any Asset Disposition, Debt Issuance, Recovery Event or sale, lease, transfer or other disposition pursuant to Section 6.4(a)(iii)(B) and (b) the Company or any of the Company's Subsidiaries in respect of any Equity Issuance, in each case net of (i) direct costs paid or payable as a result thereof (including, without limitation, reasonable legal, accounting and investment banking fees, and sales commissions), (ii) taxes paid or payable as a result thereof and (iii) with respect to Indebtedness incurred pursuant to Section 6.1(h), the direct costs incurred prior to or within 7 days of the issuance of such Indebtedness and paid or payable as a result of any call spread or simultaneous purchase and sale of call options for the same number of shares instituted with respect to such Indebtedness in an aggregate amount up to 15% of the gross proceeds received by the Company and its Subsidiaries from such Indebtedness; it being understood that "Net Cash Proceeds" shall include, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received by the Company or any of its Subsidiaries in respect of such Asset Disposition, Equity Issuance, Debt Issuance, Recovery Event or sale, lease, transfer or other disposition pursuant to Section 6.4(a)(iii)(B).

" Note " or " Notes " shall mean the Revolving Notes, the Swingline Note and/or the Term Notes, collectively, separately or individually, as appropriate.

" Notice of Borrowing " shall have the meaning set forth in Section 2.1(b)(i).

" Notice of Conversion/Extension " shall have the meaning set forth in Section 2.10.

" Obligations " shall mean, collectively, Loans and LOC Obligations.

" OFAC " shall mean the U.S. Department of the Treasury's Office of Foreign Assets Control.

" OIG " shall mean the Office of the Inspector General for the United States Department of Health and Human Services.

" Participant " shall have the meaning set forth in Section 9.6(b).

" Participation Interest " shall mean the purchase by a Revolving Lender of a participation interest in Letters of Credit as provided in Section 2.3 and in Swingline Loans as provided in Section 2.4.

" Patent License " shall mean any agreement, whether written or oral, providing for the grant by or to the Borrower or any of its Subsidiaries which are Credit Parties of any right to manufacture, use or sell any invention covered by a Patent, including, without limitation, any thereof referred to in Schedule 3.16 .

" Patents " shall mean (a) all patents of the United States or any other country and all reissues and extensions thereof, including, without limitation, any thereof referred to in Schedule 3.16 , and (b) all applications for patents of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any thereof referred to in Schedule 3.16 .

" Patriot Act " shall have the meaning set forth in Section 9.18.

" PBGC " shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

" Permitted Acquisition " shall mean any acquisition or any series of related acquisitions by any Credit Party of the assets or a majority of the Voting Stock or equity interests of a Person or any division, line of business or other business unit of such Person (such Person or such division, line of business or other business unit of such Person referred to herein as the " Target "), in each case that is a type of business (or assets used in a type of business) permitted to be engaged in by the Credit Parties pursuant to this Credit Agreement, so long as (a) no Default or Event of Default shall then exist or would exist after giving effect thereto, (b) to the extent required under this Agreement, the Administrative Agent, on behalf of the Lenders, shall have received (or shall receive in connection with the closing of such acquisition), a first priority perfected security interest in all property with such exceptions as are consistent with Permitted Liens or otherwise reasonably approved by the Administrative Agent (including, without limitation, Capital Stock or equity interests) acquired with respect to the Target and the Target, if a Person, shall have executed a Joinder Agreement, (c) such acquisition is not a "hostile" acquisition and has been approved by the board of directors and/or shareholders (or comparable persons or groups) of the applicable Credit Party and the Target, (d) the total consideration (including, without limitation, cash, assumed Indebtedness, earnout payments and any other deferred payment but excluding the Capital Stock of the applicable Credit Party) paid for the Target acquired in such acquisition or series of related acquisitions shall not exceed $40,000,000 for any individual acquisition (or series of related acquisitions) or $100,000,000 (of which only $25,000,000 in the aggregate may be acquisitions or portions of acquisitions involving assets situated outside the United States of America or the Capital Stock of any Person organized outside the United States of America) in the aggregate during the term of this Agreement, (e) to the extent the total consideration of any Permitted Acquisition is in excess of $15,000,000, the Target shall have earnings before interest, taxes, depreciation and amortization in an amount greater than $0, determined on a Pro Forma Basis for the period of twelve fiscal months most recently ended, (f) after giving effect to such acquisition, there shall be at least $10,000,000 of borrowing availability under the Revolving Committed Amount, (g) the Administrative Agent shall have received a certificate from a Responsible Officer of the Borrower certifying that, in the reasonable judgment of the Credit Parties, the Credit Parties have conducted such financial, legal, environmental and consulting due diligence with respect to the Target as a substantially similarly situated prudent purchaser acquiring substantially similar property and/or assets would customarily conduct, and (h) to the extent the total consideration of any Permitted Acquisition is in excess of $5,000,000 or the Borrower requests a Revolving Loan to fund such Permitted Acquisition, the Borrower shall provide not less than fifteen (15) days prior to the consummation of such Permitted Acquisition (i) a reasonably detailed description of the material terms of such Permitted Acquisition (including, without limitation, the purchase price and method and structure of payment) and of each Target, (ii) to the extent available, financial statements of the Target for the previous two years and year-to-date financial statements of the Target, and (ii i) a certificate, in form and substance reasonably satisfactory to the Administrative Agent, executed by a Responsible Officer of the Borrower (A) setting forth the best good faith estimate of the total consideration (including, without limitation, cash, Capital Stock, assumed Indebtedness, earnout payments and any other deferred payment) to be paid for each Target, and (B) certifying that such Permitted Acquisition complies with the requirements of this Credit Agreement, and (C) certifying and demonstrating that after giving effect to such Permitted Acquisition and any borrowings in connection therewith on a Pro Forma Basis, the Company and its Subsidiaries will be in compliance with the financial covenants set forth in Section 5.9.

" Permitted Investments " shall mean:

(a) cash and Cash Equivalents;

(b) receivables owing to the Borrower or any of its Subsidiaries or any receivables and advances to suppliers, in each case if created, acquired or made in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(c) Investments (including, without limitation, the purchase or ownership of Capital Stock) by any Credit Party in any other Credit Party (other than the Company) and Subordinated Indebtedness owing by any Credit Party (other than the Company) to any other Credit Party; provided that any Investment or Subordinated Indebtedness made or issued by a Credit Party (other than the Company) in or to Colgate or Victory shall be made or issued in accordance with the Tax Structure Documents;

(d) loans and advances to officers, directors, employees and Affiliates that are not Credit Parties or their Subsidiaries in the ordinary course of business in an aggregate amount not to exceed $500,000 at any time outstanding;

(e) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(f) Investments by any Foreign Subsidiary in any Credit Party or any other Foreign Subsidiary and Investments by the Company in any Foreign Subsidiary;

(g) Investments, acquisitions or transactions permitted under Section 6.4(b);

(h) Permitted Acquisitions;

(i) Hedging Agreements to the extent permitted pursuant to Section 6.1(f);

(j) Investments set forth on Schedule 6.5 ;

(k) loans and advances by Colgate and Victory to the Company to the extent that such loans and advances would be permitted by Section 6.10(d), (f) or (i) if made as Restricted Payments rather than loans and advances;

(l) Investments in German Breg pursuant to the German Buyout in an aggregate amount not to exceed $4,000,000;

(m) direct costs referred to in clause (iii) of the definition of Net Cash Proceeds; and

(n) additional loan advances and/or Investments of a nature not contemplated by the foregoing clauses hereof; provided that such loans, advances and/or Investments made pursuant to this clause (n) shall not exceed an aggregate amount of $5,000,000.

" Permitted Liens " shall mean:

(a) Liens created by or otherwise existing, under or in connection with this Agreement or the other Credit Documents in favor of the Administrative Agent and each other Secured Party;

(b) Liens securing purchase money Indebtedness and Capital Lease Obligations to the extent permitted under Section 6.1(c), including Liens existing on any asset at the time of acquisition pursuant to a Permitted Acquisition (other than any such Liens created in contemplation of such acquisition that do not secure the purchase price); provided that (i) any such Lien attaches to such property concurrently with or within thirty (30) days after the acquisition thereof and (ii) such Lien attaches solely to the property so acquired in such transaction;

(c) Liens for taxes, assessments, charges or other governmental levies not yet due or as to which the period of grace (not to exceed 60 days), if any, related thereto has not expired or which are being contested in good faith by appropriate proceedings; provided that adequate reserves with respect thereto are maintained on the books of the Borrower or any of its Subsidiaries, as the case may be, in conformity with GAAP;

(d) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than sixty (60) days or which are being contested in good faith by appropriate proceedings;

(e) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation and deposits securing liability to insurance carriers under insurance or self-insurance arrangements incurred in the ordinary course of business;

(f) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(g) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses; provided that such extension, renewal or replacement Lien shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced;

(h) Liens in favor of a Hedging Agreement Provider in connection with any Secured Hedging Agreement, but only (i) to the extent such Liens are on the Collateral and are shared ratably with the Administrative Agent and (ii) if such Hedging Agreement Provider, the Administrative Agent and the Lenders shall share the proceeds of the Collateral subject to such Liens in accordance with the terms of Section 2.12(b);

(i) Liens existing on the Closing Date and set forth on Schedule 1.1-3 ; provided that no such Lien shall at any time be extended to cover property or assets other than the property or assets subject thereto on the Closing Date;

(j) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances shown on any Mortgage Policy or not, in any material respect, impairing the use of the encumbered Property for its intended purposes;

(k) Liens on the assets of Foreign Subsidiaries securing Indebtedness of Foreign Subsidiaries permitted by Section 6.1(e); and

(l) Liens on equipment arising from precautionary UCC financing statements relating to the lease of such equipment to the extent permitted by this Agreement.

" Person " shall mean an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

" Plan " shall mean, at any particular time, any employee benefit plan which is covered by Title IV of ERISA and in respect of which any Credit Party or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

" Pledge Agreement " shall mean the pledge agreement dated as of the Closing Date executed by the Credit Parties in favor of the Administrative Agent, as amended, modified, restated or supplemented from time to time in accordance with its terms and the terms hereof.

" Prime Rate " shall have the meaning set forth in the definition of "Alternate Base Rate".

" Pro Forma Basis " shall mean, with respect to any transaction, that such transaction shall be deemed to have occurred as of the first day of the twelve-month period ending as of the most recent month end ending at least twenty (20) days preceding the date of such transaction.

" Properties " shall have the meaning set forth in Section 3.10(a).

" Purchasing Lenders " shall have the meaning set forth in Section 9.6(c).

" Recovery Event " shall mean the receipt by the Company and its Subsidiaries of any cash insurance proceeds or condemnation award payable by reason of theft, loss, physical destruction or damage, taking or similar event with respect to any Material Property.

" Register " shall have the meaning set forth in Section 9.6(d).

" Reorganization " shall mean, with respect to any Multiemployer Plan, the condition that such Plan is in reorganization within the meaning of such term as used in Section 4241 of ERISA.

" Related Fund " shall mean, with respect to any Lender, any fund or trust or entity that invests in commercial bank loans in the ordinary course of business and is advised or managed by (a) such Lender, (b) an Affiliate of such Lender, (c) any other Lender or any Affiliate thereof or (d) the same investment advisor as any Person described in clauses (a) - (c).

" Reportable Event " shall mean any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty-day notice period is waived under PBGC Reg. §4043.

" Required Lenders " shall mean, at any time, Lenders holding in the aggregate a majority of (i) the Commitments (and Participation Interests therein) or (ii) if the Commitments have been terminated, the outstanding Loans and Participation Interests (including the Participation Interests of the Issuing Lender in any Letters of Credit and of the Swingline Lender in Swingline Loans); provided , however , that if any Lender shall be a Defaulting Lender at such time, then there shall be excluded from the determination of Required Lenders, Obligations (including Participation Interests) owing to such Defaulting Lender and such Defaulting Lender's Commitments, or after termination of the Commitments, the principal balance of the Obligations owing to such Defaulting Lender.

" Requirement of Law " shall mean, as to any Person, the Certificate of Incorporation and By-laws or other organizational or governing documents of such Person, and each law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Material Property or to which such Person or any of its Material Property is subject.

" Responsible Officer " shall mean, as to (a) the Company, the President, the Chief Executive Officer, the Chief Financial Officer and the Treasurer thereof or (b) any other Credit Party or any Subsidiary thereof, the President, the Chief Executive Officer, the Chief Financial Officer, the Treasurer and any other duly authorized director or officer thereof.

" Restricted Payments " shall mean (a) any dividend or other distribution, direct or indirect, on account of any shares of any class of Capital Stock of any Credit Party or any of its Subsidiaries, now or hereafter outstanding, (b) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of any Credit Party or any of its Subsidiaries, now or hereafter outstanding, (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Capital Stock of any Credit Party or any of its Subsidiaries, now or hereafter outstanding, (d) any payment with respect to any earnout obligation, (e) any payment or prepayment of principal of, premium, if any, or interest on, redemption, purchase, retirement, defeasance, sinking fund or similar payment with respect to, any Subordinated Indebtedness or (f) the payment by any Credit Party or any of its Subsidiaries of any management or consulting fee to any Person or of any salary, bonus or other form of compensation to any Person who is directly or indirectly a significant partner, shareholder, owner or executive officer of any such Person, to the extent such fee, salary, bonus or other form of compensation is either not included in the corporate overhead of any Credit Party or such Subsidiary or, to the extent such salary, bonus or other form of compensation, is reimbursed by the Company.

" Revolver Increase " shall have the meaning set forth in Section 2.1.

" Revolver Maturity Date " shall mean September 22, 2012.

" Revolving Commitment " shall mean, with respect to each Revolving Lender, the commitment of such Revolving Lender to make Revolving Loans in an aggregate principal amount at any time outstanding up to the amount identified as such Revolving Lender's "Revolving Commitment" on such Lender's Lender Commitment Letter or in the Register, as such amount may be modified in connection with any assignment made in accordance with the provisions of Section 9.6(c) or increased (in accordance with Section 2.1(f)) or reduced from time to time in accordance with the provisions hereof.

" Revolving Commitment Percentage " shall mean, for each Revolving Lender, the percentage identified as its "Revolving Commitment Percentage" on such Lender's Lender Commitment Letter or in the Register, as such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 9.6(c).

" Revolving Committed Amount " shall have the meaning set forth in Section 2.1.

" Revolving Lender " shall mean, as of any date of determination, each Lender with a Revolving Commitment greater than $0.

" Revolving Loans " shall have the meaning set forth in Section 2.1.

" Revolving Note " or " Revolving Notes " shall mean the promissory notes of the Borrower in favor of each of the Revolving Lenders evidencing the Revolving Loans provided pursuant to Section 2.1(e), individually or collectively, as appropriate, as such promissory notes may be amended, modified, supplemented, extended, renewed or replaced from time to time.

" S&P " shall mean Standard & Poor's Ratings Service, a division of The McGraw Hill Companies, Inc. or any successor or rating agency.

" Sanctioned Country " shall mean a country subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/ eotffc/ofac/sanctions/index.html, or as otherwise published from time to time.

" Sanctioned Person " shall mean (a) a Person named on the list of "Specially Designated Nationals and Blocked Persons" maintained by OFAC available at http://www.treas.gov/offices/eotffc/ofac/sdn/index.html, or as otherwise published from time to time, or (b) (i) an agency of the government of a Sanctioned Country, (ii) an organization controlled by a Sanctioned Country, or (iii) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

" Sarbanes-Oxley " shall mean the Sarbanes-Oxley Act of 2002.

" Scheduled Funded Debt Payments " shall mean, as of any date of determination for the Company and its Subsidiaries, the sum of all scheduled payments of principal on Funded Debt for the applicable period ending on the date of determination (including the principal component of payments due on Capital Leases during the applicable period ending on the date of determination).

" Secured Hedging Agreement " shall mean any Hedging Agreement between a Credit Party and a Hedging Agreement Provider, or any agreement relating to Bank Products between a Credit Party and an Agent or Affiliate thereof, as amended, modified, restated or supplemented from time to time in accordance with its terms.

" Secured Party " shall mean each of the Administrative Agent, the Lenders and the Hedging Agreement Providers, together with their respective successors and assigns.

" Securities Account Control Agreement " shall mean an agreement, among a Credit Party, a securities intermediary, and the Administrative Agent, which agreement is or in a form reasonably acceptable to the Administrative Agent and which provides the Administrative Agent with "control" (as such term is used in Articles 8 and 9 of the Uniform Commercial Code) over the securities account(s) described therein, as the same may be as amended, modified, extended, restated, replaced, or supplemented from time to time.

" Securities Act " shall mean the Securities Act of 1933, together with any amendment thereto or replacement thereof and any rules or regulations promulgated thereunder.

" Securities Laws " shall mean the Securities Act, the Exchange Act, Sarbanes-Oxley and the applicable accounting and auditing principles, rules, standards and practices promulgated, approved or incorporated by the SEC or the Public Company Accounting Oversight Board, as each of the foregoing may be amended and in effect on any applicable date hereunder.

" Security Agreement " shall mean the security agreement dated as of the Closing Date executed by the Credit Parties in favor of the Administrative Agent, as amended, modified, restated or supplemented from time to time in accordance with its terms and the terms hereof.

" Security Documents " shall mean the Security Agreement, the Pledge Agreement, the UK Security Documents, the Mortgage Instruments, and such other documents executed and delivered in connection with the grant, attachment and perfection of the Administrative Agent's security interests and liens arising thereunder, including, without limitation, UCC financing statements.

" Single Employer Plan " shall mean any Plan which is not a Multiemployer Plan.

" Social Security Act " shall mean the Social Security Act as set forth in Title 42 of the United States Code, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time. References to sections of the Social Security Act shall be construed also to refer to any successor sections.

" Solvent " shall mean, with respect to any Person on any date (a) the fair saleable value of such Person's assets, measured on a going concern basis, exceeds all probable liabilities of such Person, including contingent liabilities and those liabilities to be incurred pursuant to this Credit Agreement, or (b) such Person (i) does not have unreasonably small capital in relation to the business in which it is or proposes to be engaged, (ii) has not incurred, or believes that it will incur after giving effect to the transactions contemplated by this Credit Agreement, debts beyond its ability to pay such debts as they become due, (iii) has not suspended making payments on any of its debts unless subject to a good faith dispute or (iv) by reason of actual or anticipated financial difficulties, has not commenced negotiations with one or more of its creditors in order to reschedule the payment of such indebtedness.

" SRL " shall mean Orthofix SRL/DMO, an Italian corporation.

" Subordinated Indebtedness " shall mean any Indebtedness incurred by any Credit Party that is (a) specifically subordinated in right of payment and performance to the prior payment of the Credit Party Obligations on terms reasonably acceptable to the Administrative Agent and (b) evidenced by promissory notes, to the extent such Indebtedness is owed to another Credit Party, which promissory notes shall be pledged to the Administrative Agent as Collateral for the Credit Party Obligations.

" Subsidiary " shall mean (a) as to any Person other than the Company, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person, and (b) as to the Company, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interest the Company owns at the time directly or indirectly through one or more intermediaries, or both, of greater than 50%. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Company.

" Subsidiary Guarantor " shall have the meaning set forth in the first paragraph of this Agreement.

" Survey " shall mean any maps or plats of an as-built survey of the site of a Mortgaged Property, which maps or plats and the surveys on which they are based shall be sufficient to delete any standard printed survey exception contained in the applicable title policy and be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association and the American Congress on Surveying and Mapping in 2005, and, without limiting the generality of the foregoing, there shall be surveyed and shown on such maps, plats or surveys the following: (a) the locations on such sites of all the buildings, structures and other improvements and the established building setback lines; (b) the lines of streets abutting the sites and width thereof; (c) all access and other easements appurtenant to the sites necessary to use the sites; (d) all roadways, paths, driveways, easements, encroachments and overhanging projections and similar encumbrances affecting the site, whether recorded, apparent from a physical inspection of the sites or otherwise known to the surveyor; (e) any encroachments on any adjoining property by the building structures and improvements on the sites; and (f) if the site is described as being on a filed map, a legend relating the survey to said map.

" Swiftsure " shall have the meaning set forth in the first paragraph of this Agreement.

" Swingline Commitment " shall mean the commitment of the Swingline Lender to make Swingline Loans in an aggregate principal amount at any time outstanding up to the Swingline Committed Amount, and the commitment of the Revolving Lenders to purchase participation interests in the Swingline Loans as provided in Section 2.4(b)(ii), as such amounts may be reduced from time to time in accordance with the provisions hereof.

" Swingline Committed Amount " shall have the meaning set forth in Section 2.4(a).

" Swingline Lender " shall mean Wachovia.

" Swingline Loan " or " Swingline Loans " shall have the meaning set forth in Section 2.4(a).

" Swingline Note " shall mean the promissory note of the Borrower in favor of the Swingline Lender evidencing the Swingline Loans provided pursuant to Section 2.4(d), as such promissory note may be amended, modified, supplemented, extended, renewed or replaced from time to time.

" Target " shall have the meaning set forth in the definition of "Permitted Acquisition".

" Tax Structure Documents " shall mean a collective reference to the following documents: (a) Offer Letter dated December 30, 2003 from Colgate to UK Ltd, (b) Amendment Agreement dated October 25, 2005 between Colgate and UK Ltd, (c) Written Notification of Termination and Offer of Amended Terms dated October 25, 2005 from Colgate to UK Ltd, (d) Acknowledgment of Termination dated October 25, 2005 from UK Ltd to Colgate, (e) Promissory Note in the principal amount of $110,546,815 dated October 25, 2005 by UK Ltd for the benefit of Colgate, (f) Debenture Receivable Sale and Purchase Agreement dated October 25, 2005 between Colgate and Victory (" Receivable Sale "), (g) 1,999,999 ordinary shares of Victory issued to Colgate as consideration for Receivable Sale, (h) Share Subscription Agreement dated October 25, 2005 between the Borrower and Swiftsure, (i) Subscription Request Letter dated October 25, 2005 from Swiftsure to the Borrower, (j) Acknowledgment of Subscription Request Letter dated October 25, 2005 by the Borrower to Swiftsure (" Subscription Request Letter "), (k) 999 ordinary shares of Swiftsure issued to the Borrower in connection with the Subscription Request Letter, (l) Offer Letter dated October 26, 2005 from Victory to Swiftsure, (m) Guarantee dated October 26, 2005 by the Borrower for the benefit of Victory, (n) Share Sale and Purchase Agreement dated October 26, 2005 between the Borrower and Swiftsure (" Share Sale and Purchase Agreement "), (o) Stock Transfer Form dated October 26, 2005 relating to the Borrower's sale of one share of UK Ltd to Swiftsure (" Stock Transfer Form "), (p) one ordinary share of UK Ltd issued to Swiftsure in connection with the Stock Transfer Form, (q) one ordinary shares of Swiftsure issued to the Borrower in connection with the Share Sale and Purchase Agreement and (r) any other agreement entered into to implement the terms and arrangements contemplated by the foregoing documents that is reasonably acceptable to the Administrative Agent.

" Taxes " shall have the meaning set forth in Section 2.18.

" Term Loan " shall have the meaning set forth in Section 2.2(a).

" Term Loan Commitment " shall mean, with respect to each Term Loan Lender, the commitment of such Term Loan Lender to make its portion of the Term Loan in a principal amount equal to such Term Loan Lender's Term Loan Commitment Percentage of the Term Loan Committed Amount (and for purposes of making determinations of Required Lenders hereunder after the Closing Date, the principal amount outstanding on the Term Loan).

" Term Loan Commitment Percentage " shall mean, for any Term Loan Lender, the percentage identified as its Term Loan Commitment Percentage on such Lender's Lender Commitment Letter, as such percentage may be modified in connection with any Incremental Term Facility in accordance with the provisions of Section 2.2(e) or any assignment made in accordance with the provisions of Section 9.6(c).

" Term Loan Committed Amount " shall have the meaning set forth in Section 2.2(a).

" Term Loan Lender " shall mean, as of any date of determination, each Lender that holds a portion of the outstanding Term Loan.

" Term Loan Maturity Date " shall mean September 22, 2013.

" Term Note" or "Term Notes " shall mean the promissory notes of the Borrower in favor of each of the Term Loan Lenders evidencing the portion of the Term Loan provided pursuant to Section 2.2(d), individually or collectively, as appropriate, as such promissory notes may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time.

" Title Insurance Company " shall mean Chicago Title Insurance Company or any other title insurance company approved by the Administrative Agent in its reasonable discretion.

" Trademark License " shall means any agreement, written or oral, providing for the grant by or to the Borrower or any of its Subsidiaries which are Credit Parties of any right to use any Trademark, including, without limitation, any thereof referred to in Schedule 3.16 .

" Trademarks " shall mean (a) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress and service marks, logos and other source or business identifiers, and the goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, including, without limitation, any thereof referred to in Schedule 3.16 , and (b) all renewals thereof, including, without limitation, any thereof referred to in Schedule 3.16 .

" Tranche " shall mean the collective reference to LIBOR Rate Loans whose Interest Periods begin and end on the same day. A Tranche may sometimes be referred to as a "LIBOR Tranche".

" Transfer Effective Date " shall have the meaning set forth in each Assignment Agreement.

" TRICARE " means the United States Department of Defense healthcare program for service families (including TRICARE Prime, TRICARE Extra and TRICARE Standard), and any successor or predecessor thereof, including without limitation, CHAMPUS.

" Type " shall mean, as to any Loan, its nature as an Alternate Base Rate Loan or LIBOR Rate Loan, as the case may be.

" UK Ltd " shall have the meaning set forth in the first paragraph of this Agreement.

" UK Security Documents " shall mean (a) that certain pledge agreement dated as of the Closing Date executed by Colgate in favor of the Administrative Agent with respect to the Capital Stock of Victory, (b) that certain pledge agreement dated as of the Closing Date executed by the Borrower in favor of the Administrative Agent with respect to the Capital Stock of Swiftsure, (c) that certain pledge agreement dated as of the Closing Date executed by Swiftsure in favor of the Administrative Agent with respect to the Capital Stock of UK Ltd, (d) that certain debenture dated as of the Closing Date executed by Colgate in favor of the Administrative Agent, (e) that certain debenture dated as of the Closing Date executed by Victory in favor of the Administrative Agent, (f) that certain debenture dated as of the Closing Date executed by Swiftsure in favor of the Administrative Agent and (g) that certain debenture dated as of the Closing Date executed by UK Ltd in favor of the Administrative Agent, in each case as amended, modified, restated or supplemented from time to time in accordance with its terms and the terms hereof.

" U.S. " or " United States " shall mean the United States of America.

" Victory " shall have the meaning set forth in the first paragraph of this Agreement.

" Voting Stock " shall mean, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote may be or have been suspended by the happening of such a contingency.

" Wachovia " shall mean Wachovia Bank, National Association, a national banking association, together with its successors and/or assigns.

" WCM " shall mean Wachovia Capital Markets, LLC.

" Works " shall mean all works which are subject to copyright protection pursuant to Title 17 of the United States Code.

Section 1 . 2 Other Definitional Provisions .

(a) Unless otherwise specified therein, all terms defined in this Agreement shall have such defined meanings when used in the Notes or other Credit Documents or any certificate or other document made or delivered pursuant hereto.

(b) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

Section 1 . 3 Accounting Terms .

Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with GAAP applied on a basis consistent with the most recent audited consolidated financial statements of the Company delivered to the Lenders; provided that, if the Borrower notifies the Administrative Agent that it wishes to amend any covenant in Section 5.9 to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Section 5.9 for such purpose), then the compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

The Borrower shall deliver to the Administrative Agent and each Lender at the same time as the delivery of any annual or quarterly financial statements given in accordance with the provisions of Section 5.1, (a) a description in reasonable detail of any material change in the application of accounting principles employed in the preparation of such financial statements from those applied in the most recently preceding quarterly or annual financial statements as to which no objection shall have been made in accordance with the provisions above and (b) a reasonable estimate of the effect on the financial statements on account of such changes in application.

Notwithstanding the above, the parties hereto acknowledge and agree that, for purposes of all calculations made in determining compliance for any applicable period with the financial covenants set forth in Section 5.9 (including without limitation for purposes of the definition of "Pro Forma Basis" set forth in Section 1.1), after consummation of any Permitted Acquisition, (i) income statement items and other balance sheet items (whether positive or negative) attributable to the Target acquired in such transaction shall be included in such calculations to the extent relating to such applicable period, and (ii) Indebtedness of a Target that is retired in connection with a Permitted Acquisition shall be excluded from such calculations and deemed to have been retired as of the first day of such applicable period , in each case in accordance with Regulation S-X under the Securities Act, as amended, applicable to a Registration Statement under such Act on Form S-1.

ARTICLE II

THE LOANS; AMOUNT AND TERMS

Section 2 . 1 Revolving Loans; Revolver Increase .

(a) Revolving Commitment . During the Commitment Period, subject to the terms and conditions hereof, each Revolving Lender severally, but not jointly, agrees to make revolving credit loans (" Revolving Loans ") to the Borrower from time to time in an aggregate principal amount of up to **FORTY-FIVE MILLION DOLLARS ($45,000,000)** (as such aggregate maximum amount may be reduced from time to time as provided in Section 2.6, the " Revolving Committed Amount ") for the purposes hereinafter set forth; provided , however , that (i) with regard to each Revolving Lender individually, the sum of such Revolving Lender's Revolving Commitment Percentage of outstanding Revolving Loans plus such Revolving Lender's Revolving Commitment Percentage of outstanding Swingline Loans plus such Revolving Lender's Revolving Commitment Percentage of outstanding LOC Obligations shall not exceed such Revolving Lender's Revolving Commitment and (ii) with regard to the Revolving Lenders collectively, the sum of the outstanding Revolving Loans plus outstanding Swingline Loans plus outstanding LOC Obligations shall not exceed the Revolving Committed Amount. Revolving Loans may consist of Alternate Base Rate Loans or LIBOR Rate Loans, or a combination thereof, as the Borrower may request, and may be repaid or prepaid and reborrowed in accordance with the provisions hereof; provided , however , Revolving Loans made on the Closing Date or on any of the three (3) Business Days following the Closing Date may only consist of Alternate Base Rate Loans. LIBOR Rate Loans shall be made by each Revolving Lender at its LIBOR Lending Office and Alternate Base Rate Loans at its Domestic Lending Office.

(b) Revolving Loan Borrowings .

(i) Notice of Borrowing . The Borrower shall request a Revolving Loan borrowing by written notice (a " Notice of Borrowing ") substantially in the form of the notice attached as Schedule 2.1(b)(i) (or telephone notice promptly confirmed by delivery to the Administrative Agent of a Notice of Borrowing by fax or other electronic notice with confirmed receipt from the recipient) to the Administrative Agent not later than 12:00 Noon (Charlotte, North Carolina time) on the Business Day of the requested borrowing in the case of Alternate Base Rate Loans, and on the third Business Day prior to the date of the requested borrowing in the case of LIBOR Rate Loans. Each such request for borrowing shall be irrevocable and shall specify (A) that a Revolving Loan is requested, (B) the date of the requested borrowing (which shall be a Business Day), (C) the aggregate principal amount to be borrowed on such date, (D) whether the borrowing shall be comprised of Alternate Base Rate Loans, LIBOR Rate Loans or a combination thereof, and (E) if LIBOR Rate Loans are requested, the Interest Period (s) therefore. If the Borrower shall fail to specify in any such Notice of Borrowing (I) an applicable Interest Period in the case of a LIBOR Rate Loan, then such notice shall be deemed to be a request for an Interest Period of one month, or (II) the type of Revolving Loan requested, then such notice shall be deemed to be a request for an Alternate Base Rate Loan hereunder. The Administrative Agent shall give notice to each Revolving Lender promptly upon receipt of each Notice of Borrowing, of the contents thereof and each such Revolving Lender's share thereof.

(ii) Minimum Amounts . Each Revolving Loan shall be in a minimum aggregate amount of $1,000,000 and in integral multiples of $500,000 in excess thereof (or the remaining amount of the Revolving Committed Amount, if less).

(iii) Advances . Each Revolving Lender will make its Revolving Commitment Percentage of each Revolving Loan borrowing available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent specified in Section 9.2, or at such other office as the Administrative Agent may designate in writing, by 2:00 P.M. (Charlotte, North Carolina time) on the date specified in the applicable Notice of Borrowing in Dollars and in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower designated in the Account Designation Letter (or as otherwise agreed by the Borrower and the Administrative Agent) with the aggregate of the amounts made available to the Administrative Agent by the Revolving Lenders and in like funds as received by the Administrative Agent.

(c) Repayment . The principal amount of all Revolving Loans shall be due and payable in full on the Revolver Maturity Date, unless accelerated sooner pursuant to Section 7.2.

(d) Interest . Subject to the provisions of Section 2.9, Revolving Loans shall bear interest as follows:

(i) Alternate Base Rate Loans . During such periods as Revolving Loans shall be comprised of Alternate Base Rate Loans, each such Alternate Base Rate Loan shall bear interest at a per annum rate equal to the sum of the Alternate Base Rate plus the Applicable Percentage; and

(ii) LIBOR Rate Loans . During such periods as Revolving Loans shall be comprised of LIBOR Rate Loans, each such LIBOR Rate Loan shall bear interest at a per annum rate equal to the sum of the LIBOR Rate plus the Applicable Percentage.

Interest on Revolving Loans shall be payable in arrears on each Interest Payment Date.

(e) Revolving Notes; Covenant to Pay . Each Revolving Lender's Revolving Commitment shall be evidenced by a duly executed promissory note of the Borrower to such Revolving Lender in substantially the form of Schedule 2.1(e) . The Borrower covenants and agrees to pay the Revolving Loans in accordance with the terms of this Agreement.

(f) Revolver Increase . Subject to the terms and conditions set forth herein, the Borrower shall have the right, at any time and from time to time prior to the Revolver Maturity Date, to incur additional Indebtedness under this Credit Agreement in the form of an increase to the Revolving Committed Amount (each a " Revolver Increase ") by an aggregate amount of up to (a) **ONE HUNDRED TWENTY-FIVE MILLION DOLLARS ($125,000,000)** less (b) the sum of (i) the aggregate amount of any prior Incremental Term Facility established pursuant to Section 2.2(e) plus (ii) the aggregate amount of any prior Revolver Increases established pursuant to this Section 2.1(f). The following terms and conditions shall apply to each Revolver Increase: (i) the loans made under any such Revolver Increase (each an " Additional Revolving Loan ") shall constitute Credit Party Obligations and will be secured and guaranteed with the other Credit Party Obligations on a pari passu basis, (ii) the proceeds of any Additional Revolving Loan will be used for the purposes set forth in Section 3.11, (iii) the Borrower shall execute a Revolving Note in favor of any new Lender or any existing Lender requesting a Revolving Note whose Revolving Commitment is created or increased, (iv) the conditions to Extensions of Credit in Section 4.2 shall have been satisfied, (v) the Administrative Agent shall have received an opinion or opinions (including, if reasonably requested by the Administrative Agent, local counsel opinions) of counsel for the Credit Parties, addressed to the Administrative Agent and the Lenders, in form and substance acceptable to the Administrative Agent, (vi) any such Revolver Increase shall be in a minimum principal amount of $15,000,000 or, if less, the maximum remaining amount permitted pursuant to this Section 2.1(f), (vii) if the interest rate margin on any Revolver Increase would be more than the Applicable Percentage for the existing Revolving Loans, the Applicable Percentage on the existing Revolving Loans shall be increased such that the Applicable Percentage on the existing Revolving Loans is equal to the interest rate margin on such Revolver Increase, and (viii) the Administrative Agent shall have received from the Borrower updated financial projections for the remainder of the projection term set forth in Section 3.1(e) and an officer's certificate, in each case in form and substance reasonably satisfactory to the Administrative Agent, demonstrating that, after giving effect to any such Revolver Increase on a Pro Forma Basis, the Borrower will be in compliance with the financial covenants set forth in Section 5.9 and no Default or Event of Default shall exist. No existing Lender shall have any obligation to provide all or any portion of the Revolver Increase. The Administrative Agent is authorized to enter into, on behalf of the Lenders, any amendment to this Credit Agreement or any other Credit Document as may be necessary to incorporate the terms of any new Revolver Increase therein.

Section 2 . 2 Term Loan Facility; Incremental Term Loan .

(a) Term Loan . Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein, each Term Loan Lender severally agrees to make available to the Borrower on the Closing Date, by transfer of funds as directed by the Administrative Agent to the Borrower's account set forth in the Account Designation Letter, such Term Loan Lender's Term Loan Commitment Percentage of a term loan in Dollars (the " Term Loan ") in the aggregate principal amount of **THREE HUNDRED THIRTY MILLION DOLLARS ($330,000,000)** (the " Term Loan Committed Amount ") for the purposes hereinafter set forth. The Term Loan may consist of Alternate Base Rate Loans or LIBOR Rate Loans, or a combination thereof, as the Borrower may request; provided that on the Closing Date the Term Loan shall only consist of Alternate Base Rate Loans. Amounts repaid or prepaid on the Term Loan may not be reborrowed.

(b) Repayment of Term Loan . The principal outstanding amount of the Term Loan as of the Closing Date shall be repaid in twenty-eight (28) consecutive quarterly installments as follows, unless accelerated sooner pursuant to Section 7.2:

Principal Amortization Payment Date	**Term Loan Principal Amortization Payment**
December 31, 2006	$825,000
March 31, 2007	$825,000
June 30, 2007	$825,000
September 30, 2007	$825,000
December 31, 2007	$825,000

Principal Amortization Payment Date	Term Loan Principal Amortization Payment
March 31, 2008	$825,000
June 30, 2008	$825,000
September 30, 2008	$825,000
December 31, 2008	$825,000
March 31, 2009	$825,000
June 30, 2009	$825,000
September 30, 2009	$825,000
December 31, 2009	$825,000
March 31, 2010	$825,000
June 30, 2010	$825,000
September 30, 2010	$825,000
December 31, 2010	$825,000
March 31, 2011	$825,000
June 30, 2011	$825,000
September 30, 2011	$825,000
December 31, 2011	$825,000
March 31, 2012	$825,000
June 30, 2012	$825,000
September 30, 2012	$825,000
December 31, 2012	$77,550,000
March 31, 2013	$77,550,000
June 30, 2013	$77,550,000
Term Loan Maturity Date	The remainder of the outstanding Term Loan

(c) Interest on the Term Loan . Subject to the provisions of Section 2.9, the Term Loan shall bear interest as follows:

(i) Alternate Base Rate Loans . During such periods as the Term Loan shall be comprised of Alternate Base Rate Loans, each such Alternate Base Rate Loan shall bear interest at a per annum rate equal to the sum of the Alternate Base Rate plus the Applicable Percentage; and

(ii) LIBOR Rate Loans . During such periods as the Term Loan shall be comprised of LIBOR Rate Loans, each such LIBOR Rate Loan shall bear interest at a per annum rate equal to the sum of the LIBOR Rate plus the Applicable Percentage.

Interest on the Term Loan shall be payable in arrears on each Interest Payment Date.

(d) Term Notes . Each Term Loan Lender's Term Loan Commitment Percentage of the Term Loan Committed Amount shall be evidenced by a duly executed promissory note of the Borrower to such Term Loan Lender in substantially the form of Schedule 2.2(d) .

(e) Incremental Term Loan . Subject to the terms and conditions set forth herein, the Borrower shall have the right, at any time and from time to time prior to the Term Loan Maturity Date, to incur additional Indebtedness under this Credit Agreement in the form of a term loan (each an " Incremental Term Facility ") by an aggregate amount of up to (a) **ONE HUNDRED TWENTY-FIVE MILLION DOLLARS ($125,000,000)** less (b) the sum of (i) the aggregate amount of increases in the Revolving Committed Amount pursuant to any Revolver Increase plus (ii) the aggregate amount of any prior Incremental Term Facilities established pursuant to this Section 2.2(e). The following terms and conditions shall apply to each Incremental Term Facility: (i) the loans made under any such Incremental Term Facility (each an " Additional Term Loan ") shall constitute Credit Party Obligations and will be secured and guaranteed with the other Credit Party Obligations on a pari passu basis, (ii) any such Incremental Term Facility shall have a maturity date no sooner than, and a weighted average life to maturity no shorter than, the Term Loan Maturity Date and the weighted average life to maturity of the Term Loans at such time, respectively, (iii) any such Incremental Term Facility shall be entitled to the same voting rights as the existing Term Loans and shall be entitled to receive proceeds of prepayments on a pro rata basis with the existing Term Loans, (iv) any such Incremental Term Facility shall be obtained from existing Lenders or from other banks, financial institutions or investment funds, (v) any such Incremental Term Facility shall be in a minimum principal amount of $25,000,000 and integral multiples of $1,000,000 in excess thereof, or, if less, the maximum remaining amount permitted pursuant to this Section 2.2(e), (vi) the proceeds of any Additional Term Loan will be used for the purposes set forth in Section 3.11, (vii) the Borrower shall execute a Term Note in favor of any new Lender or any existing Lender requesting a Term Note whose Term Loan Committed Amount is created or increased, (viii) the conditions to Extensions of Credit in Section 4.2 shall have been satisfied, (ix) the Administrative Agent shall have received an opinion or opinions (including, if reasonably requested by the Administrative Agent, local counsel opinions) of counsel for the Credit Parties, addressed to the Administrative Agent and the Lenders, in form and substance reasonably acceptable to the Administrative Agent, (x) if the interest rate margin on any Incremental Term Facility would be more than 0.25% greater than the Applicable Percentage for the existing Term Loan, the Applicable Percentage on the existing Term Loan shall be increased such that the Applicable Percentage on the existing Term Loan is 0.25% lower than the interest rate margin on the Incremental Term Facility, and (xi) the Administrative Agent shall have received from the Borrower updated financial projections for the remainder of the initial projection term set forth in Section 3.1 and an officer's certificate, in each case in form and substance reasonably satisfactory to the Administrative Agent, demonstrating that, after giving effect to any such Incremental Term Facility on a Pro Forma Basis, the Borrower will be in compliance with the financial covenants set forth in Section 5.9 and no Default or Event of Default shall exist. No existing Lender shall have any obligation to provide all or any portion of the Incremental Term Facility. The Administrative Agent is authorized to enter into, on behalf of the Lenders, any amendment to this Credit Agreement or any other Credit Document as may be necessary to incorporate the terms of any new Incremental Term Facility therein.

Section 2 . 3 Letter of Credit Subfacility .

(a) Issuance . Subject to the terms and conditions hereof and of the LOC Documents, if any, and any other terms and conditions which the Issuing Lender may reasonably require, during the Commitment Period the Issuing Lender shall issue, and the Revolving Lenders shall participate in, Letters of Credit for the account of the Borrower from time to time upon request in a form acceptable to the Issuing Lender; provided , however , that (i) the aggregate amount of LOC Obligations shall not at any time exceed **SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS ($7,500,000)** (the " LOC Committed Amount "), (ii) the sum of outstanding Revolving Loans plus outstanding Swingline Loans plus outstanding LOC Obligations shall not at any time exceed the Revolving Committed Amount, (iii) all Letters of Credit shall be denominated in U.S. Dollars and (iv) Letters of Credit shall be issued for lawful corporate purposes and may be issued as standby letters of credit, including in connection with workers' compensation and other insurance programs. Except as otherwise expressly agreed upon by all the Revolving Lenders, no Letter of Credit shall have an original expiry date more than twelve (12) months from the date of issuance; provided , however , so long as no Default or Event of Default has occurred and is continuing and subject to the other terms and conditions to the issuance of Letters of Credit hereunder, the expiry dates of Letters of Credit may be extended annually or periodically from time to time at the request of the Borrower or by operation of the terms of the applicable Letter of Credit to a date not more than twelve (12) months from the date of extension; provided , further , that no Letter of Credit, as originally issued or as extended, shall have an expiry date extending beyond the Revolver Maturity Date. Each Letter of Credit shall comply with the related LOC Documents. The issuance and expiry date of each Letter of Credit shall be a Business Day. Any Letters of Credit issued hereunder shall be in a minimum original face amount of $100,000. Wachovia shall be the Issuing Lender on all Letters of Credit issued on or after the Closing Date. In the event and to the extent that the provisions of any LOC Document shall conflict with this Agreement, the provisions of this Agreement shall govern. The Issuing Lender shall make any Letter of Credit issued hereunder available to the Borrower at its office referred to in Section 9.2 or as otherwise agreed with the Borrower in connection with such issuance.

(b) Notice and Reports . The request for the issuance of a Letter of Credit shall be submitted to the Issuing Lender at least five (5) Business Days prior to the requested date of issuance. The Issuing Lender will promptly upon request of the Administrative Agent provide to the Administrative Agent for dissemination to the Revolving Lenders a detailed report specifying the Letters of Credit which are then issued and outstanding and any activity with respect thereto which may have occurred since the date of any prior report, and including therein, among other things, the account party, the beneficiary, the face amount, expiry date as well as any payments or expirations which may have occurred.

(c) Participations . Each Revolving Lender upon issuance of a Letter of Credit shall be deemed to have purchased without recourse a risk participation from the Issuing Lender in such Letter of Credit and the obligations arising thereunder and any collateral relating thereto, in each case in an amount equal to its Revolving Commitment Percentage of the obligations under such Letter of Credit and shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety, and be obligated to pay to the Issuing Lender therefore and discharge when due, its Revolving Commitment Percentage of the obligations arising under such Letter of Credit. Without limiting the scope and nature of each Revolving Lender's participation in any Letter of Credit, to the extent that the Issuing Lender has not been reimbursed as required hereunder or under any LOC Document, each such Revolving Lender shall pay to the Issuing Lender its Revolving Commitment Percentage of such unreimbursed drawing in same day funds on the day of notification by the Issuing Lender of an unreimbursed drawing pursuant to the provisions of subsection (d) hereof. The obligation of each Revolving Lender to so reimburse the Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of a Default, an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the Issuing Lender under any Letter of Credit, together with interest as hereinafter provided.

(d) Reimbursement . In the event of any drawing under any Letter of Credit, the Issuing Lender will promptly notify the Borrower and the Administrative Agent. The Borrower shall reimburse the Issuing Lender on the day of drawing under any Letter of Credit (with the proceeds of a Revolving Loan obtained hereunder or otherwise) in same day funds as provided herein or in the LOC Documents. If the Borrower shall fail to reimburse the Issuing Lender as provided herein, the unreimbursed amount of such drawing shall bear interest at a per annum rate equal to the Alternate Base Rate plus the Applicable Percentage for Revolving Loans that are Alternate Base Rate Loans plus two percent (2%). Unless the Borrower shall promptly notify the Issuing Lender and the Administrative Agent of its intent to otherwise reimburse the Issuing Lender, the Borrower shall be deemed to have requested a Revolving Loan in the amount of the drawing as provided in subsection (e) hereof, the proceeds of which will be used to satisfy the reimbursement obligations. The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of set-off, counterclaim or defense to payment the Borrower may claim or have against the Issuing Lender, the Administrative Agent, the Lenders, the beneficiary of the Letter of Credit drawn upon or any other Person, including without limitation any defense based on any failure of the Borrower to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit. The Issuing Lender will promptly notify the other Revolving Lenders of the amount of any unreimbursed drawing and each Revolving Lender shall promptly pay to the Administrative Agent for the account of the Issuing Lender in Dollars and in immediately available funds, the amount of such Revolving Lender's Revolving Commitment Percentage of such unreimbursed drawing. Such payment shall be made on the day such notice is received by such Revolving Lender from the Issuing Lender if such notice is received at or before 2:00 P.M. (Charlotte, North Carolina time), otherwise such payment shall be made at or before 12:00 Noon (Charlotte, North Carolina time) on the next succeeding Business Day. If such Revolving Lender does not pay such amount to the Issuing Lender in full upon such request, such Revolving Lender shall, on demand, pay to the Administrative Agent for the account of the Issuing Lender interest on the unpaid amount during the period from the date of such drawing until such Revolving Lender pays such amount to the Issuing Lender in full at a rate per annum equal to, if paid within two (2) Business Days of the date of drawing, the Federal Funds Effective Rate and thereafter at a rate equal to the Alternate Base Rate. Each Revolving Lender's obligation to make such payment to the Issuing Lender, and the right of the Issuing Lender to receive the same, shall be absolute and unconditional, shall not be affected by any circumstance whatsoever and without regard to the termination of this Agreement or the Commitments hereunder, the existence of a Default or Event of Default or the acceleration of the Credit Party Obligations hereunder and shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Repayment with Revolving Loans . On any day on which the Borrower shall have requested, or been deemed to have requested, a Revolving Loan to reimburse a drawing under a Letter of Credit, the Administrative Agent shall give notice to the Revolving Lenders that a Revolving Loan has been requested or deemed requested in connection with a drawing under a Letter of Credit, in which case a Revolving Loan borrowing comprised entirely of Alternate Base Rate Loans (each such borrowing, a " Mandatory Borrowing ") shall be immediately made (without giving effect to any termination of the Commitments pursuant to Section 7.2) pro rata based on each Revolving Lender's respective Revolving Commitment Percentage (determined before giving effect to any termination of the Commitments pursuant to Section 7.2) and the proceeds thereof shall be paid directly to the Issuing Lender for application to the respective LOC Obligations. Each Revolving Lender hereby irrevocably agrees to make such Revolving Loans immediately upon any such request or deemed request on account of each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the same such date notwithstanding (i) the amount of Mandatory Borrowing may not comply with the minimum amount for borrowings of Revolving Loans otherwise required hereunder, (ii) whether any conditions specified in Section 4.2 are then satisfied, (iii) whether a Default or an Event of Default then exists, (iv) failure for any such request or deemed request for Revolving Loan to be made by the time otherwise required in Section 2.1(b), (v) the date of such Mandatory Borrowing, or (vi) any reduction in the Revolving Committed Amount after any such Letter of Credit may have been drawn upon; provided , however , that in the event any such Mandatory Borrowing should be less than the minimum amount for borrowings of Revolving Loans otherwise provided in Section 2.1(b)(ii), the Borrower shall pay to the Administrative Agent for its own account an administrative fee of $500. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code), then each such Revolving Lender hereby agrees that it shall forthwith fund (as of the date the Mandatory Borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) its Participation Interests in the LOC Obligations; provided , further , that in the event any Revolving Lender shall fail to fund its Participation Interest on the day the Mandatory Borrowing would otherwise have occurred, then the amount of such Revolving Lender's unfunded Participation Interest therein shall bear interest payable by such Revolving Lender to the Issuing Lender upon demand, at the rate equal to, if paid within two (2) Business Days of such date, the Federal Funds Effective Rate, and thereafter at a rate equal to the Alternate Base Rate.

(f) Modification, Extension . The issuance of any supplement, modification, amendment, renewal, or extension to any Letter of Credit shall, for purposes hereof, be treated in all respects the same as the issuance of a new Letter of Credit hereunder.

(g) ISP98 and UCP . Unless otherwise expressly agreed by the Issuing Lender and the Borrower, when a Letter of Credit is issued, (i) the rules of the "International Standby Practices 1998," published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each standby Letter of Credit, and (ii) the rules of The Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce (the " UCP ") at the time of issuance, shall apply to each commercial Letter of Credit.

(h) Conflict with LOC Documents . In the event of any conflict between this Agreement and any LOC Document (including any letter of credit application), this Agreement shall control.

(i) Designation of Subsidiaries as Account Parties . Notwithstanding anything to the contrary set forth in this Agreement, including without limitation Section 2.3(a), a Letter of Credit issued hereunder may contain a statement to the effect that such Letter of Credit is issued for the account of a Subsidiary of the Borrower; provided that, notwithstanding such statement, the Borrower shall be the actual account party for all purposes of this Agreement for such Letter of Credit and such statement shall not affect the Borrower's reimbursement obligations hereunder with respect to such Letter of Credit.

Section 2 . 4 Swingline Loan Subfacility .

(a) Swingline Commitment . During the Commitment Period, subject to the terms and conditions hereof, the Swingline Lender, in its individual capacity, agrees to make certain revolving credit loans to the Borrower (each a " Swingline Loan " and, collectively, the " Swingline Loans ") for the purposes hereinafter set forth; provided , however , (i) the aggregate amount of Swingline Loans outstanding at any time shall not exceed **SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS ($7,500,000**) (the " Swingline Committed Amount "), and (ii) the sum of the outstanding Revolving Loans plus outstanding Swingline Loans plus outstanding LOC Obligations shall not exceed the Revolving Committed Amount. Swingline Loans hereunder may be repaid and reborrowed in accordance with the provisions hereof.

(b) Swingline Loan Borrowings .

(i) Notice of Borrowing and Disbursement . The Swingline Lender will make Swingline Loans available to the Borrower by crediting the account of the Borrower designated in the Account Designation Letter (or as otherwise agreed between the Borrower and the Administrative Agent) on any Business Day upon request made by the Borrower through the delivery of a Notice of Borrowing (with appropriate modifications) (or telephone notice promptly confirmed by delivery to the Administrative Agent and the Swingline Lender of a Notice of Borrowing by fax or other electronic notice with confirmed receipt from the recipient) to the Administrative Agent and the Swingline Lender not later than 2:00 P.M. (Charlotte, North Carolina time) on such Business Day. Swingline Loan borrowings hereunder shall be made in minimum amounts of $100,000 and in integral amounts of $100,000 in excess thereof.

(ii) Repayment of Swingline Loans . Each Swingline Loan borrowing shall be due and payable on the Revolver Maturity Date. The Swingline Lender may, at any time, in its sole discretion, by written notice to the Borrower and the Administrative Agent, demand repayment of its Swingline Loans by way of a Revolving Loan borrowing, in which case the Borrower shall be deemed to have requested a Revolving Loan borrowing comprised entirely of Alternate Base Rate Loans in the amount of such Swingline Loans; provided , however , that, in the following circumstances, any such demand shall also be deemed to have been given one Business Day prior to each of (A) the Revolver Maturity Date, (B) the occurrence of any Event of Default described in Section 7.1(e), (C) upon acceleration of the Credit Party Obligations hereunder, whether on account of an Event of Default described in Section 7.1(e) or any other Event of Default, and (D) the exercise of remedies in accordance with the provisions of Section 7.2 hereof (each such Revolving Loan borrowing made on account of any such deemed request therefore as provided herein being hereinafter referred to as " Mandatory Borrowing "). Each Revolving Lender hereby irrevocably agrees to make such Revolving Loans promptly upon any such request or deemed request on account of each Mandatory Borrowing in the amount and in the manner specified in the preceding sentence and on the same such date notwithstanding (I) the amount of Mandatory Borrowing may not comply with the minimum amount for borrowings of Revolving Loans otherwise required hereunder, (II) whether any conditions specified in Section 4.2 are then satisfied, (III) whether a Default or an Event of Default then exists, (IV) failure of any such request or deemed request for Revolving Loans to be made by the time otherwise required in Section 2.1(b)(i), (V) the date of such Mandatory Borrowing, or (VI) any reduction in the Revolving Committed Amount or termination of the Revolving Commitments immediately prior to such Mandatory Borrowing or contemporaneously therewith. In the event that any Mandatory Borrowing cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code), then each Revolving Lender hereby agrees that it shall forthwith purchase (as of the date the Mandatory Borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) from the Swingline Lender such participations in the outstanding Swingline Loans as shall be necessary to cause each such Revolving Lender to share in such Swingline Loans ratably based upon its respective Revolving Commitment Percentage (determined before giving effect to any termination of the Commitments pursuant to Section 7.2); provided that (x) all interest payable on the Swingline Loans shall be for the account of the Swingline Lender until the date as of which the respective participation is purchased, and (y) at the time any purchase of participations pursuant to this sentence is actually made, the purchasing Revolving Lender shall be required to pay to the Swingline Lender interest on the principal amount of such participation purchased for each day from and including the day upon which the Mandatory Borrowing would otherwise have occurred to but excluding the date of payment for such participation, at the rate equal to, if paid within two (2) Business Days of the date of the Mandatory Borrowing, the Federal Funds Effective Rate, and thereafter at a rate equal to the Alternate Base Rate.

(c) Interest on Swingline Loans . Subject to the provisions of Section 2.9, Swingline Loans shall bear interest at a per annum rate equal to the Alternate Base Rate plus the Applicable Percentage for Revolving Loans that are Alternate Base Rate Loans. Interest on Swingline Loans shall be payable in arrears on each Interest Payment Date.

(d) Swingline Note; Covenant to Pay . The Swingline Loans may be evidenced, upon such Lender's request, by a duly executed promissory note of the Borrower to the Swingline Lender in the original amount of the Swingline Committed Amount and substantially in the form of Schedule 2.4(d) . The Borrower covenants and agrees to pay the Swingline Loans in accordance with the terms of this Agreement.

Section 2 . 5 Fees .

(a) Commitment Fee . In consideration of the Revolving Commitments, the Borrower agrees to pay to the Administrative Agent for the ratable benefit of the Revolving Lenders a commitment fee (the " Commitment Fee ") in an amount equal to the Applicable Percentage per annum on the average daily unused amount of the Revolving Committed Amount. For purposes of computation of the Commitment Fee, LOC Obligations shall be considered usage of the Revolving Committed Amount but Swingline Loans shall not be considered usage of the Revolving Committed Amount. The Commitment Fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter for the prior calendar quarter then ending.

(b) Letter of Credit Fees . In consideration of the LOC Commitments, the Borrower agrees to pay to the Issuing Lender a fee (the " Letter of Credit Fee ") equal to the Applicable Percentage per annum on the average daily maximum amount available to be drawn under each Letter of Credit from the date of issuance to the date of expiration. In addition to such Letter of Credit Fee, the Issuing Lender may charge, and retain for its own account without sharing by the other Lenders, an additional facing fee of one-eighth of one percent (0.125%) per annum on the average daily maximum amount available to be drawn under each such Letter of Credit issued by it. The Issuing Lender shall promptly pay over to the Administrative Agent for the ratable benefit of the Revolving Lenders (including the Issuing Lender) the Letter of Credit Fee. The Letter of Credit Fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter for the prior calendar quarter then ending.

(c) Issuing Lender Fees . In addition to the Letter of Credit Fees payable pursuant to subsection (b) hereof, the Borrower shall pay to the Issuing Lender for its own account without sharing by the other Lenders the reasonable and customary charges from time to time of the Issuing Lender with respect to the amendment, transfer, administration, cancellation and conversion of, and drawings under, such Letters of Credit (collectively, the " Issuing Lender Fees "); provided such fees shall not be duplicative of any fees charged under any LOC Document.

(d) Administrative Fee . The Borrower agrees to pay to the Administrative Agent the annual administrative fee as described in the Agent's Fee Letter.

Section 2 . 6 Commitment Reductions .

(a) Voluntary Reductions . The Borrower shall have the right to terminate or permanently reduce the unused portion of the Revolving Committed Amount at any time or from time to time upon not less than five (5) Business Days' prior notice to the Administrative Agent (which shall notify the Revolving Lenders thereof as soon as practicable) of each such termination or reduction, which notice shall specify the effective date thereof and the amount of any such reduction which shall be in a minimum amount of $1,000,000 or a whole multiple of $500,000 in excess thereof, or, if less, the remaining Revolving Committed Amount, and shall be irrevocable and effective upon receipt by the Administrative Agent; provided that no such reduction or termination shall be permitted if after giving effect thereto, and to any prepayments of the Loans made on the effective date thereof, the sum of the outstanding Revolving Loans plus outstanding Swingline Loans plus outstanding LOC Obligations would exceed the Revolving Committed Amount.

(b) Swingline Committed Amount . If the Revolving Committed Amount is reduced, pursuant to Section 2.6(a) above, below the then current Swingline Committed Amount, the Swingline Committed Amount shall automatically be reduced by an amount such that the Swingline Committed Amount equals the Revolving Committed Amount.

(c) Revolver Maturity Date . The Revolving Commitment, the Swingline Commitment and the LOC Commitment shall automatically terminate on the Maturity Date.

Section 2 . 7 Prepayments .

(a) Optional Prepayments . The Borrower shall have the right to prepay Loans in whole or in part from time to time; provided , however , that each partial prepayment of a Revolving Loan and the Term Loan shall be in a minimum principal amount of $1,000,000 and integral multiples of $500,000 in excess thereof, and each partial prepayment of a Swingline Loan shall be in a minimum principal amount of $100,000 and integral multiples of $100,000 in excess thereof. The Borrower shall give three (3) Business Days' irrevocable notice in the case of LIBOR Rate Loans and one Business Day's irrevocable notice in the case of Alternate Base Rate Loans, to the Administrative Agent (which shall notify the Lenders thereof as soon as practicable). To the extent the Borrower elects to prepay the Term Loan (including, if applicable, any Additional Term Loan), amounts prepaid under this Section shall be applied to the next four (4) scheduled amortization payments and then pro rata to the Term Loan and any Additional Term Loan, if applicable (ratably to the remaining principal installments thereof), and then (after the Term Loan and any Additional Term Loan, if applicable, has been paid in full) to the Revolving Loans as the Borrower may elect. All prepayments under this Section 2.7(a) shall be subject to Section 2.17, but otherwise without premium or penalty. Interest on the principal amount prepaid shall be payable on the next occurring Interest Payment Date that would have occurred had such loan not been prepaid or, at the request of the Administrative Agent, interest on the principal amount prepaid shall be payable on any date that a prepayment is made hereunder through the date of prepayment.

(b) Mandatory Prepayments .

(i) Revolving Committed Amount . If at any time after the Closing Date, the sum of the outstanding Revolving Loans plus outstanding Swingline Loans plus outstanding LOC Obligations shall exceed the Revolving Committed Amount, the Borrower immediately shall prepay the Loans and cash collateralize the outstanding LOC Obligations in an amount sufficient to eliminate such excess (such prepayment to be applied as set forth in clause (vi) below).

(ii) Asset Dispositions . The Borrower shall prepay the Loans and cash collateralize the outstanding LOC Obligations in an aggregate amount equal to 100% of the Net Cash Proceeds derived from Asset Dispositions during any fiscal year in excess of $500,000 (such prepayment to be applied as set forth in clause (vi) below); provided , however , that, so long as no Default or Event of Default has occurred and is continuing, such Net Cash Proceeds shall not be required to be so applied to the extent the Borrower delivers to the Administrative Agent promptly following such Asset Disposition a certificate stating that it or the Company or any Subsidiary intends to use such Net Cash Proceeds to acquire like assets used in the business of the Borrower and its Subsidiaries within 180 days of the receipt of such Net Cash Proceeds, it being expressly agreed that any Net Cash Proceeds not so reinvested shall be applied to prepay the Loans and cash collateralize the outstanding LOC Obligations immediately thereafter (such prepayment to be applied as set forth in clause (vi) below).

(iii) Issuances . Immediately upon receipt by the Company or any of its Subsidiaries of proceeds from (A) any Debt Issuance, the Borrower shall prepay the Loans and cash collateralize the outstanding LOC Obligations in an aggregate amount equal to 100% of the Net Cash Proceeds of such Debt Issuance to the Lenders (such prepayment to be applied as set forth in clause (vi) below) or (B) any Equity Issuance, the Borrower shall prepay the Loans and cash collateralize the outstanding LOC Obligations in an aggregate amount equal to 50% of the Net Cash Proceeds of such Equity Issuance (such prepayment to be applied as set forth in clause (vi) below) ; provided , however , if the Leverage Ratio is less than or equal to 1.75 to 1.00 as of the end of the preceding fiscal year of the Company, then the Borrower shall not be required to prepay the Loans or cash collateralize the outstanding LOC Obligations with the proceeds of any Debt Issuance or any Equity Issuance.

(iv) Recovery Event . To the extent of Net Cash Proceeds received in connection with a Recovery Event that are not applied in accordance with Section 6.4(a)(iii), immediately following the expiration of the period allowed for reinvesting of such Net Cash Proceeds pursuant to Section 6.4(a)(iii), the Borrower shall prepay the Loans and cash collateralize the outstanding LOC Obligations in an aggregate amount equal to 100% of such Net Cash Proceeds (such prepayment to be applied as set forth in clause (vi) below).

(v) Excess Cash Flow . Within ninety (90) days after the end of each fiscal year of the Company (commencing with the fiscal year ending December 31, 2007), the Borrower shall prepay the Loans and cash collateralize the outstanding LOC Obligations in an amount equal to 50% of the Excess Cash Flow earned during such prior fiscal year (such prepayments to be applied as set forth in clause (vi) below); provided , however , if the Leverage Ratio is less than or equal to 1.75 to 1.00 as of the end of the preceding fiscal year of the Company, then the Borrower shall not be required to prepay the Loans or cash collateralize the outstanding LOC Obligations with Excess Cash Flow.

(vi) Application of Mandatory Prepayments . All amounts required to be paid pursuant to this Section 2.7 (b) shall be applied as follows: (A) with respect to all amounts prepaid pursuant to Section 2.7(b)(i), (1) first , to the outstanding Swingline Loans, (2) second , to the outstanding Revolving Loans and (3) third (after all Revolving Loans have been repaid), to a cash collateral account in respect of outstanding LOC Obligations, and (B) with respect to all amounts prepaid pursuant to Sections 2.7(b)(ii) through (v), (1) first , to the next four (4) scheduled amortization payments of the Term Loan (including, if applicable, any Additional Term Loan) and then pro rata to the Term Loan and any Additional Term Loan, if applicable (ratably to the remaining principal installments thereof), (2) second to the Swingline Loans (without a corresponding reduction in the Revolving Committed Amount), (3) third , to the Revolving Loans (without a corresponding reduction in the Revolving Committed Amount) and (4) fourth (after all Revolving Loans have been repaid), to a cash collateral account in respect of outstanding LOC Obligations. Within the parameters of the applications set forth above, prepayments shall be applied first to Alternate Base Rate Loans and then to LIBOR Rate Loans in direct order of Interest Period maturities. Each Lender shall receive its pro rata share (except with respect to prepayments of Swingline Loans) of any such prepayment based on its Revolving Commitment Percentage or Term Loan Commitment Percentage, as applicable. All prepayments under this Section 2.7(b) shall be subject to Section 2.17 and be accompanied by interest on the principal amount prepaid through the date of prepayment.

(c) Hedging Obligations Unaffected . Any repayment or prepayment made pursuant to this Section 2.7 shall not affect the Borrower's obligation to continue to make payments under any Secured Hedging Agreement, which shall remain in full force and effect notwithstanding such repayment or prepayment, subject to the terms of such Secured Hedging Agreement.

Section 2 . 8 Lending Offices .

LIBOR Rate Loans shall be made by each Lender at its LIBOR Lending Office and Alternate Base Rate Loans at its Domestic Lending Office.

Section 2 . 9 Default Rate and Payment Dates .

Upon the occurrence, and during the continuance, of an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing hereunder or under the other Credit Documents shall, at the discretion of the Required Lenders, bear interest, payable on demand, at a per annum rate 2% greater than the rate which would otherwise be applicable (or if no rate is applicable, whether in respect of interest, fees or other amounts, then the Alternate Base Rate plus the Applicable Percentage with respect to Alternate Base Rate Loans plus 2%).

Section 2 . 10 Conversion Options .

(a) The Borrower may, in the case of Revolving Loans and Term Loans, elect from time to time to convert Alternate Base Rate Loans to LIBOR Rate Loans, by giving the Administrative Agent at least three (3) Business Days' prior irrevocable written notice of such election substantially in the form of the notice attached as Schedule 2.10 (the " Notice of Conversion/Extension "). If the date upon which an Alternate Base Rate Loan is to be converted to a LIBOR Rate Loan is not a Business Day, then such conversion shall be made on the next succeeding Business Day and during the period from such last day of an Interest Period to such succeeding Business Day such Loan shall bear interest as if it were an Alternate Base Rate Loan. All or any part of outstanding Alternate Base Rate Loans may be converted as provided herein; provided that (i) no Loan may be converted into a LIBOR Rate Loan when any Default or Event of Default has occurred and is continuing and (ii) partial conversions shall be in an aggregate principal amount of (A) in the case of Revolving Loans, $1,000,000 or a whole multiple of $500,000 in excess thereof and (B) in the case of the Term Loan, $2,000,000 or a whole multiple of $1,000,000 in excess thereof.

(b) Any LIBOR Rate Loans may be continued as such upon the expiration of an Interest Period with respect thereto by compliance by the Borrower with the notice provisions contained in Section 2.10(a); provided , that no LIBOR Rate Loan may be continued as such when any Default or Event of Default has occurred and is continuing, in which case such Loan shall be automatically converted to an Alternate Base Rate Loan at the end of the applicable Interest Period with respect thereto. If the Borrower shall fail to give timely notice of an election to continue a LIBOR Rate Loan, or the continuation of LIBOR Rate Loans is not permitted hereunder, such LIBOR Rate Loans shall be automatically converted to Alternate Base Rate Loans at the end of the applicable Interest Period with respect thereto.

Section 2 . 11 Computation of Interest and Fees .

(a) Interest payable hereunder with respect to Alternate Base Rate Loans based on the Prime Rate shall be calculated on the basis of a year of 365 days (or 366 days, as applicable) for the actual days elapsed. All other fees, interest and all other amounts payable hereunder shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a LIBOR Rate on the Business Day of the determination thereof. Any change in the interest rate on a Loan resulting from a change in the Alternate Base Rate shall become effective as of the opening of business on the day on which such change in the Alternate Base Rate shall become effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the computations used by the Administrative Agent in determining any interest rate.

(c) It is the intent of the Lenders and the Credit Parties to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between the Lenders and the Credit Parties are hereby limited by the provisions of this subsection which shall override and control all such agreements, whether now existing or hereafter arising and whether written or oral. In no way, nor in any event or contingency (including but not limited to prepayment or acceleration of the maturity of any Credit Party Obligation), shall the interest taken, reserved, contracted for, charged, or received under this Agreement, under the Notes or otherwise, exceed the maximum nonusurious amount permissible under applicable law. If, from any possible construction of any of the Credit Documents or any other document, interest would otherwise be payable in excess of the maximum nonusurious amount, any such construction shall be subject to the provisions of this paragraph and such interest shall be automatically reduced to the maximum nonusurious amount permitted under applicable law, without the necessity of execution of any amendment or new document. If any Lender shall ever receive anything of value which is characterized as interest on the Loans under applicable law and which would, apart from this provision, be in excess of the maximum nonusurious amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the Loans and not to the payment of interest, or refunded to the Borrower or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal amount of the Loans. The right to demand payment of the Loans or any other Indebtedness evidenced by any of the Credit Documents does not include the right to receive any interest which has not otherwise accrued on the date of such demand, and the Lenders do not intend to charge or receive any unearned interest in the event of such demand. All interest paid or agreed to be paid to the Lenders with respect to the Loans shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term (including any renewal or extension) of the Loans so that the amount of interest on account of such Indebtedness does not exceed the maximum nonusurious amount permitted by applicable law.

Section 2 . 12 Pro Rata Treatment and Payments .

(a) Each borrowing of Revolving Loans and any reduction of the Revolving Commitments shall be made pro rata according to the respective Revolving Commitment Percentages of the Revolving Lenders. Each payment under this Agreement or any Note shall be applied, first, to any fees then due and owing by the Borrower pursuant to Section 2.5, second, to interest then due and owing in respect of the Notes of the Borrower and, third, to principal then due and owing hereunder and under the Notes of the Borrower. Each payment on account of any fees pursuant to Section 2.5 shall be made pro rata in accordance with the respective amounts due and owing (except as to the portion of the Letter of Credit retained by the Issuing Lender and the Issuing Lender Fees). Each payment (other than prepayments) by the Borrower on account of principal of and interest on the Revolving Loans and the Term Loan shall be made pro rata according to the respective amounts due and owing in accordance with Section 2.7 hereof. Each optional prepayment on account of principal of the Loans shall be applied in accordance with Section 2.7(a) and each mandatory prepayment on account of principal of the Loans shall be applied in accordance with Section 2.7(b). All payments (including prepayments) to be made by the Borrower on account of principal, interest and fees shall be made without defense, set-off or counterclaim (except as provided in Section 2.18(b)) and shall be made to the Administrative Agent for the account of the Lenders at the Administrative Agent's office specified in Section 9.2 in Dollars and in immediately available funds not later than 1:00 P.M. (Charlotte, North Carolina time) on the date when due. The Administrative Agent shall distribute such payments to the Lenders entitled thereto promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the LIBOR Rate Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a LIBOR Rate Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day.

(b) Allocation of Payments After Exercise of Remedies . Notwithstanding any other provision of this Credit Agreement to the contrary, upon the exercise of remedies by the Administrative Agent or the Lenders pursuant to Section 7.2 (or after the Commitments shall automatically terminate and the Loans and all other amounts under the Credit Documents shall automatically become due and payable in accordance with the terms of such Section), all amounts collected or received by the Administrative Agent or any Lender on account of the Credit Party Obligations or any other amounts outstanding under any of the Credit Documents or in respect of the Collateral shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Administrative Agent in connection with enforcing the rights of the Lenders under the Credit Documents and any protective advances made by the Administrative Agent with respect to the Collateral under or pursuant to the terms of the Collateral Documents;

SECOND, to payment of any fees owed to the Administrative Agent;

THIRD, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) of each of the Lenders in connection with enforcing its rights under the Credit Documents or otherwise with respect to the Credit Party Obligations owing to such Lender;

FOURTH, to the payment of all of the Credit Party Obligations consisting of accrued fees and interest, including with respect to any Secured Hedging Agreement, any fees, premiums and scheduled periodic payments due under such Secured Hedging Agreement and any interest accrued thereon;

FIFTH, to the payment of the outstanding principal amount of the Credit Party Obligations and the payment or cash collateralization of the outstanding LOC Obligations, and including with respect to any Secured Hedging Agreement, any breakage, termination or other payments due under such Secured Hedging Agreement and any interest accrued thereon;

SIXTH, to all other Credit Party Obligations and other obligations which shall have become due and payable under the Credit Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FIFTH" above; and

SEVENTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; (ii) each of the Lenders and Hedging Agreement Providers shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding Loans and outstanding LOC Obligations held by such Lender or the outstanding obligations payable to such Hedging Agreement Provider bears to the aggregate then outstanding Loans, outstanding LOC Obligations and obligations payable under all Secured Hedging Agreements) of amounts available to be applied pursuant to clauses "THIRD", "FOURTH", "FIFTH" and "SIXTH" above; and (iii) to the extent that any amounts available for distribution pursuant to clause "FIFTH" above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Administrative Agent in a cash collateral account and applied (A) first, to reimburse the Issuing Lender from time to time for any drawings under such Letters of Credit and (B) then, following the expiration of all Letters of Credit, to all other obligations of the types described in clauses "FIFTH" and "SIXTH" above in the manner provided in this Section 2.12(b). Notwithstanding the foregoing terms of this Section 2.12(b), only Collateral proceeds and payments under the Guaranty with respect to Secured Hedging Agreements shall be applied to obligations under any Secured Hedging Agreement.

Section 2 . 13 Non-Receipt of Funds by the Administrative Agent .

(a) Unless the Administrative Agent shall have been notified in writing by a Lender prior to the date a Loan is to be made by such Lender (which notice shall be effective upon receipt), that such Lender does not intend to make the proceeds of such Loan available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such proceeds available to the Administrative Agent on such date, and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent, the Administrative Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent will promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from the Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such corresponding amount is recovered by the Administrative Agent at a per annum rate equal to (i) from the Borrower at the applicable rate for the applicable borrowing pursuant to the Notice of Borrowing and (ii) from a Lender at the Federal Funds Effective Rate.

(b) Unless the Administrative Agent shall have been notified in writing by the Borrower, prior to the date on which any payment is due from it hereunder (which notice shall be effective upon receipt) that the Borrower does not intend to make such payment, the Administrative Agent may assume that such Borrower has made such payment when due, and the Administrative Agent may in reliance upon such assumption (but shall not be required to) make available to each Lender on such payment date an amount equal to the portion of such assumed payment to which such Lender is entitled hereunder, and if the Borrower has not in fact made such payment to the Administrative Agent, such Lender shall, on demand, repay to the Administrative Agent the amount made available to such Lender. If such amount is repaid to the Administrative Agent on a date after the date such amount was made available to such Lender, such Lender shall pay to the Administrative Agent on demand interest on such amount in respect of each day from the date such amount was made available by the Administrative Agent to such Lender to the date such amount is recovered by the Administrative Agent at a per annum rate equal to the Federal Funds Effective Rate.

(c) A certificate of the Administrative Agent submitted to the Borrower or any Lender with respect to any amount owing under this Section 2.13 shall be conclusive in the absence of manifest error.

Section 2 . 14 Inability to Determine Interest Rate .

Notwithstanding any other provision of this Agreement, if (i) the Administrative Agent shall reasonably determine (which determination shall be conclusive and binding absent manifest error) that, by reason of circumstances affecting the relevant market, reasonable and adequate means do not exist for ascertaining LIBOR Rate for any Interest Period, or (ii) the Administrative Agent or the Required Lenders shall reasonably determine (which determination shall be conclusive and binding absent manifest error) that LIBOR Rate does not adequately and fairly reflect the cost to such Lenders of funding LIBOR Rate Loans that the Borrower has requested be outstanding as a LIBOR Tranche during such Interest Period, the Administrative Agent shall forthwith give telephone notice of such determination, confirmed in writing, to the Borrower, and the Lenders at least two (2) Business Days prior to the first day of such Interest Period. Unless the Borrower shall have notified the Administrative Agent upon receipt of such telephone notice that it wishes to rescind or modify its request regarding such LIBOR Rate Loans, any Loans that were requested to be made as LIBOR Rate Loans shall be made as Alternate Base Rate Loans and any Loans that were requested to be converted into or continued as LIBOR Rate Loans shall remain as or be converted into Alternate Base Rate Loans. Until any such notice has been withdrawn by the Administrative Agent, no further Loans shall be made as, continued as, or converted into, LIBOR Rate Loans for the Interest Periods so affected.

Section 2 . 15 Illegality .

Notwithstanding any other provision of this Agreement, if the adoption of or any change in any Requirement of Law or in the interpretation, administration or application thereof by the relevant Governmental Authority to any Lender shall make it unlawful for such Lender or its LIBOR Lending Office to make or maintain LIBOR Rate Loans as contemplated by this Agreement or to obtain in the interbank eurodollar market through its LIBOR Lending Office the funds with which to make such Loans, (a) such Lender shall promptly notify the Administrative Agent and the Borrower thereof, (b) the commitment of such Lender hereunder to make LIBOR Rate Loans or continue LIBOR Rate Loans as such shall forthwith be suspended until the Administrative Agent shall give notice that the condition or situation which gave rise to the suspension shall no longer exist, and (c) such Lender's Loans then outstanding as LIBOR Rate Loans, if any, shall be converted on the last day of the Interest Period for such Loans or within such earlier period as required by law to Alternate Base Rate Loans. The Borrower hereby agrees promptly to pay any Lender, upon its demand, any additional amounts necessary to compensate such Lender for actual and direct costs (but not including anticipated profits) reasonably incurred by such Lender including, but not limited to, any interest or fees payable by such Lender to lenders of funds obtained by it in order to make or maintain its LIBOR Rate Loans hereunder. A certificate as to any additional amounts payable pursuant to this Section submitted by such Lender (which certificate shall include a description of the basis for the computation), through the Administrative Agent, to the Borrower shall be conclusive in the absence of manifest error. Each Lender agrees to use reasonable efforts (including reasonable efforts to change its LIBOR Lending Office) to avoid or to minimize any amounts which may otherwise be payable pursuant to this Section; provided , however , that such efforts shall not cause the imposition on such Lender of any additional costs or legal or regulatory burdens deemed by such Lender in its reasonable discretion to be material.

Section 2 . 16 Requirements of Law .

(a) If the adoption of or any change in any Requirement of Law (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Reserve Percentage) or in the interpretation, administration or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject such Lender to any tax of any kind whatsoever with respect to any Letter of Credit or any application relating thereto, any LIBOR Rate Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the LIBOR Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining LIBOR Rate Loans or the Letters of Credit or to reduce any amount receivable hereunder or under any Note, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such additional cost or reduced amount receivable which such Lender reasonably deems to be material as determined by such Lender with respect to its LIBOR Rate Loans or Letters of Credit. A certificate as to any additional amounts payable pursuant to this Section submitted by such Lender (which certificate shall include a description of the basis for the computation), through the Administrative Agent, to the Borrower shall be conclusive in the absence of manifest error. Each Lender agrees to use reasonable efforts (including reasonable efforts to change its Domestic Lending Office or LIBOR Lending Office, as the case may be) to avoid or to minimize any amounts that might otherwise be payable pursuant to this paragraph of this Section; provided , however , that such efforts shall not cause the imposition on such Lender of any additional costs or legal or regulatory burdens deemed by such Lender in its reasonable discretion to be material.

(b) If any Lender shall have reasonably determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any central bank or Governmental Authority made subsequent to the date hereof does or shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount reasonably deemed by such Lender in its reasonable discretion to be material, then from time to time, within fifteen (15) days after demand by such Lender, the Borrower shall pay to such Lender such additional amount as shall be certified by such Lender as being required to compensate it for such reduction. Such a certificate as to any additional amounts payable under this Section submitted by a Lender (which certificate shall include a description of the basis for the computation), through the Administrative Agent, to the Borrower shall be conclusive absent manifest error.

(c) In the event that any Lender demands payment of costs or additional amounts pursuant to Section 2.16 or Section 2.18 or asserts, pursuant to Section 2.15, that it is unlawful for such Lender to make LIBOR Rate Loans, then (subject to such Lender's right to rescind such demand or assertion within 10 days after the notice from the Borrower referred to below) the Borrower may, upon 20 days' prior written notice to such Lender and the Administrative Agent, elect to cause such Lender to assign at par its Loans and Commitments in full to one or more Persons selected by the Borrower so long as (i) each such Person is either another Lender or any Affiliate or Related Fund thereof or is otherwise satisfactory to the Administrative Agent, (ii) such Lender receives payment in full in cash of the outstanding principal amount of all Loans made by it and all accrued and unpaid interest thereon and all other amounts due and payable to such Lender as of the date of such assignment (including, without limitation, amounts owing pursuant to Sections 2.16, 2.17 and 2.18), (iii) each such Lender assignee agrees to accept such assignment and to assume all obligations of such assigning party hereunder in accordance with Section 9.6 and (iv) the costs and compensation paid by the Borrower under Section 2.16 or Section 2.18 shall be reduced as a result of such assignment.

(d) The agreements in this Section 2.16 shall survive the termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

Section 2 . 17 Indemnity .

The Credit Parties hereby agree to indemnify each Lender and to hold such Lender harmless from any funding loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in payment of the principal amount of or interest on any Loan by such Lender in accordance with the terms hereof, (b) default by the Borrower in accepting a borrowing after the Borrower has given a notice in accordance with the terms hereof, (c) default by the Borrower in making any prepayment after the Borrower has given a notice in accordance with the terms hereof, and/or (d) the making by the Borrower of a prepayment of a Loan, or the conversion thereof, on a day which is not the last day of the Interest Period with respect thereto, in each case including, but not limited to, any such loss or expense arising from interest or fees payable by such Lender to lenders of funds obtained by it in order to maintain its Loans hereunder. A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender, through the Administrative Agent, to the Borrower (which certificate must be delivered to the Administrative Agent within thirty (30) days following such default, prepayment or conversion and shall include a description of the basis for the computation) shall be conclusive in the absence of manifest error. The agreements in this Section shall survive termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

Section 2 . 18 Taxes .

(a) All payments made by the Borrower hereunder or under any Note will be, except as provided in Section 2.18(b), made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any Governmental Authority or by any political subdivision or taxing authority thereof or therein with respect to such payments (but excluding any tax imposed on or measured by the net income or profits of a Lender pursuant to the laws of the jurisdiction in which it is organized or the jurisdiction in which the principal office or applicable lending office of such Lender is located or any subdivision thereof or therein) and all interest, penalties or additions to tax with respect thereto (all such non-excluded taxes, levies, imposts, duties, fees, assessments or other charges being referred to collectively as " Taxes " and all such excluded taxes referred to collectively as " Excluded Taxes "). If any Taxes are so levied or imposed, the Borrower agrees to pay the full amount of such Taxes, and such additional amounts as may be necessary so that every payment of all amounts due under this Agreement or under any Note, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in such Note. The Borrower will furnish to the Administrative Agent as soon as practicable after the date the payment of any Taxes is due pursuant to applicable law certified copies (to the extent reasonably available and required by law) of tax receipts evidencing such payment by the Borrower or such other evidence of payment reasonably satisfactory to the Lenders. The Borrower agrees to indemnify and hold harmless each Lender, and reimburse such Lender upon its written request (which shall specify in reasonable detail the nature and amount of such Taxes), for the amount of any Taxes so levied or imposed and paid by such Lender. Nothing contained in this Section shall require a Lender to make available its tax returns or provide any information relating to its taxes which it reasonably deems confidential.

(b) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) agrees to deliver to the Borrower and the Administrative Agent on or prior to the Closing Date, or in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant to Section 9.6(c) (unless the respective Lender was already a Lender hereunder immediately prior to such assignment or transfer), on the date of such assignment or transfer to such Lender, (i) if the Lender is a "bank" within the meaning of Section 881(c)(3)(A) of the Code, two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN, W-8ECI or W-8IMY with appropriate attachments (or successor forms) certifying such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note, or (ii) if the Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, Internal Revenue Service Form W-8BEN, W-8ECI or W-8IMY with appropriate attachments as set forth in clause (i) above, or (x) a certificate in substantially the form of Schedule 2.18 (any such certificate, a " Tax Exempt Certificate ") and (y) two accurate and complete original signed copies of Internal Revenue Service Form W-8BEN (or successor form) certifying such Lender's entitlement to an exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Note. Each Lender that is a United States person as that term is defined in Section 7701(a)(30) of the Code , other than a Lender that may be treated as an exempt recipient based on the indicators described in Treasury Regulation Section 1.6049-4(c)(1)(ii), hereby agrees that it shall, no later than the Closing Date or, in the case of a Lender that is an assignee or transferee of an interest under this Agreement pursuant Section 9.6(c), on the date of such assignment or transfer to such Lender, deliver to the Borrower and the Administrative Agent two accurate, complete and signed copies of Internal Revenue service Form W-9 or successor form, certifying that such Lender is not subject to United States backup withholding tax. In addition, each Lender agrees that it will deliver updated versions of the foregoing, as applicable, (A) whenever the previous certification has become inaccurate in any material respect or (B) at any time reasonably requested by the Borrower or the Administrative Agent, together with such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding tax with respect to payments under this Agreement and any Note. Notwithstanding anything to the contrary contained in Section 2.18(a), but subject to the immediately succeeding sentence, (x) the Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold Taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Lender to the extent that such Lender has not provided to the Borrower U.S. Internal Revenue Service Forms that establish a complete exemption from such deduction or withholding and (y) the Borrower shall not be obligated pursuant to Section 2.18(a) hereof to gross-up payments to be made to a Lender in respect of Taxes imposed by the United States or to indemnify such Lender for any withholding Taxes imposed by the United States if (I) such Lender has not provided to the Borrower the Internal Revenue Service Forms required to be provided to the Borrower pursuant to this Section or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such Forms do not establish a complete exemption from withholding of such Taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section, the Borrower agrees to pay additional amounts and to indemnify each Lender in the manner set forth in Section 2.18(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the Closing Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of Taxes.

(c) Each Lender agrees to use reasonable efforts (including reasonable efforts to change its Domestic Lending Office or LIBOR Lending Office, as the case may be) to avoid or to minimize any amounts which might otherwise be payable pursuant to this Section; provided , however , that such efforts shall not cause the imposition on such Lender of any additional costs or legal or regulatory burdens deemed by such Lender in its reasonable discretion to be material.

(d) If the Borrower pays any additional amount pursuant to this Section with respect to a Lender, such Lender shall use reasonable efforts to obtain a refund of tax or credit against its tax liabilities on account of such payment; provided that such Lender shall have no obligation to use such reasonable efforts if either (i) it is in an excess foreign tax credit position or (ii) it believes in good faith, in its sole discretion, that claiming a refund or credit would cause adverse tax consequences to it. In the event that such Lender receives such a refund or credit, such Lender shall pay to the Borrower an amount that such Lender reasonably determines is equal to the net tax benefit obtained by such Lender as a result of such payment by the Borrower. In the event that no refund or credit is obtained with respect to the Borrower's payments to such Lender pursuant to this, then such Lender shall upon request provide a certification that such Lender has not received a refund or credit for such payments. Nothing contained in this Section shall require a Lender to disclose or detail the basis of its calculation of the amount of any tax benefit or any other amount or the basis of its determination referred to in the proviso to the first sentence of this Section to the Borrower or any other party.

(e) The agreements in this Section shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder.

Section 2 . 19 Indemnification; Nature of Issuing Lender's Duties .

(a) In addition to its other obligations under Section 2.3, each Credit Party hereby agrees to protect, indemnify, pay and save each Issuing Lender harmless from and against any and all claims, demands, liabilities, damages, losses, charges, and reasonable out of pocket costs and expenses (including reasonable attorneys' fees) that the Issuing Lender may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of any Letter of Credit or (ii) the failure of the Issuing Lender to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions, herein called " Government Acts ").

(b) As between the Credit Parties, the Issuing Lender and each Lender, the Credit Parties shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. Neither the Issuing Lender nor any Lender shall be responsible for: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (iii) failure of the beneficiary of a Letter of Credit to comply fully with conditions required in order to draw upon a Letter of Credit; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (vii) any consequences arising from causes beyond the control of the Issuing Lender or any Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the Issuing Lender's rights or powers hereunder.

(c) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by the Issuing Lender or any Lender, under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith, shall not put such Issuing Lender or such Lender under any resulting liability to the Borrower. It is the intention of the parties that this Agreement shall be construed and applied to protect and indemnify the Issuing Lender and each Lender against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Credit Parties, including, without limitation, any and all risks of the acts or omissions, whether rightful or wrongful, of any Governmental Authority. The Issuing Lender and the Lenders shall not, in any way, be liable for any failure by the Issuing Lender or anyone else to pay any drawing under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of the Issuing Lender and the Lenders.

(d) Nothing in this Section 2.19 is intended to limit the reimbursement obligation of the Borrower contained in Section 2.3(d) hereof. The obligations of the Credit Parties under this Section 2.19 shall survive the termination of this Agreement. No act or omissions of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the Issuing Lender to enforce any right, power or benefit under this Agreement.

(e) Notwithstanding anything to the contrary contained in this Section 2.19, the Credit Parties shall have no obligation to indemnify any Issuing Lender or any Lender in respect of any liability incurred by such Issuing Lender or such Lender arising out of the gross negligence or willful misconduct of the Issuing Lender or such Lender (including action not taken by an Issuing Lender), as determined by a court of competent jurisdiction pursuant to a final non-appealable judgment.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

To induce the Lenders to enter into this Agreement and to make the Extensions of Credit herein provided for, the Company and its Subsidiaries hereby represent and warrant to the Administrative Agent and each Lender that:

Section 3 . 1 Financial Condition .

The Borrower has delivered to the Administrative Agent and the Lenders (a) balance sheets and the related statements of income and of cash flows of (i) the Company and its Subsidiaries for the fiscal years ended December 31, 2003, December 31, 2004 and December 31, 2005 audited by Ernst & Young, LLP and (ii) the Acquired Company and its Subsidiaries for the fiscal years ended December 31, 2003, December 31, 2004 and December 31, 2005 audited by Carlin, Charron & Rosen, LLP, (b) a company-prepared unaudited balance sheet and the related statement of income and of cash flow of the Borrower for fiscal years ended December 31, 2004 and December 31, 2005, (c) company-prepared unaudited balance sheets and related statements of income and cash flows for the Company, the Borrower and the Acquired Company and their respective Subsidiaries for that portion of the fiscal year commencing on January 1, 2006 through the month most recently ended prior to the Closing Date (provided that if the Closing Date shall occur prior to the twentieth day of any month, then such financial statements shall be provided as of the end of the month immediately preceding the most recent month end), (d) good faith estimated (subject only to completion of purchase price accounting and other related adjustments) pro forma unaudited balance sheets of the Company and its Subsidiaries and the Borrower and its Subsidiaries as of the last day of the month most recently ended prior to the Closing Date (provided that if the Closing Date shall occur prior to the twentieth day of any month, then such financial statements shall be provided as of the end of the month immediately preceding the most recent month end), in each case prepared giving effect to the Acquisition and the initial Extensions of Credit made hereunder on a Pro Forma Basis and in form and substance reasonably satisfactory to the Administrative Agent and (e) the seven-year projections of the Company and the Borrower, in form and substance reasonably satisfactory to the Administrative Agent. The financial statements referred to in subsections (a)-(d) above are complete and correct and present fairly the financial condition of the Company, the Borrower, the Acquired Company and their respective Subsidiaries as of such dates, subject in the case of unaudited financials to the absence of footnotes and immaterial year end adjustments. All such financial statements and projections, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as disclosed therein).

Section 3 . 2 No Change .

Since December 31, 2005 there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect and no Internal Control Event has occurred.

Section 3 . 3 Corporate Existence; Compliance with Law .

Each of the Credit Parties (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, organization or formation, (b) has the requisite power and authority and the legal right to own and operate all its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and has taken all actions necessary to maintain all rights, privileges, licenses and franchises necessary or required in the normal conduct of its business, except to the extent that the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (c) is duly qualified to conduct business and is in good standing under the laws of (i) the jurisdiction of its organization or formation and (ii) each other jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that the failure to so qualify or be in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Without limiting the generality of the foregoing, each of the Credit Parties represents that:

(i) (A) To the knowledge of any Responsible Officer of any Credit Party, there is no Credit Party or individual employed by such Credit Party who may reasonably be expected to have criminal culpability or to be excluded or suspended from participation in any Medical Reimbursement Program for their corporate or individual actions or failures to act where such culpability, exclusion and/or suspension has or could be reasonably expected to result in a Material Adverse Effect; and (B) there is no member of management continuing to be employed by any Credit Party who may reasonably be expected to have individual culpability for matters under investigation by any Governmental Authority where such culpability has or could reasonably be expected to result in a Material Adverse Effect unless such member of management has been, within a reasonable period of time after discovery of such actual or potential culpability, either suspended or removed from positions of responsibility related to those activities under challenge by the Governmental Authority;

(ii) current billing policies, arrangements, protocols and instructions comply with expressly stated requirements of Medical Reimbursement Programs and are administered by properly trained personnel except where any such failure to comply could not reasonably be expected to result in a Material Adverse Effect;

(iii) current medical director compensation arrangements and other arrangements with referring physicians comply with state and federal self-referral and anti-kickback laws, including without limitation 42 U.S.C. Section 1320a-7b(b)(1) - (b)(2) and 42 U.S.C. Section 1395nn, except where any such failure to comply could not reasonably be expected to result in a Material Adverse Effect;

(iv) none of the Credit Parties is currently, nor has in the past been subject to any federal, state, local governmental or private payor civil or criminal inspections, investigations, inquiries or audits involving and/or related to its activities, except for routine inspections, investigations, inquiries or audits in the ordinary course not anticipated to result in a Material Adverse Effect; and

(v) except as set forth on Schedule 3.3 , no Credit Party: (A) has had a civil monetary penalty assessed against it pursuant to 42 U.S.C. §1320a 7a, (B) has been excluded from participation in a Federal Health Care Program (as that term is defined in 42 U.S.C. §1320a 7b), (C) has been convicted (as that term is defined in 42 C.F.R. §1001.2) of any of those offenses described in 42 U.S.C. §1320a 7b or 18 U.S.C. §§669, 1035, 1347, 1518, or (D) to the knowledge of any Responsible Officer, has been involved or named in a U.S. Attorney complaint made or any other action taken pursuant to the False Claims Act under 31 U.S.C. §§3729 3731 or qui tam action brought pursuant to 31 U.S.C. §3729 et seq.

Section 3 . 4 Corporate Power; Authorization; Enforceable Obligations .

Each of the Credit Parties has full power and authority and the legal right to make, deliver and perform the Credit Documents to which it is party and has taken all necessary limited liability company or corporate or other action to authorize the execution, delivery and performance by it of the Credit Documents to which it is party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery or performance of any Credit Document by the Credit Parties (other than those which have been obtained) or with the validity or enforceability of any Credit Document against the Credit Parties (except such filings as are necessary in connection with the perfection of the Liens created by such Credit Documents). This Credit Agreement has been, and each other Credit Document when delivered hereunder will have been, duly executed and delivered on behalf of each of the Credit Parties party thereto. Each Credit Document to which it is a party constitutes a legal, valid and binding obligation of each of the Credit Parties, enforceable against such Credit Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

Section 3 . 5 Status Under Certain Statutes .

No Credit Party is (i) required to be registered as an "investment company", or "controlled" by a Person that is required to be registered as an "investment company", under the Investment Company Act of 1940, as amended, or (ii) subject to regulation under any federal or state statute or regulation limiting its ability to incur the Credit Party Obligations.

Section 3 . 6 Margin Regulations .

No part of the proceeds of any Loan hereunder will be used directly or indirectly for any purpose which does not comply with the provisions of Regulation T, U or X of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. The Company and its Subsidiaries taken as a group do not own "margin stock" except as identified in the financial statements referred to in Section 3.1 and the aggregate value of all "margin stock" owned by the Company and its Subsidiaries taken as a group does not exceed 25% of the value of their assets.

Section 3 . 7 No Legal Bar; No Default .

The execution, delivery and performance of the Credit Documents, the borrowings thereunder and the use of the proceeds of the Loans (a) will not violate any Requirement of Law in any material respect or any material Contractual Obligation of any Credit Party (except those as to which waivers or consents have been obtained), (b) will not conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws, articles of organization, operating agreement or other organization documents of the Credit Parties or any Material Contract to which such Person is a party or by which any of its properties may be bound or any material approval or material consent from any Governmental Authority relating to such Person, and (c) will not result in, or require, the creation or imposition of any Lien on any Credit Party's properties or revenues pursuant to any Requirement of Law or Contractual Obligation other than the Liens arising under or contemplated in connection with the Credit Documents or Permitted Liens. No Credit Party is in default under or with respect to any of its material Contractual Obligations in any material respect. No Default or Event of Default has occurred and is continuing.

Section 3 . 8 No Material Litigation .

As of the Closing Date, set forth on Schedule 3.8 is a description of any material litigation, investigation, claim, criminal prosecution, civil investigative demand, criminal or civil fine and penalty, or other proceeding of or before any arbitrator or Governmental Authority (including but not limited to those regulatory agencies responsible for licensing, accrediting or issuing Medicare or Medicaid certifications) that is pending or, to the best knowledge of any Responsible Officer, threatened by or against the Company or any of its Subsidiaries or against any of its or their respective properties or revenues. No litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of or before any arbitrator or Governmental Authority (including but not limited to those regulatory agencies responsible for licensing, accrediting or issuing Medicare or Medicaid certifications) is pending or, to the best knowledge of any Responsible Officer, threatened by or against the Company or any of its Subsidiaries or against any of its or their respective properties or revenues (a) with respect to the Credit Documents or any Loan or any of the transactions contemplated hereby, or (b) which could reasonably be expected to be adversely determined and if so adversely determined could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3 . 9 ERISA .

No Reportable Event that could reasonably be expected to result in a Material Adverse Effect, and no "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA), has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Single Employer Plan. Each Single Employer Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred resulting in any liability that has remained underfunded. No Lien in favor of a Single Employer Plan or in favor of the PBGC with respect to a Single Employer Plan has arisen, during the five-year period prior to the date on which this representation is made or deemed made with respect to any Single Employer Plan (other than a Lien with respect to a liability which has been satisfied in full). The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits, except to the extent that such underfunding could not reasonably be expected to result in a Material Adverse Effect. Neither any Credit Party nor any Commonly Controlled Entity has any outstanding liability for a complete or partial withdrawal from a Multiemployer Plan, except to the extent such liability could not reasonably be expected to result in a Material Adverse Effect.

Section 3 . 10 Environmental Matters .

Except as could not reasonably be expected to have a Material Adverse Effect:

(a) The facilities and properties owned, leased or operated by the Company or any of its Subsidiaries (the " Properties ") do not contain any Materials of Environmental Concern in amounts or concentrations that constitute a violation of or a liability under, any Environmental Law.

(b) The Properties, all operations of the Company and/or its Subsidiaries at the Properties, and the business operated by the Company or any of its Subsidiaries (the " Business ") are in compliance, and have in the last two years been in compliance, with all applicable Environmental Laws.

(c) Neither the Company nor any of its Subsidiaries has received any written notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Business, nor does any Responsible Officer of the Company or any of its Subsidiaries have knowledge that any such notice will be received or is being threatened.

(d) Materials of Environmental Concern have not been transported or disposed of from the Properties by the Company or any of its Subsidiaries in violation of any Environmental Law, and neither the Company nor any of its Subsidiaries has received any written notice of any liability or potential liability for any Materials of Environmental Concern transported or disposed of from the Properties by the Company or any of its Subsidiaries. Materials of Environmental Concern have not been generated, treated, stored or disposed of by the Company or any of its Subsidiaries at, on or under any of the Properties in violation of any applicable Environmental Law, and neither the Company nor any of its Subsidiaries is liable for any Materials of Environmental Concern that have been generated, treated, stored or disposed of at, on or under any of the Properties.

(e) No judicial proceeding or governmental or administrative action is pending or, to the knowledge of any Responsible Officer, threatened, under any Environmental Law to which the Company or any Subsidiary is or, with respect to any threatened proceeding or action, is reasonably expected to become a party with respect to the Properties or the Business, nor are there any governmental consent decrees, consent orders or administrative orders with respect to which the Company or any of its Subsidiaries is a party, or other administrative or judicial requirements applicable to the Company or any of its Subsidiaries outstanding under any Environmental Law with respect to the Properties or the Business.

(f) There has been no release of Materials of Environmental Concern by the Company or any of its Subsidiaries or for which the Company or any of its Subsidiaries is liable at or from the Properties, or arising from or related to the operations of the Company or any of its Subsidiaries in connection with the Properties or otherwise in connection with the Business, in violation of, or in amounts or in a manner that give rise to liability, under Environmental Laws, except for any such release that has been remediated in accordance with applicable Environmental Laws.

Section 3 . 11 Use of Proceeds .

The proceeds of the Extensions of Credit shall be used solely by the Borrower to (i) finance a portion of the Acquisition, (ii) pay any fees and expenses in connection with the Acquisition, (iii) pay any fees and expenses owing to the Lenders and the Administrative Agent in connection with this Agreement and the other Credit Documents (including those under the Fee Letters), (iv) refinance certain existing indebtedness of the Company and its Subsidiaries, and (v) provide for working capital, capital expenditures and other general corporate purposes of the Borrower and its Subsidiaries, including, without limitation, Permitted Acquisitions.

Section 3 . 12 Subsidiaries .

Set forth on Schedule 3.12 is a complete and accurate list of all direct and indirect Subsidiaries of the Company as of the Closing Date. Information on the attached Schedule includes jurisdiction of incorporation or organization; the number of shares of each class of Capital Stock or other equity interests outstanding; the number and percentage of outstanding shares of each class of Capital Stock held by each shareholder; and the number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and similar rights. The outstanding Capital Stock and other equity interests of all such Subsidiaries is validly issued, fully paid and non-assessable and is owned, free and clear of all Liens (other than those arising under or contemplated in connection with the Credit Documents). There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors, directors' qualifying shares or arrangements with respect to the purchase of the remaining ownership interest in German Breg as contemplated in the German Buyout) of any nature relating to any Capital Stock of the Company or any Subsidiary, except as contemplated in connection with the Credit Documents.

Section 3 . 13 Ownership .

Each of the Company and its Subsidiaries is the owner of, and has good and insurable title (in the case of real property) to or an indefeasible leasehold interest in, all of its respective assets and none of such assets are subject to any Lien on such party's interest other than Permitted Liens. Each Credit Party and its Subsidiaries enjoys peaceful and undisturbed possession under all of its leases and all such leases are valid and subsisting and in full force and effect.

Section 3 . 14 Indebtedness .

Except as otherwise permitted under Section 6.1, the Company and its Subsidiaries have no Indebtedness.

Section 3 . 15 Taxes .

Each of the Company and its Subsidiaries has filed, or caused to be filed, all tax returns required to be filed and paid (a) all amounts of taxes shown thereon to be due (including interest and penalties) and (b) all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes (i) that are not yet delinquent or (ii) that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP. Neither the Company nor any of its Subsidiaries are aware as of the Closing Date of any proposed tax assessments against it or any of its Subsidiaries that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 3 . 16 Intellectual Property .

To the knowledge of any Responsible Officer, each of the Company and its Subsidiaries owns, or has the legal right to use, all material Intellectual Property necessary for each of them to conduct its business as currently conducted. Set forth on Schedule 3.16 is a list of all material Intellectual Property (excluding unregistered trademarks to the extent not used or not reasonably identifiable by the Credit Parties) owned by the Credit Parties or that any Credit Party has the right to use (excluding standard “off the shelf” licensed software used in the ordinary course of business). To the knowledge of any Responsible Officer, except pursuant to a license agreement disclosed in Schedule 3.16 hereto, or as otherwise disclosed in Schedule 3.16 hereto, (a) the Credit Parties have the right to use the Intellectual Property disclosed in Schedule 3.16 hereto in perpetuity and without payment of royalties, and (b) all registrations with and applications to Governmental Authorities in respect of such Intellectual Property are valid or subsisting and in full force and effect and are not subject to the payment of any taxes or maintenance fees or the taking of any interest therein, held by the Company or any of its Subsidiaries to maintain their validity or effectiveness in any material respects. To the knowledge of any Responsible Officer, neither the Company nor any of its Subsidiaries is in default (or with the giving of notice or lapse of time or both, would be in default) under any license to use any material Intellectual Property; other than as noted on Schedule 3.16 , no claim has been asserted in writing and is pending by any Person, in any material respects, seeking to restrict or deny the use of any material Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does any Responsible Officer know of any such claim; and, to the knowledge of any Responsible Officer, the use of any material Intellectual Property by the Company or any of its Subsidiaries does not infringe on the rights of any Person. Schedule 3.16 may be updated from time to time by the Borrower to include new Intellectual Property by giving written notice thereof to the Administrative Agent.

Section 3 . 17 Solvency .

Each of the Credit Parties is Solvent.

Section 3 . 18 Investments .

All Investments of each of the Company and its Subsidiaries are Permitted Investments.

Section 3 . 19 Location of Collateral .

Set forth on Schedule 3.19(a) is a list of the domestic real Properties (whether owned or leased) of the Credit Parties as of the Closing Date with street address, county and state where located. Set forth on Schedule 3.19(b) is a list of all locations where any domestic tangible personal property of the Credit Parties with a fair market value in excess of $250,000 is located as of the Closing Date (other than trade show booths and related assets and tangible personal property in transit, held by sales representatives or on consignment with third parties), including county and state where located. Set forth on Schedule 3.19(c) is the state of incorporation or organization, chief executive office, the principal place of business, the tax identification number and organization identification number of each of the Credit Parties as of the Closing Date. Set forth on Schedule 3.19(d) is a list of all Mortgaged Properties as of the Closing Date.

Section 3 . 20 No Burdensome Restrictions .

Neither the Company nor any of its Subsidiaries is a party to any agreement or instrument or subject to any other obligation or any charter or corporate restriction or any provision of any applicable law, rule or regulation that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 3 . 21 Labor Matters .

Except as otherwise set forth in Schedule 3.21 hereto, as of the Closing Date, (a) there are no collective bargaining agreements or Multiemployer Plans covering the employees of the Company or any of its Subsidiaries, (b) neither the Company nor any of its Subsidiaries has suffered any material strikes, walkouts, work stoppages or other material labor difficulty within the last five years, (c) no Responsible Officer of the Company or any of its Subsidiaries has knowledge of any material potential or pending strike, walkout or work stoppage and (d) no material unfair labor practice complaint is pending or, to the best knowledge of any Responsible Officer, threatened against the Company or any of its Subsidiaries before any Governmental Authority.

Section 3 . 22 Security Documents .

The Security Documents create (or will create upon the execution and delivery thereof) valid security interests in, and Liens on, the Collateral purported to be covered thereby, which security interests and Liens are currently (or will be upon the execution and delivery of the Security Documents and upon the filing of appropriate financing statements, the recordation of the applicable Mortgage Instruments, the filing of appropriate notices with the United States Patent and Trademark Office and the United States Copyright Office, in each case in favor of the Administrative Agent, on behalf of the Lenders) perfected security interests and Liens, prior to all other Liens other than Permitted Liens that would be prior to the Liens in favor of the Administrative Agent as a matter of law.

Section 3 . 23 Accuracy and Completeness of Information .

All factual written information (other than written financial projections) heretofore, contemporaneously or hereafter furnished by or on behalf of any Credit Party or any of its Subsidiaries to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any other Credit Document, or any transaction contemplated hereby or thereby, is or will be true and accurate in all material respects and not incomplete by omitting to state any material fact necessary to make such information not misleading. The written financial projections concerning the Company and its Subsidiaries heretofore, contemporaneously or hereafter furnished by or on behalf of any Credit Party or any of its Subsidiaries to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any other Credit Document, or any transaction contemplated hereby or thereby, have been and will be prepared in good faith based upon assumptions that the Credit Parties believe to be reasonable at the time of such preparation. There is no fact now known to the Borrower, any other Credit Party or any of their Subsidiaries which has, or could reasonably be expected to have, a Material Adverse Effect, which fact has not been set forth herein, in the financial statements of the Company and its Subsidiaries furnished to the Administrative Agent and/or the Lenders, or in any opinion or other written statement made or furnished by any Credit Party to the Administrative Agent and/or the Lenders.

Section 3 . 24 Fraud and Abuse .

To the knowledge of any Responsible Officer, neither the Company and its Subsidiaries nor any of their officers or directors, have engaged in any activities which are prohibited under federal Medicare and Medicaid statutes, 42 U.S.C. §1320a-7b, or 42 U.S.C. §1395nn or the regulations promulgated pursuant to such statutes or related state or local statutes or regulations, or which are prohibited by binding rules of professional conduct, including but not limited to the following: (a) knowingly and willfully making or causing to be made a false statement or representation of a material fact in any applications for any benefit or payment; (b) knowingly and willfully making or causing to be made any false statement or representation of a material fact for use in determining rights to any benefit or payment; (c) failing to disclose knowledge by a claimant of the occurrence of any event affecting the initial or continued right to any benefit or payment on its own behalf or on behalf of another with the intent to secure such benefit or payment fraudulently; (d) knowingly and willfully soliciting or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (i) in return for referring an individual to a Person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare, Medicaid or other applicable third party payors, or (ii) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by Medicare, Medicaid or other applicable third party payors, except in each case for any such prohibited activity that could not reasonably be expected to result in a Material Adverse Effect.

Section 3 . 25 Licensing and Accreditation .

Each of the Company and its Subsidiaries has, to the extent applicable: (a) obtained and maintains in good standing all required licenses; (b) to the extent prudent and customary in the industry in which it is engaged, obtained and maintains accreditation from all generally recognized accrediting agencies; (c) obtained and maintains Medicaid Certification and Medicare Certification; and (d) entered into and maintains in good standing its Medicare Provider Agreement and its Medicaid Provider Agreement, except in each case to the extent the absence of such license, accreditation, certification or good standing could not reasonably be expected to have a Material Adverse Effect. All such required licenses are in full force and effect on the date hereof and have not been revoked or suspended or otherwise limited, except in each case to the extent such revocation, suspension or other limitation could not reasonably be expected to have a Material Adverse Effect.

Section 3 . 26 Other Regulatory Protection .

Each of the Company and its Subsidiaries represent that it does not manufacture pharmaceutical products and is in compliance with all applicable rules, regulations and other requirements of the Food and Drug Administration (" FDA "), the Federal Trade Commission (" FTC "), the Occupational Safety and Health Administration (" OSHA "), the Consumer Product Safety Commission, the United States Customs Service and the United States Postal Service and other state or federal regulatory authorities or jurisdictions in which the Company or any of its Subsidiaries do business or distribute and market products, except to the extent that any such noncompliance, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. Neither the FDA, the FTC, OSHA, the Consumer Product Safety Commission, nor any other such regulatory authority has requested (or, to the knowledge of any Responsible Officer, are considering requesting) any product recalls or other enforcement actions that (a) if not complied with, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect and (b) with which the Company and its Subsidiaries have not complied within the time period allowed.

Section 3 . 27 Reimbursement from Third Party Payors .

The accounts receivable of the Company and its Subsidiaries have been and will continue to be adjusted to reflect the reimbursement policies (both those most recently published in writing as well as those not in writing which have been verbally communicated) of third party payors such as Medicare, Medicaid, Blue Cross/Blue Shield, private insurance companies, health maintenance organizations, preferred provider organizations, alternative delivery systems, managed care systems, government contacting agencies and other third party payors. In particular, accounts receivable relating to third party payors do not and shall not exceed amounts any obligee is entered to receive under any capitation arrangement, fee schedule, discount formula, cost-based reimbursement or other adjustment or limitation to its usual charges.

Section 3 . 28 Other Agreements .

No Credit Party is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (a) any Medicaid Provider Agreement, Medicare Provider Agreement or other agreement or instrument to which such Person is a party, which default has resulted in, or if not remedied within any applicable grace period could result in, the revocation, termination, cancellation or material suspension of Medicaid Certification or Medicare Certification of any such Person or (b) any other agreement or instrument to which any such Person is a party, which default, individually or in the aggregate, has, or if not remedied within any applicable grace period could reasonably be expected to have, a Material Adverse Effect.

Section 3 . 29 Material Contracts .

Schedule 3.29 sets forth a true and correct and complete list of all Material Contracts currently in effect. All of the Material Contracts are in full force and effect and no material defaults exist thereunder.

Section 3 . 30 Insurance .

The insurance coverage of the Credit Parties and, with respect to the general insurance coverage of the Company and its Subsidiaries, the Foreign Subsidiaries is outlined as to carrier, policy number, expiration date, type and amount on Schedule 3.30 and such insurance coverage complies with the requirements set forth in Section 5.5(b).

Section 3 . 31 Classification as Senior Indebtedness .

The Credit Party Obligations constitute "Senior Indebtedness" under and as may be defined in any agreement governing any outstanding Subordinated Indebtedness and the subordination provisions set forth in each such agreement are legally valid and enforceable against the parties thereto.

Section 3 . 32 Tax Shelter Regulations .

The Borrower does not intend to treat the Loans or Letters of Credit and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event the Borrower determines to take any action inconsistent with such intention, it will promptly notify the Administrative Agent thereof. If the Borrower so notifies the Administrative Agent, the Borrower acknowledges that one or more of the Lenders may treat its Loans and/or Letters of Credit as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such Lender or Lenders, as applicable, will maintain the lists and other records required by such treasury regulation.

Section 3 . 33 Regulation H .

No Mortgaged Property is a Flood Hazard Property.

Section 3 . 34 Anti-Terrorism Laws .

Neither any Credit Party nor any of its Subsidiaries is an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States of America (50 U.S.C. App. §§ 1 *et seq* .), as amended. Neither any Credit Party nor any or its Subsidiaries is in violation of (a) the Trading with the Enemy Act, as amended, (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or (c) the Patriot Act. None of the Credit Parties (i) is a blocked person described in Section 1 of the Executive Order Number 13224 (Anti-Terrorism Order) or (ii) to the knowledge of any Responsible Officer, engages in any dealings or transactions, or is otherwise associated, with any such blocked person.

Section 3 . 35 Compliance with OFAC Rules and Regulations .

None of the Credit Parties or their Subsidiaries or, to the knowledge of any Responsible Officer, their respective Affiliates (a) is a Sanctioned Person, (b) has more than 15% of its assets in Sanctioned Countries, or (c) derives more than 15% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries. No part of the proceeds of any Extension of Credit hereunder will be used directly or indirectly to fund any operations in, finance any investments or activities in or make any payments to, a Sanctioned Person or a Sanctioned Country.

Section 3 . 36 Compliance with FCPA .

Each of the Credit Parties and their Subsidiaries is in compliance with the Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd-1, *et seq.* , and, to the knowledge of any Responsible Officer, any foreign counterpart thereto. None of the Credit Parties or their Subsidiaries has made a payment, offering, or promise to pay, or authorized the payment of, money or anything of value (a) in order to assist in obtaining or retaining business for or with, or directing business to, any foreign official, foreign political party, party official or candidate for foreign political office, (b) to a foreign official, foreign political party or party official or any candidate for foreign political office, and (c) with the intent to induce the recipient to misuse his or her official position to direct business wrongfully to such Credit Party or its Subsidiary or to any other Person, in violation of the Foreign Corrupt Practices Act, 15 U.S.C. §§ 78dd-1, *et seq*.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4 . 1 Conditions to Closing Date and Initial Extensions of Credit .

This Agreement shall become effective upon, and the obligation of each Lender to make the initial Revolving Loans and the Term Loans on the Closing Date is subject to, the satisfaction of the following conditions precedent:

(a) Execution of Agreements . The Administrative Agent shall have received (i) counterparts of this Agreement from each party hereto, (ii) for the account of each applicable Lender, a Revolving Note and a Term Note from the Borrower, (iii) for the account of each Swingline Lender, the Swingline Note from the Borrower, (iv) counterparts of the Security Agreement, and the Pledge Agreement, each Mortgage Instrument and the other Security Documents from each Credit Party party thereto and (v) executed consents, in the form of Schedule 4.1-3 from each Lender authorizing the Administrative Agent to enter this Credit Agreement on their behalf, in each case conforming to the requirements of this Agreement and executed by a duly authorized officer of each party thereto, and in each case in form and substance reasonably satisfactory to the Administrative Agent.

(b) Authority Documents . The Administrative Agent shall have received the following:

(i) Articles of Incorporation/Organizational Documents . Copies of the articles of incorporation, certificate of incorporation or other organizational documents, as applicable, of each Credit Party, certified (other than with respect to the Company, Colgate, Victory, Swiftsure and UK Ltd) to be true and complete as of a recent date by the appropriate Governmental Authority of the jurisdiction of its incorporation or organization, as the case may be.

(ii) Resolutions . Copies of resolutions of the board of directors (or comparable group and, where applicable, the shareholders or members) of each Credit Party approving and adopting the Credit Documents, the transactions contemplated therein and authorizing execution and delivery thereof, certified by a secretary or assistant secretary of such Credit Party (pursuant to a secretary's certificate in substantially the form of Schedule 4.1-1 attached hereto) as of the Closing Date to be true and correct and in force and effect as of such date.

(iii) Bylaws/Operating Agreement . A copy of the bylaws, memorandum and articles of association, limited liability company agreement or comparable operating agreement of each Credit Party (other than the Company) certified by a secretary or assistant secretary of such Credit Party (pursuant to a secretary's certificate in substantially the form of Schedule 4.1-1 attached hereto) as of the Closing Date to be true and correct and in force and effect as of such date.

(iv) Good Standing . Copies of certificates of good standing, existence or its equivalent (to the extent applicable) with respect to the each Credit Party certified as of a recent date by the appropriate Governmental Authorities of the jurisdiction of incorporation or organization and each other jurisdiction in which the failure to so qualify and be in good standing could reasonably be expected to have a Material Adverse Effect on the business or operations of such Credit Party in such state.

(v) Incumbency . An incumbency certificate of Responsible Officers of each Credit Party authorized to execute the Credit Documents on such Credit Party's behalf certified by a secretary or assistant secretary (pursuant to a secretary's certificate in substantially the form of Schedule 4.1-1 attached hereto) to be true and correct as of the Closing Date.

(c) Legal Opinions of Counsel . The Administrative Agent shall have received (i) opinions of legal counsel (including local counsel to the extent required by the Administrative Agent) for the Credit Parties, dated the Closing Date and addressed to the Administrative Agent and the Lenders, which opinions shall include, without limitation, a "no conflicts" opinion with respect to corporate instruments and Material Contracts of the Credit Parties on the Closing Date after giving effect to the transactions contemplated herein, (ii) an opinion from STvB Advocaten (Caracao) N.V. as to, inter alia, the due authorization, execution and delivery of the Credit Documents to which the Company is a party, and (iii) an opinion from Berwin Leighton Paisner LLP as to, inter alia, enforceability of the UK Security Documents and the due authorization, execution and delivery of the Credit Documents to which Colgate, Victory, Swiftsure or UK Ltd is a party, such opinions to be in form and substance reasonably satisfactory to the Administrative Agent.

(d) Reliance . The Administrative Agent shall have received a copy of each opinion, agreement, and other material document required to be delivered pursuant to the Acquisition Documents and the transactions contemplated in connection therewith, together with evidence that the Administrative Agent and the Lenders have been authorized to rely on each such opinion to the extent counsel providing each such opinion has agreed to such reliance, all in form and substance reasonably satisfactory to the Administrative Agent.

(e) Personal Property Collateral . The Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent:

(i) a perfection certificate setting forth the state or jurisdiction of incorporation or organization of each Credit Party and each jurisdiction where any Collateral of such Credit Party with a fair market value in excess of $100,000 is located or where the chief executive office of such Credit Party is located, copies of Lien searches in jurisdictions as required by the Administrative Agent, and copies of the financing statements on file in such jurisdictions and evidence that no Liens exist other than Permitted Liens;

(ii) UCC financing statements for each appropriate jurisdiction as is necessary, in the Administrative Agent's reasonable discretion, to perfect the Administrative Agent's security interest in the Collateral; and

(iii) duly executed consents as are necessary, in the Administrative Agent's sole discretion, to perfect the Lenders' security interest in the Collateral.

(f) [Reserved]

(g) Liability, Casualty and Business Interruption Insurance . The Administrative Agent shall have received copies of insurance policies (including a Marsh Inc. report) or certificates of insurance evidencing liability and casualty insurance meeting the requirements set forth herein or in the Security Documents and business interruption insurance satisfactory to the Administrative Agent. The Administrative Agent shall be named as loss payee or mortgagee, as its interest may appear, and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral, and the respective Credit Party shall use commercially reasonable efforts to obtain from each provider of any such insurance an agreement that such provider, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Administrative Agent, will give the Administrative Agent thirty (30) days prior written notice before any such policy or policies shall be altered or canceled.

(h) Fees . The Administrative Agent and the Lenders shall have received (i) all fees, if any, owing pursuant to the Fee Letters and Section 2.5 and (ii) evidence that the aggregate amount of fees and expenses payable in connection with the consummation of the Acquisition by the Company and its Subsidiaries (excluding those fees identified in the foregoing subsection (i)) did not exceed $12,500,000.

(i) Litigation . Except as set forth on Schedule 3.8 , there shall not exist any material litigation, investigation, claim, criminal prosecution, civil investigative demand, imposition of criminal or civil fines and penalties, or any other proceeding of or before any arbitrator or Governmental Authority (including but not limited to those regulatory agencies responsible for licensing, accrediting or issuing Medicare or Medicaid certifications) affecting or relating to any of the Company or its Subsidiaries, this Agreement and the other Credit Documents, that has not been settled, dismissed, vacated, discharged or terminated prior to the Closing Date.

(j) Solvency Certificate . The Administrative Agent shall have received an officer's certificate prepared by the chief financial officer of the Company as to the financial condition, solvency and related matters of each Credit Party, in each case after giving effect to the Acquisition and the initial borrowings under the Credit Documents, in substantially the form of Schedule 4.1-2 hereto.

(k) Account Designation Letter . The Administrative Agent shall have received the executed Account Designation Letter in the form of Schedule 1.1-1 hereto.

(l) Corporate Structure . The corporate, capital and ownership structure of the Company and its Subsidiaries after giving effect to the Acquisition shall be as described in Schedule 3.12 , and shall otherwise be reasonably satisfactory to the Administrative Agent. The Administrative Agent shall be satisfied with the management of the Company and its Subsidiaries after giving effect to the Acquisition.

(m) Acquisition Documents . The Administrative Agent shall have reviewed and approved to its reasonable satisfaction all of the Acquisition Documents (other than the Agreement and Plan of Merger referred to in the definition of "Acquisition Documents" and all related schedules and exhibits, which have been approved) and there shall not have been any material modification, amendment, supplement or waiver to the Acquisition Documents subsequent to August 4, 2006 without the prior written consent of the Administrative Agent. The Acquisition shall have been consummated substantially in accordance with the terms of the Acquisition Documents (without waiver of any material conditions precedent to the obligations of any party thereto without the consent of the Administrative Agent). T he Administrative Agent shall have received a copy, certified by an officer of the Borrower as true and complete, of each Acquisition Document as originally executed and delivered, together with all exhibits and schedules thereto.

(n) Consents . The Administrative Agent shall have received evidence that all governmental, shareholder, board of director and material third party consents and approvals that the Borrower can obtain using its commercially reasonable efforts and that are necessary in connection with the financings, the Acquisition and other transactions contemplated hereby have been obtained and all applicable waiting periods have expired without any action being taken by any authority that could restrain, prevent or impose any material adverse conditions on such transactions or that could seek or threaten any of such transactions.

(o) Compliance with Laws . The financings and other transactions contemplated hereby shall be in compliance with all applicable Requirements of Law (including all applicable securities and banking laws, rules and regulations).

(p) Bankruptcy . There shall be no bankruptcy or insolvency proceedings with respect to any Credit Party or any of its Subsidiaries.

(q) Material Adverse Effect . No material adverse change shall have occurred or could reasonably be expected to occur since December 31, 2005 in the business, properties, prospects, operations, regulatory environment or condition (financial or otherwise) of either the Company, the Borrower and its Subsidiaries, taken as a whole or the Acquired Company and its Subsidiaries, taken as a whole.

(r) Minimum Consolidated EBITDA . The Administrative Agent shall have received evidence satisfactory thereto provided by the Company that the Consolidated EBITDA for the twelve-month period ending on the last day of the most recent fiscal quarter for which financial statements of the Company and its Subsidiaries are available, calculated on a Pro Forma Basis, is no less than $79,000,000.

(s) Leverage Ratio . The Leverage Ratio (determined using Funded Debt of the Company and its Subsidiaries as of the Closing Date and pro forma Consolidated EBITDA of the Company and its Subsidiaries for the twelve-month period ending on the last day of the most recent fiscal quarter for which financial statements of the Company and its Subsidiaries are available), calculated on a Pro Forma Basis as of the Closing Date, shall not exceed 4.25 to 1.0.

(t) Financial Statements . The Administrative Agent shall have received copies of the financial statements and projections referred to in Section 3.1 hereof, each in form and substance satisfactory to it.

(u) Termination of Existing Indebtedness; Approval of Intercompany Indebtedness . All existing Indebtedness for borrowed money of the Company, the Borrower, the Acquired Company and their respective Subsidiaries in excess of $5,000,000 in the aggregate, other than Indebtedness incurred by SRL as set forth on Schedule 6.1(b) , shall have been repaid in full and terminated and all Liens relating thereto shall have been terminated. The Administrative Agent shall have reviewed and approved in its sole discretion all loan documentation with respect to any intercompany Indebtedness of the Credit Parties and the Administrative Agent shall have received a copy, certified by a Responsible Officer of the Borrower as true and complete, of each such document, as originally executed and delivered, together with all exhibits, schedules, amendments and modifications thereto.

(v) Officer's Certificates . The Administrative Agent shall have received a certificate executed by a Responsible Officer of the Borrower as of the Closing Date stating that (i) immediately after giving effect to this Credit Agreement (including the initial Extensions of Credit hereunder), the other Credit Documents and the Acquisition Documents and all the transactions contemplated therein to occur on such date, (A) no Default or Event of Default exists, (B) all representations and warranties contained herein and in the other Credit Documents are true and correct in all material respects, and (C) the Credit Parties are in compliance with each of the financial covenants set forth in Section 5.9 and demonstrating compliance with such financial covenants.

(w) Credit Rating . The Borrower shall have obtained a senior secured credit rating from Moody's and from S&P.

(x) Patriot Act Certificate . The Administrative Agent shall have received a certificate satisfactory thereto, for benefit of itself and the Lenders, provided by the Borrower that sets forth information required by the Patriot Act (as defined in Section 9.18) including, without limitation, the identity of each Credit Party, the name and address of each Credit Party and other information that will allow the Administrative Agent or any Lender, as applicable, to identify each Credit Party in accordance with the Patriot Act.

(y) Additional Matters . All other documents and legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

Section 4 . 2 Conditions to All Extensions of Credit .

The obligation of each Lender to make any Extension of Credit hereunder is subject to the satisfaction of the following conditions precedent on the date of making such Extension of Credit:

(a) Representations and Warranties . The representations and warranties made by the Credit Parties herein, in the Security Documents or which are contained in any certificate furnished at any time under or in connection herewith shall be true and correct on and as of the date of such Extension of Credit as if made on and as of such date (other than any such representations or warranties that, by their terms, refer to a specific date other than the date of such Extension of Credit, in which case, as of such specific date).

(b) No Default or Event of Default . No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Extension of Credit to be made on such date unless such Default or Event of Default shall have been waived in accordance with this Agreement.

(c) Compliance with Commitments . Immediately after giving effect to the making of any such Extension of Credit (and the application of the proceeds thereof), (i) the sum of outstanding Revolving Loans plus outstanding Swingline Loans plus outstanding LOC Obligations shall not exceed the Revolving Committed Amount, (ii) the outstanding LOC Obligations shall not exceed the LOC Committed Amount and (iii) the Swingline Loans shall not exceed the Swingline Committed Amount.

(d) Additional Conditions to Extensions of Credit . If such Extension of Credit is made pursuant to Sections 2.1, 2.2, 2.3 or 2.4, all conditions set forth in such Section shall have been satisfied.

Each request for an Extension of Credit and each acceptance by the Borrower of any such Extension of Credit shall be deemed to constitute a representation and warranty by the Borrower as of the date of such Extension of Credit that the applicable conditions in paragraphs (a) through (d) of this Section have been satisfied.

ARTICLE V

AFFIRMATIVE COVENANTS

The Credit Parties hereby covenant and agree that on the Closing Date, and thereafter for so long as this Agreement is in effect and until the Commitments have terminated, no Note shall remain outstanding and unpaid and the Credit Party Obligations, together with interest, Commitment Fees and all other amounts owing to the Administrative Agent or any Lender hereunder, shall have been paid in full, the Credit Parties shall:

Section 5 . 1 Financial Statements .

Furnish to the Administrative Agent (which shall transmit or make available the same to the Lenders as soon as practicable):

(a) Annual Financial Statements . As soon as available, but in any event within ninety (90) days after the end of each fiscal year of the Company commencing with the fiscal year ended December 31, 2006 (or, with respect to the comparative information required below, commencing with the fiscal year ended December 31, 2006), a copy of the consolidated and consolidating balance sheet of the Company and its consolidated Subsidiaries as at the end of such fiscal year and the related consolidated and consolidating statements of income and retained earnings and of cash flows of the Company and its consolidated Subsidiaries for such year, audited (with respect to the consolidated statements only) by a firm of independent certified public accountants of, as appropriate, nationally or internationally recognized standing reasonably acceptable to the Administrative Agent, setting forth in comparative form consolidated and consolidating figures for the preceding fiscal year, reported on without a "going concern" or like qualification or exception, or qualification indicating that the scope of the audit was inadequate to permit such independent certified public accountants to certify such financial statements without such qualification;

(b) Annual Unaudited Financial Statements . As soon as available, but in any event within ninety (90) days after the end of each fiscal year of the Company commencing with the fiscal year ended December 31, 2006 (or, with respect to the comparative information required below, commencing with the fiscal year ended December 31, 2006), a copy of the consolidated and consolidating balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year and the related consolidated and consolidating statements of income and retained earnings and of cash flows of the Borrower and its consolidated Subsidiaries for such year, setting forth in comparative form consolidated and consolidating figures for the preceding fiscal year.

(c) Quarterly Financial Statements . (i) As soon as available and in any event within (A) forty-five (45) days after the end of each of the first three fiscal quarters of the Company and (B) ninety (90) days after the end of the fourth fiscal quarter of the Company, a company-prepared consolidated and consolidating balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such period and related company-prepared consolidated and consolidating statements of income and retained earnings and of cash flows for the Borrower and its consolidated Subsidiaries for such quarterly period and for the portion of the fiscal year ending with such period, in each case setting forth in comparative form consolidated and consolidating figures for the corresponding period or periods of the preceding fiscal year (subject to normal recurring year-end audit adjustments) and (ii) as soon as available and in any event within (A) forty-five (45) days after the end of each of the first three fiscal quarters of the Company and (B) ninety (90) days after the end of the fourth fiscal quarter of the Company, a company-prepared consolidated and consolidating balance sheet of the Company and its consolidated Subsidiaries as at the end of such period and related company-prepared consolidated and consolidating statements of income and retained earnings and of cash flows for the Company and its consolidated Subsidiaries for such quarterly period and for the portion of the fiscal year ending with such period, in each case setting forth in comparative form consolidated and consolidating figures for the corresponding period or periods of the preceding fiscal year (subject to normal recurring year-end audit adjustments) and to the extent not disclosed in the Company's Form 10-Q, management discussion and analysis of operating results inclusive of operating metrics in comparative form; and

(d) Annual Budget Plan . As soon as available, but in any event within sixty (60) days after the end of each fiscal year, a copy of the detailed annual budget or plan of the Company for the next fiscal year on a quarterly basis, in form and detail reasonably acceptable to the Administrative Agent, together with a summary of the material assumptions made in the preparation of such annual budget or plan;

all such financial statements to be complete and correct in all material respects (subject, in the case of interim statements, to normal recurring year-end audit adjustments) and to be prepared in reasonable detail and, in the case of the annual and quarterly financial statements provided in accordance with subsections (a), (b) and (c) above, in accordance with GAAP applied consistently throughout the periods reflected therein and further accompanied by a description of, and an estimation of the effect on the financial statements on account of a change, if any, in the application of accounting principles as provided in Section 1.3.

Section 5 . 2 Certificates; Other Information .

Furnish to the Administrative Agent (which shall transmit or make available the same to the Lenders as soon as practicable):

(a) concurrently with the delivery of the financial statements referred to in Section 5.1(a) above, certificates of the independent certified public accountants of the Company reporting on such financial statements stating that in making the examination necessary therefore no knowledge was obtained of any Default or Event of Default under Section 5.9, except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in Sections 5.1(a), 5.1(b) and 5.1(c) above, a certificate of a Responsible Officer of the Borrower stating that, to the best of such Responsible Officer's knowledge, during such period each of the Credit Parties observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and such certificate shall include the calculations in reasonable detail required to indicate compliance with Section 5.9 as of the last day of such period;

(c) within ten (10) days after the same are sent, copies of all reports (other than those otherwise provided pursuant to Section 5.1 and those which are of a promotional nature) and other financial information which the Company sends to its members and equity holders, and within ten (10) days after the same are filed, copies of all financial statements and non-confidential reports which the Company may make to or file with the Securities and Exchange Commission or any successor or analogous Governmental Authority;

(d) within ninety (90) days after the end of each fiscal year of the Company, a certificate containing information regarding the amount of all Asset Dispositions, Debt Issuances, and Equity Issuances that were made during the prior fiscal year and amounts received in connection with any Recovery Event during the prior fiscal year;

(e) promptly upon receipt thereof, a copy of any other report or "management letter" submitted or presented by independent accountants to any Credit Party or any of the Borrower's Subsidiaries in connection with any annual, interim or special audit of the books of such Person regarding material matters of the Company and its Subsidiaries, taken as a whole;

(f) promptly, copies of all material notices from or material requests to the FDA, FTC, and OSHA (each, as defined in Section 3.26); and

(g) promptly, such additional financial and other information as the Administrative Agent, on behalf of any Lender, may from time to time reasonably request.

Section 5 . 3 Payment of Obligations .

Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its taxes (Federal, state, local and any other taxes) and all its other obligations and liabilities of whatever nature and any additional costs that are imposed as a result of any failure to so pay, discharge or otherwise satisfy such obligations and liabilities, except (a) when the amount or validity of such obligations, liabilities and costs is currently being contested in good faith by appropriate proceedings and reserves, if applicable, in conformity with GAAP with respect thereto have been provided on the books of any Credit Party, as the case may be or (b) where any such failure to pay, discharge or satisfy could not reasonably be expected to have a Material Adverse Effect.

Section 5 . 4 Conduct of Business and Maintenance of Existence .

Continue to (a) engage in business of the same general type as now conducted by it on the Closing Date and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges and franchises necessary or that the applicable Credit Party reasonably deems desirable in the normal conduct of its business; provided that any Credit Party or any Subsidiary thereof may reorganize in Delaware or in another U.S. jurisdiction acceptable to the Required Lenders so long as the Administrative Agent receives prior written notice thereof and all actions required to continue the perfection of the Administrative Agent's Liens on the Collateral are taken; and provided , further , the Company may consummate the Acquisition and any other merger, consolidation, purchase, lease or acquisition permitted under Section 6.4 or liquidate or dissolve any Subsidiary that has no assets or that has sold, disposed of or otherwise transferred all of its assets to the Borrower or a Subsidiary Guarantor, and (b) comply with all Contractual Obligations and Requirements of Law applicable to it except to the extent that failure to comply therewith, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

Section 5 . 5 Maintenance of Property; Insurance .

(a) Keep all Material Property useful and necessary in its business in good working order and condition (ordinary wear and tear, damage by casualty and obsolescence excepted);

(b) Maintain with financially sound and reputable insurance companies insurance on all its Material Property (including without limitation its material tangible Collateral) in at least such amounts (or such greater amounts to the extent any coverage amount maintained by the Credit Parties is significantly lower than the coverage amount maintained by companies engaged in the same or a similar business in the same general area) and against at least such risks as are maintained by the Credit Parties as of the Closing Date and any other material risks as are usually insured against in the same general area by companies engaged in the same or a similar business; and furnish to the Administrative Agent, upon written request, full information as to the insurance carried. The Administrative Agent shall be named as loss payee or mortgagee, as its interest may appear, (or additional insured in the case of liability coverage) with respect to any such insurance providing coverage in respect of any Collateral, and each provider of any such insurance shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Administrative Agent, that it will give the Administrative Agent thirty (30) days prior written notice before any such policy or policies shall be altered or canceled, and that no act or default of any Credit Party or any Subsidiary of the Company or any other Person shall affect the rights of the Administrative Agent or the Lenders under such policy or policies ; and

(c) In case of any material loss, damage to or destruction of the Collateral of any Credit Party or any part thereof, such Credit Party shall promptly give written notice thereof to the Administrative Agent generally describing the nature and extent of such damage or destruction. In case of any material loss, damage to or destruction of the Collateral of any Credit Party or any part thereof, such Credit Party, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for that purpose, at such Credit Party's cost and expense, will promptly repair or replace the Collateral of such Credit Party so lost, damaged or destroyed.

Section 5 . 6 Inspection of Property; Books and Records; Discussions .

Keep proper books and records of account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its businesses and activities; and permit, during regular business hours and upon reasonable notice by the Administrative Agent or any Lender, the Administrative Agent or any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records (other than materials protected by the attorney-client privilege and materials which any Credit Party may not disclose without violation of a confidentiality obligation binding upon it) once a fiscal quarter or upon the occurrence and during the continuance of a Default or an Event of Default, and to discuss the business, operations, properties and financial and other condition of the Credit Parties and their Subsidiaries with officers and employees of the Credit Parties and their Subsidiaries and with its independent certified public accountants. The forgoing, with respect to the Lenders, shall be at such Lender's expense and, with respect to the Administrative Agent, shall be at the Borrower's expense.

Section 5 . 7 Notices .

Give notice in writing to the Administrative Agent (which shall promptly transmit such notice to each Lender) of:

(a) promptly, but in any event within two (2) Business Days after any Responsible Officer of a Credit Party knows thereof, the occurrence of any Default or Event of Default;

(b) promptly, any default or event of default under any Contractual Obligation of any Credit Party or any of its Subsidiaries which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or could reasonably be expected to result in a monetary payment in excess of $10,000,000;

(c) promptly, any litigation, or any investigation or proceeding known to any Credit Party (i) affecting any Credit Party or any of its Subsidiaries which, if adversely determined, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or could reasonably be expected to result in a monetary judgment in excess of $5,000,000 or (ii) affecting or with respect to this Agreement or any other Credit Document;

(d) as soon as possible and in any event within thirty (30) days after any Responsible Officer of a Credit Party knows or has reason to know thereof: (i) the occurrence of any material Reportable Event with respect to any Single Employer Plan, a failure to make any required contribution to a Single Employer Plan, the creation of any Lien in favor of a Single Employer Plan or in favor of the PBGC with respect to a Single Employer Plan (other than a Permitted Lien) or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan, which could reasonably be expected to result in any material liability for any Credit Party, or (ii) the institution of proceedings or the taking of any other action by the PBGC or any Credit Party or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the terminating, Reorganization or Insolvency of, any Plan, which could reasonably be expected to result in any material liability for any Credit Party;

(e) promptly, of the institution of any investigation or proceeding against any Credit Party to suspend, revoke or terminate or which may result in the termination of any Medicaid Provider Agreement, Medicaid Certification, Medicare Provider Agreement, Medicare Certification or exclusion from any Medical Reimbursement Program;

(f) promptly, after any Credit Party becomes involved in a pending civil or criminal investigation, criminal action or civil proposed debarment, exclusion or other sanctioning action related to any Federal or state healthcare program;

(g) promptly, any other development or event which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect;

(h) promptly, any intention by the Borrower to treat the Loans and/or Letters of Credit and related transactions as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), a duly completed copy of IRS Form 8886 or any successor form; and

(i) promptly, the Company or any of its Subsidiaries (i) entering into a collective bargaining agreement or Multiemployer Plan covering the employees of the Company or any of its Subsidiaries, (ii) suffering any material strike, walkout, work stoppage or other material labor difficulty or (iii) becoming aware of any material unfair labor practice complaint against the Company or any of its Subsidiaries before any Governmental Authority.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto. In the case of any notice of a Default or Event of Default, the Borrower shall specify that such notice is a Default or Event of Default notice on the face thereof.

Section 5 . 8 Environmental Laws .

(a) Comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect;

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings could not reasonably be expected to have a Material Adverse Effect; and

(c) Defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective employees, agents, officers and directors and affiliates, from and against any and all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of any Credit Party or any of the Company's Subsidiaries or the Properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, reasonable attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the Person seeking indemnification or any of its employees, agents, officers and directors and affiliates. The agreements in this paragraph shall survive repayment of the Notes and all other amounts payable hereunder.

Section 5 . 9 Financial Covenants .

Commencing on the day immediately following the Closing Date and for so long as this Agreement shall remain in effect, each of the Credit Parties shall, and shall cause each of its Subsidiaries to, comply with the following financial covenants:

(a) Leverage Ratio . The Leverage Ratio, as of the last day of each fiscal quarter of the Company occurring during the periods indicated below, shall be less than or equal to the following:

Period	Ratio
Closing Date through June 30, 2007	4.25 to 1.0
July 1, 2007 through December 31, 2007	4.00 to 1.0
January 1, 2008 through June 30, 2008	3.75 to 1.0
July 1, 2008 through December 31, 2008	3.50 to 1.0
January 1, 2009 through June 30, 2009	3.25 to 1.0
July 1, 2009 through December 31, 2009	3.00 to 1.0
January 1, 2010 through June 30, 2010	2.75 to 1.0
July 1, 2010 and thereafter	2.50 to 1.0

(b) Fixed Charge Coverage Ratio . The Fixed Charge Coverage Ratio, as of the last day of each fiscal quarter of the Company occurring during the periods indicated below, shall be greater than or equal to the following:

Period	Ratio
October 1, 2006 through December 31, 2008	1.250 to 1.0
January 1, 2009 through December 31, 2009	1.300 to 1.0
January 1, 2010 and thereafter	1.375 to 1.0

Notwithstanding the above, the parties hereto acknowledge and agree that, for purposes of all calculations made in determining compliance for any applicable period with the financial covenants set forth in this Section, (i) after consummation of any Permitted Acquisition, (A) income statement items and other balance sheet items (whether positive or negative) attributable to the Target acquired in such transaction shall be included in such calculations to the extent relating to such applicable period, subject to adjustments mutually acceptable to the Borrower and the Administrative Agent, and (B) Indebtedness of a Target which is retired in connection with a Permitted Acquisition shall be excluded from such calculations and deemed to have been retired as of the first day of such applicable period and (ii) after any Asset Disposition permitted by Section 6.4(a)(ix) , (A) income statement items, cash flow statement items and other balance sheet items (whether positive or negative) attributable to the property or assets disposed of shall be excluded in such calculations to the extent relating to such applicable period, subject to adjustments mutually acceptable to the Borrower and the Administrative Agent and (B) Indebtedness that is repaid with the proceeds of such Asset Disposition shall be excluded from such calculations and deemed to have been repaid as of the first day of such applicable period .

Section 5 . 10 Additional Subsidiary Guarantors .

The Company will cause each of its Domestic Subsidiaries, whether newly formed, after acquired or otherwise existing, to promptly become a Guarantor hereunder by way of execution of a Joinder Agreement. The guaranty obligations of any such Additional Credit Party shall be secured by, among other things, the property and assets of such Additional Credit Party and such Domestic Subsidiary shall execute and deliver to the Administrative Agent such Security Documents, legal opinions and related documents as the Administrative Agent may reasonably request with respect to such property and assets.

Section 5 . 11 Compliance with Law .

The Credit Parties will, and will cause each of its Subsidiaries to, (a) comply with all expressly stated laws, rules, regulations, orders, restrictions and valid requirements imposed by all Governmental Authorities and regulatory authorities applicable to it, its property and assets and the conduct of its business if noncompliance with any such law, rule, regulation, order, restriction or requirement, including without limitation Titles XVIII and XIX of the Social Security Act, Medicare Regulations and Medicaid Regulations, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, and (b) obtain and maintain all licenses, permits, certifications and approvals of all applicable Governmental Authorities as are required for the conduct of its business as currently conducted and herein contemplated, including without limitation professional licenses, appropriate Medicaid Certifications and Medicare Certifications, if failure to do so could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Specifically, but without limiting the foregoing, and except where any such failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (x) billing policies, arrangements, protocols and instructions will comply with reimbursement requirements under Medicare, Medicaid and other Medical Reimbursement Programs and will be administered by properly trained personnel; and (y) medical director compensation arrangements and other arrangements with referring physicians will comply with applicable state and federal self-referral and anti-kickback laws, including without limitation 42 U.S.C. Section 1320a-7b(b)(1) - (b)(2) and 42 U.S.C. Section 1395nn.

Section 5 . 12 Pledged Assets .

(a) The Company will, and will cause each of its Subsidiaries to, cause (i) 100% of the outstanding Capital Stock of each of Victory, the Borrower and the Subsidiary Guarantors and (ii) 65% (to the extent the pledge of a greater percentage would be unlawful or would cause any materially adverse tax consequences to the Borrower or any Guarantor) of the voting Capital Stock and 100% of the non-voting Capital Stock of each first-tier Foreign Subsidiary of the Borrower and the Subsidiary Guarantors, in each case to be subject at all times to a first priority, perfected Lien in favor of the Administrative Agent pursuant to the terms and conditions of the Security Documents or such other security documents as the Administrative Agent shall reasonably request.

(b) If, subsequent to the Closing Date, any Credit Party shall acquire any securities, instruments (except checks), chattel paper or other personal property required for perfection to be delivered to the Administrative Agent as Collateral hereunder or under any of the Security Documents, such Credit Party shall promptly (and in any event within three (3) Business Days) after such acquisition notify the Administrative Agent of same; provided that property the value of which, individually, is less than $500,000 and, in the aggregate, is less than $1,000,000 in any twelve-month period, shall not be required to be delivered until such time that all such property shall exceed $1,000,000 in the aggregate in any twelve-month period. Each of the Credit Parties shall take such action at its own expense as may be necessary or otherwise requested by the Administrative Agent (including, without limitation, any of the actions described in Sections 4.1(e) and 5.13(b) hereof) to ensure that the Administrative Agent has a first priority perfected Lien to secure the Credit Party Obligations in (i) all personal property Collateral of Colgate, Victory, the Borrower and Subsidiary Guarantors and all tangible personal property Collateral of the Company located in the United States and (ii) to the extent required by the Administrative Agent or the Required Lenders in its or their sole reasonable discretion, all real property owned by the Credit Parties located in the United States, subject in each case only to Permitted Liens.

(c) If, subsequent to the Closing Date, a Credit Party leases a warehouse, plant or other real property material to such Person's business and located within the United States, such Credit Party shall (i) promptly notify the Administrative Agent of such lease, (ii) to the extent required by the Administrative Agent and to the extent consented to by the relevant landlord or not prohibited under the lease, promptly deliver to the Administrative Agent such Mortgage Instruments, title reports, Mortgage Policies, Surveys, environmental site assessment reports, legal opinions and other documentation as the Administrative Agent may reasonably require and (iii) use its reasonable best efforts to deliver to the Administrative Agent such estoppel letters, consents and waivers from the landlord on such real property as may be required by the Administrative Agent; provided , that the Credit Party shall not be required to expend any significant amount of money to obtain such estoppel letters, consents and waivers.

Section 5 . 13 Limitations on Colgate and Victory .

Neither Colgate nor Victory shall have any Indebtedness or operations other than (a) its Guaranty, (b) intercompany Subordinated Indebtedness or Investments permitted hereunder, (c) operations as contemplated by the Tax Structure Documents, (d) operations relating to the holding of the Capital Stock of its Subsidiaries and (e) operations related to satisfying its obligations as a Credit Party.

Section 5 . 14 Further Assurances ; Post-Closing Covenant .

(a) Further Assurances . Upon the reasonable request of the Administrative Agent, promptly perform or cause to be performed any and all acts and execute or cause to be executed any and all documents for filing under the provisions of the Uniform Commercial Code or any other Requirement of Law which are necessary or advisable to maintain in favor of the Administrative Agent, for the benefit of the Secured Parties, Liens on the Collateral that are duly perfected in accordance with the requirements of, or the obligations of the Credit Parties under, the Credit Documents and all applicable Requirements of Law.

(b) Deposit Account Control Agreements . Within sixty (60) days after the Closing Date (or such extended period of time as agreed to by the Administrative Agent), the Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent, Deposit Account Control Agreements and Securities Account Control Agreements with respect to each account required to be subject to such agreement pursuant to Section 6.13.

(c) Notice of Grant of Security . Within fifteen (15) Business Days after the Closing Date (or such extended period of time as agreed to by the Administrative Agent), the Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent, (i) evidence that a notice of a grant of security was served upon Bank of America, N.A. with respect to each account of Colgate, Victory Swiftsure and UK Ltd located in the United Kingdom and (ii) an acknowledgement from Bank of America, N.A. as to the existence of such security, to the extent such acknowledgement can be obtained using commercially reasonable efforts.

(d) Real Property Collateral . Within sixty (60) days after the Closing Date (or such extended period of time as agreed to by the Administrative Agent), the Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent:

(i) fully executed and notarized Mortgage Instruments encumbering the owned or, to the extent not prohibited by the applicable lease or consented to by the applicable landlord, leasehold interest in the Mortgaged Properties owned or leased by each Credit Party and set forth on Schedule 3.19(d) ;

(ii) a title report in respect of each of the Mortgaged Properties;

(iii) with respect to each Mortgaged Property, ALTA Mortgage Policies issued by the Title Insurance Company, assuring the Administrative Agent that each of the Mortgage Instruments creates a valid and enforceable first priority mortgage lien on the applicable Mortgaged Property, free and clear of all defects and encumbrances except Permitted Liens, which Mortgage Policies shall provide for affirmative insurance and such reinsurance as the Administrative Agent may reasonably request, all of the foregoing in form and substance reasonably satisfactory to the Administrative Agent;

(iv) evidence as to (A) whether any Mortgaged Property is in an area designated by the Federal Emergency Management Agency as having special flood or mud slide hazards (a " Flood Hazard Property ") and (B) if any Mortgaged Property is a Flood Hazard Property, (1) whether the community in which such Mortgaged Property is located is participating in the National Flood Insurance Program, (2) the Borrower's or the applicable Credit Party's written acknowledgment of receipt of written notification from the Administrative Agent (y) as to the fact that such Mortgaged Property is a Flood Hazard Property and (z) as to whether the community in which each such Flood Hazard Property is located is participating in the National Flood Insurance Program and (3) copies of insurance policies or certificates of insurance of the Borrower and its Subsidiaries evidencing flood insurance reasonably satisfactory to the Administrative Agent and naming the Administrative Agent as loss payee on behalf of the Lenders;

(v) to the extent available, surveys of the sites of the Mortgaged Properties certified to the Administrative Agent and the Title Insurance Company in a manner reasonably satisfactory to them, dated a date satisfactory to each of the Administrative Agent and the Title Insurance Company by an independent professional licensed land surveyor reasonably satisfactory to each of the Administrative Agent and the Title Insurance Company;

(vi) reasonably satisfactory Phase I environmental site assessment reports (or other environmental reports acceptable to the Administrative Agent) with respect to each of the Mortgaged Properties, together with (to the extent required by the Administrative Agent) reliance letters with respect to such reports in favor of the Lenders;

(vii) opinions of counsel to the Borrower or the applicable Credit Party for each jurisdiction in which the Mortgaged Properties are located; and

(viii) in the case of the Properties located in McKinney, Texas, Vista, California, Huntersville, North Carolina, Springfield, Massachusetts, and Wayne, New Jersey, such estoppel letters, consents and waivers from the landlords on such Properties as the Administrative Agent may reasonably require; provided , that the Credit Parties shall not be required (A) to obtain any such consent to the extent the applicable landlord refuses to execute such consent after the Credit Parties have used their commercially reasonable efforts to obtain such consent or (B) to expend any significant amount of money to obtain such consents.

(e) Stock Certificate and Power . Within thirty (30) days after the Closing Date (or such extended period of time as agreed to by the Administrative Agent), the Administrative Agent shall have received the stock certificate evidencing the interest owned by Orthofix Inc. in Innovative Spinal Technologies and a duly executed in blank undated stock or transfer power with respect thereto.

(f) Opinion . Within thirty (30) days after the Closing Date (or such extended period of time as agreed to by the Administrative Agent), the Administrative Agent shall have received an opinion, in form and substance reasonably satisfactory to the Administrative Agent, that the Capital Stock of each of the Credit Parties organized under the laws of Delaware is duly authorized, validly issued, fully paid, non-assessable and owned of record by such Credit Party.

(g) Intellectual Property . Within thirty (30) days after the Closing Date (or such extended period of time as agreed to by the Administrative Agent), the Administrative Agent shall have received evidence that all chain of title issues have been resolved with the United States Patent and Trademark Office and all third party security interests with respect to the Intellectual Property of the Credit Parties have been released of record with the United States Patent and Trademark Office; provided that any Indebtedness associated with such security interests shall have been paid in full and terminated on or prior to the Closing Date.

ARTICLE VI

NEGATIVE COVENANTS

The Credit Parties hereby covenant and agree that on the Closing Date, and thereafter for so long as this Agreement is in effect and until the Commitments have terminated, no Note remains outstanding and unpaid and the Credit Party Obligations, together with interest, Commitment Fee and all other amounts owing to the Administrative Agent or any Lender hereunder, are paid in full that:

Section 6 . 1 Indebtedness .

No Credit Party will, nor will it permit any Subsidiary to, contract, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness arising or existing under this Agreement and the other Credit Documents;

(b) Indebtedness of the Company and its Subsidiaries existing as of the Closing Date as referenced in the financial statements referenced in Section 3.1 or the liquidity section of the management discussion and analysis (and set out more specifically in Schedule 6.1(b) hereto) and renewals, refinancings or extensions thereof in a principal amount not in excess of that outstanding as of the date of such renewal, refinancing or extension; provided that the Credit Parties party to the intercompany notes set forth on Schedule 6.1(b) hereby agree that the intercompany Indebtedness evidenced by such intercompany notes shall be subordinated to the Credit Party Obligations and that the Credit Party Obligations shall be paid in full prior to any payments being made on such intercompany notes, except as permitted by Section 6.10;

(c) Indebtedness of the Borrower and its Subsidiaries incurred after the Closing Date consisting of Capital Leases or Indebtedness incurred to provide all or a portion of the purchase price or cost of construction of an asset (or assumed or acquired by the Borrower and its Subsidiaries in connection with a Permitted Acquisition); provided that (i) such Indebtedness to the extent resulting from Capital Leases or as a result of the purchase price or cost of construction when incurred shall not exceed the purchase price or cost of construction of such asset; (ii) no such Indebtedness shall be refinanced for a principal amount in excess of the principal balance outstanding thereon at the time of such refinancing; and (iii) the total amount of all such Indebtedness shall not exceed $10,000,000 at any time outstanding;

(d) Unsecured intercompany Subordinated Indebtedness (i) owing by a Credit Party (other than, subject to clause (iv) below, the Company) to another Credit Party; provided that any Subordinated Indebtedness issued by a Credit Party (other than the Company) to Colgate or Victory shall be issued in accordance with the Tax Structure Documents, (ii) among the Company and Foreign Subsidiaries, (iii) among Foreign Subsidiaries and other Foreign Subsidiaries or (iv) owing by the Company to Colgate or Victory to the extent that such Subordinated Indebtedness would be permitted by Section 6.10(d), (f) or (i) if made as a Restricted Payment rather than the issuance of Subordinated Indebtedness;

(e) Indebtedness of Foreign Subsidiaries in an aggregate amount not to exceed $10,000,000 at any time outstanding;

(f) Indebtedness and obligations owing under Secured Hedging Agreements and other Hedging Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes;

(g) Indebtedness and obligations of the Borrower and its Subsidiaries owing under documentary letters of credit for the purchase of goods or other merchandise (but not under standby, direct pay or other letters of credit except for the Letters of Credit hereunder) generally;

(h) (i) Indebtedness of the Company or any of its Subsidiaries the proceeds of which are used to prepay the Term Loan in accordance with Section 2.7 or used to fund Permitted Acquisitions so long as such Indebtedness is (and all Guaranty Obligations with respect to such Indebtedness are) unsecured and subordinated in right and time of payment (subject to the terms of Section 6.10(h)) and priority to the Credit Party Obligations pursuant to subordination provisions that are reasonably satisfactory to the Administrative Agent and (ii) Indebtedness of the Company or any of its Subsidiaries the proceeds of which are used to prepay the Term Loan in accordance with Section 2.7 so long as such Indebtedness is (and all Guaranty Obligations with respect to such Indebtedness are) unsecured; provided , in each case that (A) the covenants and events of default of such Indebtedness are, taken as a whole, materially less restrictive than those contained in this Agreement (and shall not include any covenant or event of default more restrictive than those contained in this Agreement), (B) both immediately prior and after giving effect thereto, (1) no Default or Event of Default shall exist or result therefrom and (2) the Company shall be in compliance with the financial covenants set forth in Section 5.9, such compliance immediately after giving effect thereto determined with regard to calculations made on a Pro Forma Basis for the fiscal quarter most recently ended, and the Administrative Agent shall have received a certificate of a Responsible Officer of the Borrower to such effect, and (C) such Indebtedness matures, and does not require any scheduled amortization or other scheduled or mandatory payments of principal or first scheduled put right prior to, the date which is at least 120 days after the later of the Term Loan Maturity Date and the maturity date of any Incremental Term Facility, other than (1) redemptions made at the option of the holders of such Indebtedness upon a change in control of the issuer in circumstances that would also constitute a Change of Control under this Agreement (provided that any such redemption cannot be made fewer than thirty (30) days after such change in control and that any such redemption is fully subordinated to the indefeasible payment in full of all Credit Party Obligations), (2) mandatory prepayments required as a result of asset dispositions if such Indebtedness allows the issuer to satisfy such mandatory prepayment requirement by prepayment of Loans under this Agreement or other senior obligations of the issuer or reinvestment of the asset disposition proceeds within a specified period of time and (3) payments permitted by Section 6.10(h)(ii);

(i) Guaranty Obligations in respect of Indebtedness of the Company and its Subsidiaries to the extent such Indebtedness is permitted to exist or be incurred pursuant to this Section 6.1; and

(j) other unsecured Indebtedness of the Company and its Subsidiaries which does not exceed $10,000,000 in the aggregate at any time outstanding.

Section 6 . 2 Liens .

No Credit Party will, nor will it permit any of its Subsidiaries to, contract, create, incur, assume or permit to exist any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or hereafter acquired, except for Permitted Liens. Notwithstanding the foregoing, if a Credit Party shall grant a Lien on any of its assets in violation of this Section, then it shall be deemed to have simultaneously granted an equal and ratable Lien on any such assets in favor of the Administrative Agent for the ratable benefit of the Lenders and the Hedging Agreement Providers, to the extent such Lien has not already been granted to the Administrative Agent.

Section 6 . 3 Nature of Business .

Each of the Credit Parties will not, nor will any Credit Party permit any Subsidiary to, alter the character of its business or any business activities reasonably related thereto in any material respect from that conducted as of the Closing Date; provided that the foregoing shall not apply to the cessation of business activities that the applicable Credit Party or Subsidiary reasonably believes should no longer be conducted by such Credit Party or Subsidiary.

Section 6 . 4 Consolidation, Merger, Sale or Purchase of Assets, etc .

Each of the Credit Parties will not, nor will the Credit Parties permit any Subsidiary to,

(a) dissolve, liquidate or wind up its affairs, sell, transfer, lease or otherwise dispose of its property or assets or agree to do so at a future time except the following, shall be expressly permitted:

(i) the sale, transfer, lease or other disposition of inventory and materials in the ordinary course of business;

(ii) the sale, transfer or other disposition of cash and Cash Equivalents;

(iii) (A) the disposition of property or assets as a direct result of a Recovery Event or (B) the sale, lease, transfer or other disposition of machinery, parts and equipment no longer used or useful in the conduct of the business of the Borrower or any of its Subsidiaries, so long as the Net Cash Proceeds from such dispositions, sales, leases or transfers pursuant to clause (A) or (B) are used to replace such machinery, parts and equipment or to purchase or otherwise acquire new assets or property within 180 days of receipt of the Net Cash Proceeds or, with respect to dispositions pursuant to clause (A), such Net Cash Proceeds are used to prepay Loans and cash collateralize outstanding LOC Obligations in accordance with the terms of Section 2.7(b)(iv); provided that, upon the occurrence and during the continuance of a Default or an Event of Default, the Credit Parties and their Subsidiaries shall not have the right to reinvest such Net Cash Proceeds;

(iv) the sale, lease or transfer of property or assets between or among (A) the Borrower and the Subsidiary Guarantors; provided that any sale, lease or transfer of property or assets to Swiftsure and UK Ltd shall be limited to sales or transfers of property or assets in accordance with the Tax Structure Documents, or (B) the Foreign Subsidiaries of the Company and other Foreign Subsidiaries of the Company;

(v) the termination of any Hedging Agreement permitted pursuant to Section 6.1(f);

(vi) the factoring or disposition of receivables by SRL in connection with the Indebtedness of SRL set forth on Schedule 6.1(b) ;

(vii) the sale of any assets set forth on Schedule 6.4(a) ; provided that the Net Cash Proceeds from any such sale shall be applied to the Loans and the outstanding LOC Obligations in accordance with the terms of Section 2.7(b)(ii) (excluding any reinvestment right contained in such Section);

(viii) the liquidation or dissolution of (A) any Domestic Subsidiary of the Company that has no assets or that has sold, disposed of or otherwise transferred all of its assets to the Borrower or a Subsidiary Guarantor, (B) any Foreign Subsidiary of the Company that has no assets or that has sold, disposed of or otherwise transferred all of its assets to the Borrower or a Subsidiary Guarantor or another Foreign Subsidiary or (C) Colgate, Victory, Swiftsure or UK Ltd if it has no assets or has sold, disposed of or otherwise transferred all of its assets to the Borrower or a Subsidiary Guarantor; provided that Victory shall not be liquidated or dissolved unless the Administrative Agent receives a first priority, perfected security interest in 100% of the Capital Stock of the Borrower from the parent company of the Borrower after giving effect to such liquidation or dissolution on terms satisfactory to the Administrative Agent; and

(ix) the sale, lease, transfer or other disposition of property or assets not to exceed $3,000,000 in the aggregate in any fiscal year;

provided , that, in the case of clauses (i), (ii), (iii), (vii) and (ix) above, at least 75% of the consideration received therefore by the Borrower or any other Credit Party is in the form of cash or Cash Equivalents; provided , further , that with respect to sales, transfers, leases or other dispositions of assets permitted hereunder only, the Administrative Agent shall without the consent of the Required Lenders, release its Liens relating to the particular assets sold, transferred, leased or otherwise disposed of; or

(b) (i) purchase, lease or otherwise acquire (in a single transaction or a series of related transactions) the property or assets of any Person (other than purchases, leases or other acquisitions of inventory, leases, materials, property and equipment in the ordinary course of business, except as otherwise limited or prohibited herein) or (ii) enter into any transaction of merger or consolidation, except for (A) consummation of the Acquisition, (B) investments or acquisitions permitted pursuant to Section 6.5, and (C) the merger or consolidation of (I) a Credit Party (other than the Company, Colgate or Victory) with and into another Credit Party (other than the Company, Colgate or Victory); provided that (y) if the Borrower is a party thereto, the Borrower will be the surviving corporation and (z) the Administrative Agent's Liens with respect to the Collateral of each Credit Party involved in such merger or consolidation shall remain continuously perfected ; and (II) a Foreign Subsidiary into another Foreign Subsidiary.

Section 6 . 5 Advances, Investments and Loans .

No Credit Party will, nor will it permit any Subsidiary to, make any Investment except for Permitted Investments.

Section 6 . 6 Transactions with Affiliates .

Except as permitted in subsections (c), (d), (e), (f) or (k) of the definition of Permitted Investments, no Credit Party will, nor will it permit any Subsidiary to, enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any officer, director, shareholder or Affiliate other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm's-length transaction with a Person other than an officer, director, shareholder or Affiliate.

Section 6 . 7 Ownership of Subsidiaries; Restrictions .

Neither Colgate, Victory, the Borrower, nor any Subsidiary Guarantor will, nor will it permit any Subsidiary to, create, form or acquire any Subsidiaries, except for Domestic Subsidiaries which are Credit Parties or which are joined as Additional Credit Parties in accordance with the terms hereof. Neither Colgate, Victory, the Borrower, nor any Subsidiary Guarantor will sell, transfer, pledge or otherwise dispose of any Capital Stock or other equity interests in any of its Subsidiaries, nor will it permit any of its Subsidiaries to issue, sell, transfer, pledge or otherwise dispose of any of their Capital Stock or other equity interests, except in a transaction permitted by Section 6.4.

Section 6 . 8 Fiscal Year; Organizational Documents; Material Contracts; Subordinated Indebtedness Documents.

Each of the Credit Parties will not, nor will any Credit Party permit any Subsidiary to, change its fiscal year or its accounting policies except as required by GAAP. Except as permitted pursuant to Section 5.4, each of the Credit Parties will not, nor will any Credit Party permit any Subsidiary to, amend, modify or change its articles of incorporation (or corporate charter or other similar organizational document) or bylaws (or other similar document) in a manner adverse to the interests of the Lenders without the prior written consent of the Required Lenders; provided that the Company shall be permitted to amend such documents to provide for the issuance of any classes or series of Capital Stock so long as such issuance does not result in a Change of Control and the Capital Stock issued is not subject to mandatory sinking fund payments, redemption or other acceleration or similar rights or payments. Each of the Credit Parties will not, nor will any Credit Party permit any Subsidiary to, w ithout the prior written consent of the Administrative Agent, amend, modify, cancel or terminate or fail to renew or extend or permit the amendment, modification, cancellation or termination of any of the Material Contracts to the extent any amendment, modification, cancellation, termination or failure to renew or extend could reasonably be expected to have a Material Adverse Effect. Each of the Credit Parties and their Subsidiaries will not, without the prior written consent of the Required Lenders, amend, modify, waive or extend or permit the amendment, modification, waiver or extension of any Subordinated Indebtedness or of any documentation governing or evidencing such Subordinated Indebtedness in a manner that is adverse to the interests of the Lenders or the issuer of such Subordinated Indebtedness.

Section 6 . 9 Limitation on Restricted Actions .

No Credit Party will, nor will it permit any Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Person to (a) pay dividends or make any other distributions to any Credit Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Credit Party, (c) make loans or advances to any Credit Party, (d) sell, lease or transfer any of its properties or assets to any Credit Party, or (e) act as a guarantor and pledge its assets pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extensions thereof, except (in respect of any of the matters referred to in clauses (a)-(d) above) for such encumbrances or restrictions existing under or by reason of (i) this Agreement and the other Credit Documents, (ii) applicable law, (iii) any document or instrument governing Indebtedness incurred pursuant to Section 6.1(c) or Guaranty Obligations with respect to any of the foregoing; provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith, or (iv) any Permitted Lien or any document or instrument governing any Permitted Lien; provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien.

Section 6 . 10 Restricted Payments .

No Credit Party will, nor will it permit any Subsidiary to, directly or indirectly, declare, order, make or set apart any sum for or pay any Restricted Payment except (a) to make dividends or distributions payable solely in the same class of Capital Stock of such Person (including, without limitation, stock splits provided that they are in the same class of Capital Stock of such Person), (b) to make dividends or other distributions (directly or indirectly through Subsidiaries) payable to any Credit Party other than the Company, (c) to make dividends or other distributions by a Foreign Subsidiary of the Company payable (directly or indirectly through Subsidiaries) to any Credit Party or any other Foreign Subsidiary, (d) to make dividends payable solely to allow the Company, Colgate or Victory to pay federal and state local taxes then due and owing, (e) so long as no Event of Default has occurred and is continuing or would result therefrom, to make (i) payments on intercompany Subordinated Indebtedness permitted under Sections 6.1(b) and (d), or (ii) Permitted Investments in accordance with the Tax Structure Documents; provided that (A) no payment shall be made pursuant to this Subsection from a Credit Party to the Company or any Foreign Subsidiary thereof and (B) no payment shall be made to Colgate or Victory except in accordance with the Tax Structure Documents, (f) so long as (i) no Default or Event of Default exists or would exist on a Pro Forma Basis after giving effect to such Restricted Payment and (ii) the Leverage Ratio is less than 1.75 to 1.0 (A) before giving effect to any such Restricted Payment and (B) on a Pro Forma Basis after giving effect to any such Restricted Payment (and in the case of any Restricted Payment or series of related Restricted Payments in an amount in excess of $5,000,000, the Borrower shall have furnished to the Administrative Agent a compliance certificate as to such compliance, together with supporting calculations), to make Restricted Payments in an aggregate amount that, taken together with the aggregate of all other Restricted Payments made by the Credit Parties and their Subsidiaries (other than Restricted Payments permitted under other subsections of this Section 6.10) from and after the Closing Date, does not exceed the sum of 25% of Excess Cash Flow for the period from the Closing Date to the end of the most recently ended fiscal year for which the Company has delivered financial statements as required by Section 5.1(a) which then may be paid to the shareholders of the Company in the form of a dividend or other distribution or may be used by the Company for other corporate purposes, (g) so long as no Default or Event of Default exists or would exist on a Pro Forma Basis after giving effect to such Restricted Payment, to repurchase Capital Stock, warrants, options or other rights to acquire Capital Stock of the Company from current or former officers, employees or directors (or their heirs or estates) of a Credit Party or any Subsidiary in connection with the death, disability or termination of employment of any such Person in an aggregate amount not to exceed $2,500,000 in any fiscal year and $5,000,000 during the term of this Agreement, (h) (i) to make distributions to pay regularly scheduled interest payments on Subordinated Indebtedness issued by a Credit Party permitted by Section 6.1(h) pursuant to the subordination provisions applicable thereto and (ii) to the extent that Net Cash Proceeds resulting from the issuance of Subordinated Indebtedness pursuant to Section 6.1(h) shall have been applied to repay the Term Loan as set forth in Section 2.7(b) (and not to finance Permitted Acquisitions) and so long as no Default or Event of Default shall have occurred and be continuing, or would result therefrom on an actual or Pro Forma Basis, if any such Subordinated Indebtedness shall contain a provision permitting a holder thereof to convert or exchange such Indebtedness for common equity of the Company and/or cash, to make payments in respect thereof upon the occurrence of the event giving rise to such holders right to conversion or exchange and (i) so long as no Default or Event of Default exists or would exist on a Pro Forma Basis after giving effect to such Restricted Payment, (A) the Company may make earnout payments and any other deferred payment paid as consideration pursuant to a Permitted Acquisition by the Company and (B) the Borrower and its Subsidiaries may make earnout payments and any other deferred payment paid as consideration pursuant to a Permitted Acquisition by the Borrower or any of its Subsidiaries.

Section 6 . 11 Sale Leasebacks .

No Credit Party will, nor will it permit any Subsidiary to, directly or indirectly become or remain liable as lessee or as guarantor or other surety with respect to any lease, whether an operating lease or a Capital Lease, of any property (whether real, personal or mixed), whether now owned or hereafter acquired, which any Credit Party or any Subsidiary has sold or transferred or is to sell or transfer to a Person which is not another Credit Party or Subsidiary thereof.

Section 6 . 12 No Further Negative Pledges .

No Credit Party will, nor will it permit any Subsidiary to, enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for such obligation if security is given for some other obligation, except (a) pursuant to this Agreement and the other Credit Documents, (b) pursuant to any document or instrument governing Indebtedness incurred pursuant to Section 6.1(c), provided that any such restriction contained therein relates only to the asset or assets constructed or acquired in connection therewith and (c) in connection with any Permitted Lien or any document or instrument governing any Permitted Lien; provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien.

Section 6 . 13 Accounts .

Set forth on Schedule 6.13 is a complete and accurate list of all checking, savings or other accounts (including securities accounts) of the Credit Parties at any bank or other financial institution, or any other account where money is or may be deposited or maintained with any Person as of the Closing Date. At anytime on or after November 22, 2006, each of the Credit Parties (other than the Company) will not, nor will it permit any Subsidiary to, o pen, maintain or otherwise have any checking, savings or other accounts (including securities accounts) at any bank or other financial institution, or any other account where money is or may be deposited or maintained with any Person, other than (a) the accounts set forth on Schedule 6.13 and designated as unrestricted accounts; provided that the balance on any such account does not exceed $500,000 and the aggregate balance in all such accounts does not exceed $1,500,000, (b) deposit accounts that are subject to a Deposit Account Control Agreement, (c) securities accounts that are subject to a Securities Account Control Agreement, (d) deposit accounts established solely as payroll and other zero balance accounts and (e) deposit accounts, so long as at any time the balance in any such account does not exceed $500,000 and the aggregate balance in all such accounts does not exceed $1,500,000.

ARTICLE VII

EVENTS OF DEFAULT

Section 7 . 1 Events of Default .

An Event of Default shall exist upon the occurrence of any of the following specified events (each an " Event of Default "):

(a) The Borrower shall fail to pay any principal on any Loan when due in accordance with the terms thereof or hereof; or the Borrower shall fail to reimburse the Issuing Lender for any outstanding LOC Obligations when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan or any fee or other amount payable hereunder when due in accordance with the terms thereof or hereof and such failure shall continue unremedied for three (3) Business Days (or any Guarantor shall fail to pay on the Guaranty in respect of any of the foregoing or in respect of any other Guaranty Obligations thereunder within the aforesaid period of time); or

(b) Any representation or warranty made or deemed made herein or in any of the other Credit Documents or which is contained in any certificate, document or financial or other written statement furnished at any time under or in connection with this Agreement shall prove to have been incorrect, false or misleading in any material respect on or as of the date made or deemed made; or

(c) (i) Any of the Credit Parties or their Subsidiaries shall fail to perform, comply with or observe any term, covenant or agreement applicable to it contained in Section 5.1(a), (b) and (c), Section 5.2, Section 5.4, Section 5.7(a) and (d), Section 5.9 or Article VI hereof; or (ii) any Credit Party shall fail to comply with any other covenant, contained in this Credit Agreement or the other Credit Documents or any other agreement, document or instrument among any Credit Party, the Administrative Agent and the Lenders or executed by any Credit Party in favor of the Administrative Agent or the Lenders (other than as described in Sections 7.1(a), 7.1(b) or 7.1(c)(i) above), and in the event such breach or failure to comply is capable of cure, is not cured within thirty (30) days of its occurrence; or

(d) Any of the Credit Parties or their Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Notes) in a principal amount outstanding of at least $5,000,000 in the aggregate for the Credit Parties and their Subsidiaries beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness was created; (ii) default in the observance or performance of any other agreement or condition relating to any Indebtedness in a principal amount outstanding of at least $5,000,000 in the aggregate for the Credit Parties and their Subsidiaries or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, and, with respect to the foregoing, the effect of such default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity; or (iii) default under any Secured Hedging Agreement; or

(e) (i) Any of the Credit Parties or their Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, suspension of payment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator, administrator, administrative receiver, compulsory manager or other similar official for it or for all or any substantial part of its assets, or the Credit Parties or their Subsidiaries shall make a general assignment or arrangement for the benefit of any of its creditors; or (ii) there shall be commenced against any of the Credit Parties or their Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for, with respect to such proceeding or other action in a jurisdiction outside the United States, a period of thirty (30) days and, with respect to such proceeding or other action in a United States jurisdiction, a period of sixty (60) days; or (iii) there shall be commenced against any of the Credit Parties or their Subsidiaries, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within, with respect to such case, proceeding or other action in a jurisdiction outside the United States, thirty (30) days from the entry thereof and, with respect such case, proceeding or other action in a United States jurisdiction, sixty (60) days from the entry thereof; or (iv) any of the Credit Parties or their Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clauses (i), (ii), or (iii) above; or (v) any of the Credit Parties (together with their Subsidiaries taken as a whole) shall fail to be Solvent; or

(f) One or more judgments or decrees shall be entered against any of the Credit Parties and shall not have been paid and satisfied, vacated, discharged, stayed or bonded pending appeal within ten (10) days from the entry thereof to the extent such judgments and decrees involve a liability (to the extent not paid when due or covered by insurance in excess of $5,000,000 in the aggregate); or

(g) (i) Any Person shall engage in any “prohibited transaction” (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Single Employer Plan, (ii) any “accumulated funding deficiency” (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Single Employer Plan or any Lien in favor of a Single Employer Plan or in favor of the PBGC with respect to a Single Employer Plan (other than a Permitted Lien) shall arise on the assets of any Credit Party or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a Trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, or (v) any Credit Party or any Commonly Controlled Entity shall incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, any Multiemployer Plan; and in each case in clauses (i) through (v) above, such event or condition, together with all other such events or conditions, if any, could reasonably be expected to have a Material Adverse Effect; or

(h) There shall occur a Change of Control; or

(i) The Guaranty or any provision thereof shall cease to be in full force and effect or any Guarantor or any Person authorized to act by or on behalf of any Guarantor shall deny or disaffirm any Guarantor's obligations under the Guaranty; or

(j) (i) Any other Credit Document or any security interest or Lien granted thereunder shall fail to be in full force and effect, shall be declared null and void or shall fail to give the Administrative Agent and/or the Lenders the security interests, liens, perfection, priority, rights, powers and privileges purported to be created thereby (except as such documents may be terminated or no longer in force and effect in accordance with the terms thereof, other than those indemnities and provisions which by their terms shall survive); or (ii) any Credit Party or any Person authorized to act by or on behalf of any Credit Party shall deny or disaffirm any Credit Party Obligations or shall deny, disaffirm or contest the validity, perfection or priority of any security interest or Lien granted under the Security Documents; or

(k) Any default (which is not waived or cured within the applicable period of grace) or event of default shall occur under any document governing or evidencing any Subordinated Indebtedness or the subordination provisions contained therein shall cease to be in full force and effect or to give the Administrative Agent and the Lenders the rights, powers and privileges purported to be created thereby; or

(l) any Credit Party shall be temporarily or permanently excluded from, or have payments suspended under, (i) any Medicaid Provider Agreement, Medicaid Certification, Medicare Provider Agreement or Medicare Certification or (ii) any Medical Reimbursement Program, where such exclusion or suspension arises from fraud or other claims or allegations which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 7 . 2 Acceleration; Remedies .

Upon the occurrence and during the continuation of an Event of Default, then, and in any such event, (a) if such event is an Event of Default specified in Section 7.1(e) above with respect to any Credit Party or any material Subsidiary of the Company, automatically the Commitments shall immediately terminate and the Loans (with accrued interest thereon), and all other amounts under the Credit Documents (including without limitation the maximum amount of all contingent liabilities under Letters of Credit) shall immediately become due and payable, and (b) if such event is any other Event of Default, any or all of the following actions may be taken: (i) with the written consent of the Required Lenders, the Administrative Agent may, or upon the written request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; (ii) the Administrative Agent may, or upon the written request of the Required Lenders, the Administrative Agent shall, by notice of default to the Borrower, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the Notes to be due and payable forthwith and direct the Borrower to pay to the Administrative Agent cash collateral as security for the outstanding LOC Obligations for subsequent drawings under then outstanding Letters of Credit in an amount equal to the maximum amount of which may be drawn under Letters of Credit then outstanding, whereupon the same shall immediately become due and payable; (iii) exercise any rights or remedies of the Administrative Agent or the Lenders under this Agreement or any other Credit Document, including, without limitation, any rights or remedies with respect to the Collateral; and (iv) exercise any rights or remedies available to the Administrative Agent or Lenders under applicable law.

ARTICLE VIII

THE AGENT

Section 8 . 1 Appointment .

Each Lender hereby irrevocably designates and appoints Wachovia Bank, National Association as the Administrative Agent of such Lender under this Agreement, and each such Lender irrevocably authorizes Wachovia Bank, National Association, as the Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

Section 8 . 2 Delegation of Duties .

The Administrative Agent may execute any of its duties under this Agreement by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care. Without limiting the foregoing, but subject to the provisions of Section 8.3, the Administrative Agent may appoint one of its affiliates as its agent to perform the functions of the Administrative Agent hereunder relating to the advancing of funds to the Borrower and distribution of funds to the Lenders and to perform such other related functions of the Administrative Agent hereunder as are reasonably incidental to such functions.

Section 8 . 3 Exculpatory Provisions .

Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of any of the Credit Documents or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance by the Borrower of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower and its Subsidiaries.

Section 8 . 4 Reliance by Administrative Agent .

(a) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to any Credit Party), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless (a) a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent and (b) the Administrative Agent shall have received the written agreement of such assignee to be bound hereby as fully and to the same extent as if such assignee were an original Lender party hereto, in each case in form satisfactory to the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under any of the Credit Documents in accordance with a request of the Required Lenders or all of the Lenders, as may be required under this Agreement, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

(b) For purposes of determining compliance with the conditions specified in Section 4.1, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender.

Section 8 . 5 Notice of Default .

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided , however , that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders except to the extent that this Credit Agreement expressly requires that such action be taken, or not taken, only with the consent or upon the authorization of the Required Lenders, or all of the Lenders, as the case may be.

Section 8 . 6 Non-Reliance on Administrative Agent and Other Lenders .

Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representation or warranty to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

Section 8 . 7 Indemnification .

The Lenders agree to indemnify the Administrative Agent and the Revolving Lenders agree to indemnify the Issuing Lender and the Swingline Lender, in each case in its capacity hereunder and their Affiliates and their respective officers, directors, agents and employees (to the extent not reimbursed by the Borrower and without limiting any obligation of the Borrower to do so), ratably according to their respective Commitment Percentages in effect on the date on which indemnification is sought under this Section, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Notes) be imposed on, incurred by or asserted against any such indemnitee in any way relating to or arising out of any Credit Document or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any such indemnitee under or in connection with any of the foregoing; provided , however , that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting from such indemnitee's gross negligence or willful misconduct, as determined by a court of competent jurisdiction. The agreements in this Section 8.7 shall survive the termination of this Agreement and payment of the Notes and all other amounts payable hereunder.

Section 8 . 8 Administrative Agent in Its Individual Capacity .

The Administrative Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Administrative Agent were not the Administrative Agent hereunder. With respect to its Loans made or renewed by it and any Note issued to it, the Administrative Agent shall have the same rights and powers under this Agreement as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

Section 8 . 9 Successor Administrative Agent .

The Administrative Agent may resign as Administrative Agent upon thirty (30) days' prior written notice to the Borrower and the Lenders. If the Administrative Agent shall resign as Administrative Agent, then the Required Lenders shall appoint from among the Lenders (with such Lender's consent) a successor agent for the Lenders, which successor agent shall in the absence of a Default or an Event of Default be approved by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Notes. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Credit Documents (except that in the case of any Collateral held by the Administrative Agent on behalf of the Secured Parties, the retiring Administrative Agent shall continue to hold such Collateral until such time as a successor Administrative Agent is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to (i) each Lender and the Issuing Lender directly with respect to payments and communications and (ii) the Required Lenders with respect to any determination, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 8.9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

Section 8 . 10 Other Agents .

None of the Lenders or other Persons identified on the cover page or signature pages of this Agreement as a "syndication agent," "documentation agent," "co-agent," "book manager," "bookrunner," "joint bookrunner," "lead manager," "arranger," "lead arranger," "joint lead arrangers" or "co-arranger" shall have any right (except as expressly set forth herein), power, obligation, liability, responsibility or duty under this Agreement or under any other Credit Document other than, in the case of such Lenders, those applicable to all Lenders as such; provided , however , that the agents and co-lead arrangers shall be entitled to the same rights, protections, exculpations and indemnifications granted to the Administrative Agent under this Article VIII in their capacity as an agent or co-lead arranger. Without limiting the foregoing, none of the Lenders or other Persons so identified shall have or be deemed to have any fiduciary relationship with any Lender. Each Lender acknowledges that it has not relied, and will not rely, on any of the Lenders or other Persons so identified in deciding to enter into this Credit Agreement or in taking or not taking action hereunder.

Section 8 . 11 Releases .

The Administrative Agent will promptly release any Guarantor and any Lien on any Collateral, which is sold, transferred or otherwise disposed of as permitted by the Credit Agreement or as otherwise permitted by the Lenders or Required Lenders, as applicable.

ARTICLE IX

MISCELLANEOUS

Section 9 . 1 Amendments, Waivers and Release of Collateral .

Neither this Agreement, nor any of the other Credit Documents, nor any terms hereof or thereof may be amended, supplemented, waived or modified except in accordance with the provisions of this Section. The Required Lenders may, or, with the written consent of the Required Lenders, the Administrative Agent may, from time to time, (a) enter into with the Credit Parties written amendments, supplements or modifications hereto and/or to the other Credit Documents for the purpose of adding, deleting or modifying any provisions to this Agreement or the other Credit Documents or changing in any manner the rights or obligations of the Lenders or of the Credit Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders may specify in such instrument, any of the requirements of this Agreement or the other Credit Documents or any Default or Event of Default and its consequences; provided , however , that no such waiver and no such amendment, waiver, supplement, modification or release shall:

(i) reduce the amount or extend the scheduled date of maturity of any Loan, Note or LOC Obligation or any installment thereon, or reduce the stated rate of any interest or fee payable hereunder (except in connection with a waiver of interest at the increased post-default rate set forth in Section 2.9 which shall be determined by a vote of the Required Lenders) or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of any Lender's Commitment, in each case without the written consent of each Lender directly affected thereby; provided that, it is understood and agreed that (A) no waiver, reduction or deferral of a mandatory prepayment required pursuant to Section 2.7(b), nor any amendment of Section 2.7(b) or the definitions of Asset Disposition, Debt Issuance, Equity Issuance, Excess Cash Flow or Recovery Event, shall constitute a reduction of the amount of, or an extension of the scheduled date of maturity of, or any installment of, any Loan, Note or LOC Obligation, (B) any reduction in the stated rate of interest on Revolving Loans shall only require the written consent of each Lender holding a Revolving Commitment and (C) any reduction in the stated rate of interest on the Term Loan shall only require the written consent of each Lender holding a portion of the outstanding Term Loan; or

(ii) amend, modify or waive any provision of this Section or reduce the percentage specified in the definition of Required Lenders, without the written consent of all the Lenders; or

(iii) amend, modify or waive any provision of Article VIII without the written consent of the then Administrative Agent; or

(iv) release the Borrower or all or substantially all of the Guarantors from obligations under the Guaranty, without the written consent of all of the Lenders and the Hedging Agreement Providers; or

(v) release all or substantially all of the Collateral without the written consent of all of the Lenders and Hedging Agreement Providers; or

(vi) subordinate any Credit Party Obligations to any other Indebtedness or the Liens securing the Credit Party Obligations to any other Indebtedness without the written consent of all of the Lenders; or

(vii) permit a Letter of Credit to have an original expiry date more than twelve (12) months from the date of issuance without the consent of each of the Revolving Lenders; provided , that the expiry date of any Letter of Credit may be extended in accordance with the terms of Section 2.3(a); or

(viii) permit any Credit Party to assign or transfer any of its rights or obligations under this Agreement or other Credit Documents without the written consent of all of the Lenders; or

(ix) amend or modify the definition of Credit Party Obligations to delete or exclude any obligation or liability described therein without the written consent of each Lender and each Hedging Agreement Provider directly affected thereby; or

(x) amend, modify or waive any provision of the Credit Documents requiring consent, approval or request of the Required Lenders or all Lenders without the written consent of the Required Lenders or all the Lenders as appropriate; or

(xi) without the consent of Revolving Lenders holding in the aggregate more than 50% of the outstanding Revolving Commitments (or if the Revolving Commitments have been terminated, the aggregate principal amount of outstanding Revolving Loans), amend, modify or waive any provision in Section 4.2 or waive any Default or Event of Default (or amend any Credit Document to effectively waive any Default or Event of Default) if the effect of such amendment, modification or waiver is that the Revolving Lenders shall be required to fund Revolving Loans when such Lenders would otherwise not be required to do so; or

(xii) amend, modify or waive the order in which Credit Party Obligations are paid or in a manner that would alter the pro rata sharing of payments by and among the Lenders, including, without limitation, as provided in Section 2.12, without the written consent of each Lender and each Hedging Agreement Provider directly affected thereby; or

(xiii) amend the definitions of "Hedging Agreement," "Secured Hedging Agreement," or "Hedging Agreement Provider" without the consent of any Hedging Agreement Provider that would be adversely affected thereby.

provided , further , that no amendment, waiver or consent affecting the rights or duties of the Administrative Agent, the Issuing Lender or the Swingline Lender under any Credit Document shall in any event be effective, unless in writing and signed by the Administrative Agent, the Issuing Lender and/or the Swingline Lender, as applicable, in addition to the Lenders required hereinabove to take such action.

Any such waiver, any such amendment, supplement or modification and any such release shall apply equally to each of the Lenders and shall be binding upon the Borrower, the other Credit Parties, the Lenders, the Administrative Agent and all future holders of the Notes. In the case of any waiver, the Borrower, the other Credit Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the outstanding Loans and Notes and other Credit Documents, and any Default or Event of Default permanently waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding any of the foregoing to the contrary, the consent of the Borrower shall not be required for any amendment, modification or waiver of the provisions of Article VIII (other than the provisions of Section 8.9); provided , however , that the Administrative Agent will provide written notice to the Borrower of any such amendment, modification or waiver.

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein and (y) the Required Lenders may consent to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding.

Section 9 . 2 Notices .

Except as otherwise provided in Article II, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy or other electronic communication with confirmed receipt from the recipient), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made (a) when delivered by hand, (b) when transmitted via telecopy (or other electronic communication device with confirmed receipt from the recipient) to the number set out herein, (c) the day following the day on which the same has been delivered prepaid (or pursuant to an invoice arrangement) to a reputable national overnight air courier service, or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case, addressed as follows in the case of the Borrower, the other Credit Parties and the Administrative Agent, and, in the case of each of the Lenders, as set forth in such Lender's Administrative Details Form, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Notes:

The Borrower and the other Credit Parties:	Orthofix Holdings, Inc. The Storrs Building, Suite 250 10115 Kincey Avenue Huntersville Business Park Huntersville, North Carolina 28078 Attention: Thomas Hein Telecopier: 704 948 2691 Telephone: 704 948 2635
The Administrative Agent:	Wachovia Bank, National Association, as Administrative Agent Charlotte Plaza 201 South College Street NC0680/CP8 Charlotte, North Carolina 28288-0680 Attention: Syndication Agency Services Telecopier: (704) 715-1125 Telephone: (704) 383-0288 with a copy to: Wachovia Bank, National Association One Wachovia Center 301 South College Street, TW 15 NC5562 Charlotte, North Carolina 28288-0737 Attention: Scott Santa Cruz Telecopier: (704) 383-7611 Telephone: (704) 383-1988

Section 9 . 3 No Waiver; Cumulative Remedies .

No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 9 . 4 Survival of Representations and Warranties .

All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans; provided that all such representations and warranties shall terminate on the date upon which the Commitments have been terminated, no Credit Document remains in effect and all Credit Party Obligations have been paid in full.

Section 9 . 5 Payment of Expenses and Taxes .

The Borrower agrees (a) to pay or reimburse the Administrative Agent and the Arranger for all their reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation, negotiation, printing and execution of, and any amendment, supplement or modification to, this Agreement and the other Credit Documents and any other documents prepared in connection herewith or therewith (including, without limitation, all CUSIP fees for registration with S&P's CUSIP Service Bureau, together with the reasonable fees and disbursements of counsel to the Administrative Agent and the Arranger, (b) to pay or reimburse the Administrative Agent and, if an Event of Default shall have occurred and is continuing, each Lender for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement and the other Credit Documents, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent, and if applicable, and to the Lenders (including reasonable allocated costs of in-house legal counsel), (c) on demand, to pay, indemnify, and hold each Lender, the Administrative Agent and the Arranger harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, the Credit Documents and any such other documents; except for any and all stamp, excise and other similar taxes payable in connection with any transfer under Section 9.6 of this Agreement, (d) to pay, indemnify, and hold each Lender, the Administrative Agent, the Arranger and their Affiliates and their respective officers, directors, employees, partners, members, counsel, agents, representatives, advisors and affiliates (collectively called the " Indemnitees ") harmless from and against, any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of the Credit Documents and any such other documents and the use, or proposed use, of proceeds of the Loans and (e) to pay any civil penalty or fine assessed by the U.S. Department of the Treasury's Office of Foreign Assets Control against, and all reasonable costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof by the Administrative Agent or any Lender as a result of the funding of Loans, the issuance of Letters of Credit, the acceptance of payments or of Collateral due under the Credit Documents (all of the foregoing, collectively, the " Indemnified Liabilities "); provided , however , that the Borrower shall not have any obligation hereunder to an Indemnitee with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of such Indemnitee, as determined by a court of competent jurisdiction pursuant to a final non-appealable judgment. The agreements in this Section shall survive repayment of the Loans, Notes and all other amounts hereunder.

Section 9 . 6 Successors and Assigns; Participations; Purchasing Lenders .

(a) This Agreement shall be binding upon and inure to the benefit of the Credit Parties, the Lenders, the Administrative Agent, all future holders of the Notes and their respective successors and assigns, except that the Credit Parties may not assign or transfer any of their rights or obligations under this Agreement or the other Credit Documents without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities (" Participants ") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender, or any other interest of such Lender hereunder. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Note for all purposes under this Agreement, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. No Lender shall transfer or grant any participation under which the Participant shall have rights to approve any amendment to, or supplement, modification or waiver of, this Agreement or any other Credit Document except to the extent such amendment, supplement, modification or waiver would (i) extend the scheduled maturity of any Loan or Note or any installment thereon in which such Participant is participating, or reduce the stated rate or extend the time of payment of interest or fees thereon (except in connection with a waiver of interest at the increased post-default rate set forth in Section 2.9 which shall be determined by a vote of the Required Lenders) or reduce the principal amount thereof, or increase the amount of the Participant's participation over the amount thereof then in effect; provided that, it is understood and agreed that (A) any waiver, reduction or deferral of a mandatory prepayment required pursuant to Section 2.7(b) and any amendment of Section 2.7(b) or the definitions of Asset Disposition, Debt Issuance, Equity Issuance, or Recovery Event, (B) any waiver of any Default or Event of Default and (C) any increase in any Commitment or Loan shall be permitted without consent of any participant if the Participant's participation is not increased as a result thereof, (ii) release all or substantially all of the Guarantors from their obligations under the Guaranty, (iii) release all or substantially all of the Collateral, or (iv) consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement. In the case of any such participation, the Participant shall not have any rights under this Agreement or any of the other Credit Documents (the Participant's rights against such Lender in respect of such participation to be those set forth in the agreement executed by such Lender in favor of the Participant relating thereto) and all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation; provided that each Participant shall be entitled to the benefits of Sections 2.14, 2.15, 2.16, 2.17 and 9.5 with respect to its participation in the Commitments and the Loans outstanding from time to time; provided further , that no Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender may, in accordance with applicable law, at any time, sell or assign to any Lender or any Affiliate or Approved Fund thereof and to one or more additional banks, insurance companies, financial institutions, investment funds or other entities (" Purchasing Lenders "), all or any part of its rights and obligations under this Agreement and the Notes in minimum amounts of (i) $1,000,000 (or such lesser amount approved by the Administrative Agent and, so long as no Default or Event of Default shall have occurred and be continuing, the Borrower) with respect to its Revolving Commitment and its Revolving Loans (or, if less, the entire amount of such Lender's Revolving Commitment and Revolving Loans) and (ii) $1,000,000 (or such lesser amount approved by the Administrative Agent and so long as no Default or Event of Default shall have occurred and be continuing, the Borrower) with respect to its Term Loans (or, if less, the entire amount of such Lender's Term Loans), pursuant to an Assignment Agreement, executed by such Purchasing Lender and such transferor Lender, consented to (such consent not to be unreasonably withheld or delayed) by the Administrative Agent, the Issuing Lender and the Borrower (to the extent required), and delivered to the Administrative Agent for its acceptance and recording in the Register; provided , however , that (A) any sale or assignment to an existing Lender, or Affiliate or Approved Fund thereof, shall not require the consent of the Borrower, the Issuing Lender or the Administrative Agent (but shall be accepted and acknowledged by the Administrative Agent for the sole purpose of recording same in the Register) nor shall any such sale or assignment be subject to the minimum assignment amounts specified herein, (B) so long as no Default or Event of Default shall have occurred and be continuing, except as provided in the foregoing clause (A), any sale or assignment of a portion of the Revolving Loans and a Revolving Loan Commitment shall require the consent of the Borrower (such consent not to be unreasonably withheld), (C) except as provided in the foregoing clause (ii), any sale or assignment of a portion of the Term Loan and a Term Loan Commitment shall not require the consent of the Borrower and (D) contemporaneous sales and/or assignments to a Purchasing Lender and its Affiliates and Approved Funds shall be treated as one assignment for purposes of determining compliance with the minimum assignment amounts specified herein. Upon such execution, delivery, acceptance and recording, from and after the Transfer Effective Date specified in such Assignment Agreement, (1) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment Agreement, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein, and (2) the transferor Lender thereunder shall, to the extent provided in such Assignment Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment Agreement covering all or the remaining portion of a transferor Lender's rights and obligations under this Agreement, such transferor Lender shall cease to be a party hereto; provided , however , that such Lender shall continue to be entitled to any indemnification rights that expressly survive hereunder). Such Assignment Agreement shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Purchasing Lender and the resulting adjustment of Commitment Percentages arising from the purchase by such Purchasing Lender of all or a portion of the rights and obligations of such transferor Lender under this Agreement and the Notes. On or prior to the Transfer Effective Date specified in such Assignment Agreement, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in exchange for the Notes delivered to the Administrative Agent pursuant to such Assignment Agreement new Notes to the order of such Purchasing Lender in an amount equal to the Commitment assumed by it pursuant to such Assignment Agreement and, unless the transferor Lender has not retained a Commitment hereunder, new Notes to the order of the transferor Lender in an amount equal to the Commitment retained by it hereunder. Such new Notes shall be in the form of the Notes replaced thereby. Notwithstanding anything to the contrary contained in this Section, a Lender may assign any or all of its rights under this Agreement to an Affiliate or a Approved Fund of such Lender without delivering an Assignment Agreement to the Administrative Agent; provided , however , that (x) the Credit Parties and the Administrative Agent may continue to deal solely and directly with such assigning Lender until an Assignment Agreement has been delivered to the Administrative Agent for recordation on the Register, (y) the failure of such assigning Lender to deliver an Assignment Agreement to the Administrative Agent shall not affect the legality, validity or binding effect of such assignment and (z) an Assignment Agreement between the assigning Lender and an Affiliate or Approved Fund of such Lender shall be effective as of the date specified in such Assignment Agreement.

(d) The Administrative Agent shall maintain at its address referred to in Section 9.2 a copy of each Assignment Agreement delivered to it and a register (the " Register ") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. Subject to the requirements of Section 9.6 (c), a Loan (and the related Note) recorded on the Register may be assigned or sold in whole or in part upon registration of such assignment or sale on the Register. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice. In the case of an assignment pursuant to the last sentence of Section 9.6(c) as to which an Assignment Agreement is not delivered to the Administrative Agent, the assigning Lender shall, acting solely for this purpose as a non-fiduciary agent of the Credit Parties, maintain a comparable register on behalf of the Credit Parties. In the event that any Lender sells participations in a Loan recorded on the Register, such Lender shall maintain a register on which it enters the name of all participants in such Loans held by it (the " Participant Register "). A Loan recorded on the Register (and the registered Note, if any, evidencing the same) may be participated in whole or in part only by registration of such participation on the Participant Register (and each registered Note shall expressly so provide). Any participation of such Loan recorded on the Register (and the registered Note, if any, evidencing the same) may be effected only by the registration of such participation on the Participant Register.

(e) Upon its receipt of a duly executed Assignment Agreement, together with payment to the Administrative Agent by the transferor Lender or the Purchasing Lender, as agreed between them, of a registration and processing fee of $3,500 for each Purchasing Lender (other than a Purchasing Lender that is an Affiliate or Approved Fund of the transferor Lender) listed in such Assignment Agreement and the Notes subject to such Assignment Agreement, the Administrative Agent shall (i) accept such Assignment Agreement, (ii) record the information contained therein in the Register and (iii) give prompt notice of such acceptance and recordation to the Lenders and the Borrower.

(f) The Borrower authorizes each Lender to disclose to any Participant or Purchasing Lender (each, a " Transferee ") and any prospective Transferee any and all financial information in such Lender's possession concerning the Borrower and its Subsidiaries which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower in connection with such Lender's credit evaluation of the Borrower and its Affiliates prior to becoming a party to this Agreement, in each case subject to Section 9.15.

(g) At the time of each assignment pursuant to this Section to a Person which is not already a Lender hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Lender shall provide to the Borrower and the Administrative Agent the appropriate Internal Revenue Service Forms described in Section 2.18.

(h) Nothing herein shall prohibit any Lender from pledging or assigning any of its rights under this Agreement (including, without limitation, any right to payment of principal and interest under any Note) to secure obligations of such Lender, including without limitation, (i) any pledge or assignment to secure obligations to a Federal Reserve Bank and (ii) in the case of any Lender that is a fund or trust or entity that invests in commercial bank loans in the ordinary course of business, any pledge or assignment to any holders of obligations owed, or securities issued, by such Lender including to any trustee for, or any other representative of, such holders; it being understood that the requirements for assignments set forth in this Section shall not apply to any such pledge or assignment of a security interest, except with respect to any foreclosure or similar action taken by such pledgee or assignee with respect to such pledge or assignment; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto and no such pledgee or assignee shall have any voting rights under this Agreement unless and until the requirements for assignments set forth in this Section are complied with in connection with any foreclosure or similar action taken by such pledgee or assignee.

Section 9 . 7 Adjustments; Set-off .

(a) Each Lender agrees that if any Lender (a " benefited Lender ") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 7.1(e), or otherwise) in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans, or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loan, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided , however , that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Loans may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

(b) In addition to any rights and remedies of the Lenders provided by law (including, without limitation, other rights of set-off), each Lender (and its Affiliates) shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, in the event that all amounts under the Credit Agreement shall have become immediately due and payable pursuant to Section 7.2, to setoff and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held by or owing to such Lender (and its Affiliates) or any branch or agency thereof to or for the credit or the account of the Borrower or any other Credit Party, or any part thereof in such amounts as such Lender (and its Affiliates) may elect, against and on account of the Loans and other Credit Party Obligations of the Borrower and the other Credit Parties and claims of every nature and description of such Lender against the Borrower and the other Credit Parties, in any currency, whether arising hereunder, under any other Credit Document or any Secured Hedging Agreement provided pursuant to the terms of this Agreement, as such Lender may elect, whether or not such Lender or any other Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The aforesaid right of set-off may be exercised by such Lender (and its Affiliates) against the Borrower, any other Credit Party or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver or execution, judgment or attachment creditor of the Borrower or any other Credit Party, or against anyone else claiming through or against the Borrower, any other Credit Party or any such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by such Lender (or its Affiliates) prior to the occurrence of any Event of Default. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender (and its Affiliates); provided , however , that the failure to give such notice shall not affect the validity of such set-off and application.

Section 9 . 8 Table of Contents and Section Headings .

The table of contents and the Section and subsection headings herein are intended for convenience only and shall be ignored in construing this Agreement.

Section 9 . 9 Counterparts .

This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same agreement. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or email shall be effective as delivery of a manually executed counterpart of this Agreement and shall constitute a representation that an original executed counterpart will follow.

Section 9 . 10 Effectiveness .

This Credit Agreement shall become effective on the date on which all of the parties have signed a copy hereof (whether the same or different copies) and shall have delivered the same to the Administrative Agent pursuant to Section 9.2 or, in the case of the Lenders, shall have given to the Administrative Agent written, telecopied or other electronic notice with confirmed receipt from the recipient at such office that the same has been signed and mailed to it.

Section 9 . 11 Severability .

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9 . 12 Integration .

This Agreement and the other Credit Documents represent the agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent, the Borrower or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Credit Documents or Fee Letters.

Section 9 . 13 Governing Law .

This Agreement and the other Credit Documents (other than the UK Security Documents) and the rights and obligations of the parties under this Agreement and the other Credit Documents (other than the UK Security Documents) shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

Section 9 . 14 Consent to Jurisdiction and Service of Process .

All judicial proceedings brought against any party hereto with respect to this Agreement, any Note or any of the other Credit Documents may be brought in any state or federal court of competent jurisdiction in the State of New York, and, by execution and delivery of this Agreement, each of such parties accepts, for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction of the aforesaid courts and irrevocably agrees to be bound by any final judgment rendered thereby in connection with this Agreement, any Note or any other Credit Document from which no appeal has been taken or is available. The parties hereto irrevocably agree that all service of process in any such proceedings in any such court may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to it at its address set forth in Section 9.2 or at such other address of which the Administrative Agent or the Borrower shall have been notified pursuant thereto, such service being hereby acknowledged by the parties hereto to be effective and binding service in every respect. Each of the parties hereto irrevocably waives any objection, including, without limitation, any objection to the laying of venue based on the grounds of forum non conveniens which it may now or hereafter have to the bringing of any such action or proceeding in any such jurisdiction. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of any party to bring proceedings against any other party in the court of any other jurisdiction.

Section 9 . 15 Confidentiality .

Each of the Administrative Agent, the Lenders and the Issuing Bank agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood and agreed that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Credit Document or any action or proceeding relating to this Agreement or any other Credit Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement , (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (iii) to an investor or prospective investor in an Approved Fund that also agrees that Information shall be used solely for the purpose of evaluating an investment in such Approved Fund, (iv) to a trustee, collateral manager, servicer, backup servicer, noteholder or secured party in an Approved Fund in connection with the administration, servicing and reporting on the assets serving as collateral for an Approved Fund , or (v) to a nationally recognized rating agency that requires access to information regarding the Credit Parties, the Loans and Credit Documents in connection with ratings issued with respect to an Approved Fund, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Lender, the Issuing Bank or any of their respective Affiliates on a nonconfidential basis from a source other than a Credit Party.

For purposes of this Section, " Information " means all information received from any Credit Party or any of its Subsidiaries relating to any Credit Party or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent, any Lender or the Issuing Lender on a nonconfidential basis prior to disclosure by any Credit Party or any of its Subsidiaries. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Section 9 . 16 Acknowledgments .

The Borrower and the other Credit Parties each hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of each Credit Document;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower or any other Credit Party arising out of or in connection with this Agreement and the relationship between Administrative Agent and Lenders, on one hand, and the Borrower and the other Credit Parties, on the other hand, in connection herewith is solely that of creditor and debtor; and

(c) no joint venture exists among the Lenders or among the Borrower or the other Credit Parties and the Lenders.

Section 9 . 17 Waivers of Jury Trial .

THE BORROWER, THE OTHER CREDIT PARTIES, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN. Each of the Borrower, the other Credit Parties, the Administrative Agent and the Lenders agree not to assert any claim against any other party to this Agreement or any their respective directors, officers, employees, attorneys, Affiliates or agents, on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to any of the transactions contemplated herein.

Section 9 . 18 Patriot Act Notice .

Each Lender and the Administrative Agent (for itself and not on behalf of any other party) hereby notifies the Borrower that, pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001 (the " Patriot Act "), it is required to obtain, verify and record information that identifies the Borrower and the other Credit Parties, which information includes the name and address of the Borrower and the other Credit Parties and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower and the other Credit Parties in accordance with the Patriot Act.

Section 9 . 19 Resolution of Drafting Ambiguities .

Each Credit Party acknowledges and agrees that it was represented by counsel in connection with the execution and delivery of this Agreement and the other Credit Documents to which it is a party, that it and its counsel reviewed and participated in the preparation and negotiation hereof and thereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation hereof or thereof.

Section 9 . 20 Judgment Currency; Payments in Dollars .

If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due hereunder or under any other Credit Document in one currency into another currency, the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the first currency with such other currency on the Business Day preceding that on which final judgment is given. The obligation of each of the Credit Parties in respect of any such sum due from it to the Administrative Agent or any Lender hereunder or under the other Credit Documents shall, notwithstanding any judgment in a currency (the " Judgment Currency ") other than Dollars, be discharged only to the extent that on the Business Day following receipt by the Administrative Agent or such Lender of any sum adjudged to be so due in the Judgment Currency, the Administrative Agent or such Lender may in accordance with normal banking procedures purchase Dollars with the Judgment Currency. If the amount of Dollars so purchased is less than the sum originally due to the Administrative Agent or such Lender in Dollars, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Administrative Agent or such Lender or the Person to whom such obligation was owing against such loss. If the amount of Dollars so purchased is greater than the sum originally due to the Administrative Agent or such Lender in such currency, the Administrative Agent and the Lenders agree to apply such excess to any Credit Party Obligations then due and payable in accordance with the terms of Section 2.12. Notwithstanding anything to the contrary in any Credit Documents, all payments made by the Credit Parties under the Credit Documents shall be made in Dollars.

Section 9 . 21 Arbitration .

(a) Notwithstanding the provisions of Section 9.14 to the contrary, upon demand of any party hereto, whether made before or within three (3) months after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement and other Credit Documents (" Disputes ") between or among parties to this Agreement shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, disputes as to whether a matter is subject to arbitration, claims brought as class actions, claims arising from Credit Documents executed in the future, or claims arising out of or connected with the transaction reflected by this Agreement.

Arbitration shall be conducted under and governed by the Commercial Arbitration Rules (the " Arbitration Rules ") of the American Arbitration Association (the " AAA ") and Title 9 of the U.S. Code. All arbitration hearings shall be conducted in Charlotte, North Carolina. A hearing shall begin within ninety (90) day s of demand for arbitration and all hearings shall be concluded within 120 day s of demand for arbitration. These time limitations may not be extended unless a party shows cause for extension and then no more than a total extension of sixty (60) day s. The expedited procedures set forth in Rule 51 et seq . of the Arbitration Rules shall be applicable to claims of less than $1,000,000. All applicable statutes of limitation shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. Arbitrators shall be licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The parties hereto do not waive applicable Federal or state substantive law except as provided herein.

(b) Notwithstanding the preceding binding arbitration provisions, the Administrative Agent, the Lenders, the Borrowers and the other Credit Parties agree to preserve, without diminution, certain remedies, as set forth below, that the Administrative Agent on behalf of the Lenders may employ or exercise freely, independently or in connection with an arbitration proceeding or after an arbitration action is brought. The Administrative Agent on behalf of the Lenders shall have the right to proceed in any court of proper jurisdiction or by self-help to exercise or prosecute the following remedies, as and if applicable (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted under Credit Documents or under applicable law or by judicial foreclosure and sale, including a proceeding to confirm the sale; (ii) all rights of self-help including peaceful occupation of real property and collection of rents, set-off, and peaceful possession of personal property and giving notices to and collecting obligations from account debtors; (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and filing an involuntary bankruptcy proceeding; and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

(c) The parties hereto agree that they shall not have a remedy of punitive or exemplary damages against the other in any Dispute and hereby waive any right or claim to punitive or exemplary damages they have now or which may arise in the future in connection with any Dispute whether the Dispute is resolved by arbitration or judicially.

(d) By execution and delivery of this Agreement, each of the parties hereto accepts, for itself and in connection with its properties, generally and unconditionally, the non-exclusive jurisdiction relating to any arbitration proceedings conducted under the Arbitration Rules in Charlotte, North Carolina and irrevocably agrees to be bound by any final judgment rendered thereby in connection with this Agreement from which no appeal has been taken or is available.

ARTICLE X

GUARANTY

Section 10 . 1 The Guaranty .

In order to induce the Lenders to enter into this Credit Agreement and any Hedging Agreement Provider to enter into any Secured Hedging Agreement and to extend credit hereunder and thereunder and in recognition of the direct benefits to be received by the Guarantors from the Extensions of Credit hereunder and any Secured Hedging Agreement, each of the Guarantors hereby agrees with the Administrative Agent and the Lenders as follows: the Guarantor hereby unconditionally and irrevocably jointly and severally guarantees as primary obligor and not merely as surety the full and prompt payment when due, whether upon maturity, by acceleration or otherwise, of any and all indebtedness of the Borrower owed to the Administrative Agent, the Lenders and the Hedging Agreement Providers. If any or all of the indebtedness becomes due and payable hereunder or under any Secured Hedging Agreement, each Guarantor unconditionally promises to pay such indebtedness to the Administrative Agent, the Lenders, the Hedging Agreement Providers, or their respective order, or demand, together with any and all reasonable expenses which may be incurred by the Administrative Agent, the Lenders or the Hedging Agreement Providers in collecting any of the Credit Party Obligations. The word “indebtedness” is used in this Article X in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of the Borrower and the Guarantors, including specifically all Credit Party Obligations, arising in connection with this Credit Agreement, the other Credit Documents or any Secured Hedging Agreement, in each case, heretofore, now, or hereafter made, incurred or created, whether voluntarily or involuntarily, absolute or contingent, liquidated or unliquidated, determined or undetermined, whether or not such indebtedness is from time to time reduced, or extinguished and thereafter increased or incurred, whether the Borrower and the Guarantors may be liable individually or jointly with others, whether or not recovery upon such indebtedness may be or hereafter become barred by any statute of limitations, and whether or not such indebtedness may be or hereafter become otherwise unenforceable. Notwithstanding anything herein or in any other Credit Document to the contrary, the Guaranty provided hereunder is a guaranty of payment and not of collection.

Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents, to the extent the obligations of a Guarantor shall be adjudicated to be invalid or unenforceable for any reason (including, without limitation, because of any applicable law relating to fraudulent conveyances or transfers) then the obligations of each such Guarantor hereunder shall be limited to the maximum amount that is permissible under applicable law (including, without limitation, the Bankruptcy Code or its non-U.S. equivalent).

Section 10 . 2 Bankruptcy .

Additionally, each of the Guarantors unconditionally and irrevocably guarantees jointly and severally the payment of any and all Credit Party Obligations of the Borrower to the Lenders and any Hedging Agreement Provider whether or not due or payable by the Borrower upon the occurrence of any of the events specified in Section 7.1(e) as applicable to the Company, Colgate, Victory, the Borrower or any material Subsidiaries of the Borrower, and unconditionally promises to pay such Credit Party Obligations to the Administrative Agent for the account of the Lenders and to any such Hedging Agreement Provider, or order, on demand, in lawful money of the United States. Each of the Borrower and the Guarantors further agrees that to the extent that the Borrower or a Guarantor shall make a payment or a transfer of an interest in any property to the Administrative Agent, any Lender or any Hedging Agreement Provider, which payment or transfer or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, or otherwise is avoided, and/or required to be repaid to the Borrower or a Guarantor, the estate of the Borrower or a Guarantor, a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or other applicable law or equitable cause, then to the extent of such avoidance or repayment, the obligation or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment had not been made.

Section 10 . 3 Nature of Liability .

The liability of each Guarantor hereunder is exclusive and independent of any security for or other guaranty of the Credit Party Obligations of the Borrower whether executed by any such Guarantor, any other guarantor or by any other party, and no Guarantor's liability hereunder shall be affected or impaired by (a) any direction as to application of payment by the Borrower or by any other party, or (b) any other continuing or other guaranty, undertaking or maximum liability of a guarantor or of any other party as to the Credit Party Obligations of the Borrower, or (c) any payment on or in reduction of any such other guaranty or undertaking, or (d) any dissolution, termination or increase, decrease or change in personnel by the Borrower, or (e) any payment made to the Administrative Agent, the Lenders or any Hedging Agreement Provider on the Credit Party Obligations that the Administrative Agent, such Lenders or such Hedging Agreement Provider repay the Borrower pursuant to court order in any bankruptcy, reorganization, arrangement, moratorium or other debtor relief proceeding, and each of the Guarantors waives any right to the deferral or modification of its obligations hereunder by reason of any such proceeding.

Section 10 . 4 Independent Obligation .

The obligations of each Guarantor hereunder are independent of the obligations of any other guarantor or the Borrower, and a separate action or actions may be brought and prosecuted against each Guarantor whether or not action is brought against any other guarantor or the Borrower and whether or not any other Guarantor or the Borrower is joined in any such action or actions.

Section 10 . 5 Authorization .

Each of the Guarantors authorizes the Administrative Agent, each Lender and each Hedging Agreement Provider without notice or demand (except as shall be required by applicable law and cannot be waived), and without affecting or impairing its liability hereunder, from time to time to (a) renew, compromise, extend, increase, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Credit Party Obligations or any part thereof in accordance with this Agreement and any Secured Hedging Agreement, as applicable, including any increase or decrease of the rate of interest thereon, (b) take and hold security from any Guarantor or any other party for the payment of this Guaranty or the Credit Party Obligations and exchange, enforce, waive and release any such security, (c) apply such security and direct the order or manner of sale thereof as the Administrative Agent and the Lenders in their discretion may determine in accordance with the terms of this Agreement and the other Credit Documents and (d) release or substitute any one or more endorsers, Guarantors, the Borrower or other obligors.

Section 10 . 6 Reliance .

It is not necessary for the Administrative Agent, the Lenders or any Hedging Agreement Providers to inquire into the capacity or powers of the Borrower or the officers, directors, members, partners or agents acting or purporting to act on its behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed hereunder.

Section 10 . 7 Waiver .

(a) Each of the Guarantors waives any right (except as shall be required by applicable law and cannot be waived) to require the Administrative Agent, any Lender or any Hedging Agreement Provider to (i) proceed against the Borrower, any other guarantor or any other party, (ii) proceed against or exhaust any security held from the Borrower, any other guarantor or any other party, or (iii) pursue any other remedy in the Administrative Agent's, any Lender's or any Hedging Agreement Provider's power whatsoever. Each of the Guarantors waives any defense based on or arising out of any defense of the Borrower, any other guarantor or any other party other than payment in full of the Credit Party Obligations, including without limitation any defense based on or arising out of (A) the disability of the Borrower, any other guarantor or any other party, (B) the unenforceability or invalidity of the Credit Party Obligations or any part thereof from any cause, (C) the failure to properly perfect any Lien on the Collateral, (D) the amendment, modification or waiver of any Credit Document without the consent of such Guarantor, (E) any law or regulation of any jurisdiction or any other event affecting any term of the Guaranty or the other Credit Party Obligations, or (F) the cessation from any cause of the liability of the Borrower other than payment in full of the Credit Party Obligations. The Administrative Agent or any of the Lenders may, at their election, foreclose on any security held by the Administrative Agent or a Lender by one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable (to the extent such sale is permitted by applicable law), or exercise any other right or remedy the Administrative Agent and any Lender may have against the Borrower or any other party, or any security, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Credit Party Obligations have been paid in full. Each of the Guarantors, to the extent permitted by law, waives any defense arising out of any such election by the Administrative Agent and each of the Lenders, even though such election operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of the Guarantors against the Borrower or any other party or any security.

(b) Each of the Guarantors waives all presentments, demands for performance, protests and notices, including without limitation notices of nonperformance, notices of protest, notices of dishonor, notices of acceptance of this Guaranty, and notices of the existence, creation or incurring of new or additional Credit Party Obligations. Each Guarantor assumes all responsibility for being and keeping itself informed of the Borrower's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Credit Party Obligations and the nature, scope and extent of the risks which such Guarantor assumes and incurs hereunder, and agrees that neither the Administrative Agent nor any Lender shall have any duty to advise such Guarantor of information known to it regarding such circumstances or risks.

(c) Each of the Guarantors hereby agrees it will not exercise any rights of subrogation which it may at any time otherwise have as a result of this Guaranty (whether contractual, under Section 509 of the U.S. Bankruptcy Code, or otherwise) to the claims of the Lenders or the Hedging Agreement Provider against the Borrower or any other guarantor of the Credit Party Obligations of the Borrower owing to the Lenders or such Hedging Agreement Provider (collectively, the " Other Parties ") or any contractual, statutory or common law rights of reimbursement, contribution or indemnity from any Other Party which it may at any time otherwise have as a result of this Guaranty until such time as the Credit Party Obligations shall have been paid in full, no Credit Document or Secured Hedging Agreement remains in effect and the Commitments have been terminated. Each of the Guarantors hereby further agrees not to exercise any right to enforce any other remedy which the Administrative Agent, the Lenders or any Hedging Agreement Provider now has or may hereafter have against any Other Party, any endorser or any other guarantor of all or any part of the Credit Party Obligations of the Borrower and any benefit of, and any right to participate in, any security or collateral given to or for the benefit of the Lenders and/or the Hedging Agreement Providers to secure payment of the Credit Party Obligations of the Borrower until such time as the Credit Party Obligations shall have been paid in full, no Credit Document or Secured Hedging Agreement remains in effect and the Commitments have been terminated.

Section 10 . 8 Limitation on Enforcement .

The Lenders and the Hedging Agreement Providers agree that this Guaranty may be enforced only by the action of the Administrative Agent acting upon the instructions of the Required Lenders or any such Hedging Agreement Provider (only with respect to obligations under the applicable Secured Hedging Agreement) and that no Lender or Hedging Agreement Provider shall have any right individually to seek to enforce or to enforce this Guaranty, it being understood and agreed that such rights and remedies may be exercised by the Administrative Agent for the benefit of the Lenders under the terms of this Credit Agreement and for the benefit of any Hedging Agreement Provider under any Secured Hedging Agreement. The Lenders and the Hedging Agreement Providers further agree that this Guaranty may not be enforced against any director, officer, employee or stockholder of the Guarantors.

Section 10 . 9 Confirmation of Payment .

The Administrative Agent and the Lenders will, upon request after payment of the Credit Party Obligations under the Credit Documents which are the subject of this Guaranty and termination of the Commitments relating thereto, confirm to the Borrower, the Guarantors or any other Person that the Credit Party Obligations under the Credit Documents have been paid in full and the Commitments relating thereto terminated, and this Guaranty released, subject to the provisions of Section 10.2.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by its proper and duly authorized officers as of the day and year first above written.

BORROWER :

ORTHOFIX HOLDINGS, INC.,
a Delaware corporation

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Vice President and Secretary

[Signature Pages Continue]

GUARANTORS :

ORTHOFIX INTERNATIONAL N.V.,
a Netherlands Antilles corporation

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Cheif Financial Officer

[Signature Pages Continue]

COLGATE MEDICAL LIMITED,
a company formed under the laws of England and Wales

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Director

[Signature Pages Continue]

VICTORY MEDICAL LIMITED,
a company formed under the laws of England and Wales

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Director

[Signature Pages Continue]

ORTHOFIX INC.,
a Minnesota corporation

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Chief Financial Officer, Vice President and Treasurer

[Signature Pages Continue]

BREG INC.,
a California corporation

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Assistant Secretary

[Signature Pages Continue]

ORTHOFIX US LLC,
a Delaware limited liability company

By: ORTHOFIX UK LTD,
Sole Member

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Secretary

[Signature Pages Continue]

AMEI TECHNOLOGIES INC.,
a Delaware corporation

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Treasurer and Assistant Secretary

[Signature Pages Continue]

NEOMEDICS, INC., a New Jersey corporation

By: /s/ Thomas Hein

Name: Thomas Hein
Title: Treasurer and Assistant Secretary

[Signature Pages Continue]

OSTEOGENICS INC., a Delaware corporation

By: /s/ Thomas Hein

Name: Thomas Hein
Title: Treasurer and Assistant Secretary

[Signature Pages Continue]

BLACKSTONE MEDICAL, INC.,
a Massachusetts corporation

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Treasurer

[Signature Pages Continue]

SWIFTSURE MEDICAL LIMITED,
a company formed under the laws of England and Wales

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Director

[Signature Pages Continue]

ORTHOFIX UK LTD,
a company formed under the laws of England and Wales

By: /s/ Thomas Hein
Name: Thomas Hein
Title: Director

[Signature Pages Continue]

ADMINISTRATIVE AGENT :

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent for the Lenders and as a Lender

By: /s/ Scott Santa Cruz

Name: Scott Santa Cruz

Title: Director

Schedule 1.1-1

ACCOUNT DESIGNATION LETTER

[Date]

Wachovia Bank, National Association
Charlotte Plaza
201 South College Street, CP-8
Charlotte, North Carolina 28288-0680

Attn: Syndication Agency Services

Ladies and Gentlemen:

This Account Designation Letter is delivered to you by Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), pursuant to Section 4.1 of the Credit Agreement dated as of September 22, 2006 (as amended, restated or otherwise modified from time to time, the " Credit Agreement ") by and among the Borrower, the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent ").

The Administrative Agent is hereby authorized to disburse all Loan proceeds into the following account, unless the Borrower shall designate, in writing to the Administrative Agent, one or more other accounts:

[INSERT Name of Bank/
ABA Routing Number/
and Account Number]

Notwithstanding the foregoing, on the Closing Date, funds borrowed under the Credit Agreement shall be sent to the institutions and/or persons designated on payment instructions to be delivered separately.

Capitalized terms defined in the Credit Agreement shall have the same meanings when used herein.

This Account Designation Notice may, upon execution, be delivered by facsimile or electronic mail, which shall be deemed for all purposes to be an original signature.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ORTHOFIX HOLDINGS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

Schedule 1.1-3

PERMITTED LIENS

1. Liens of Blackstone Medical, Inc.

State	Secured Party	Filing Information	Collateral
MA	Dell Financial Services	Original 200317586280 01/13/2003	Leased Equipment
MA	Dell Financial Services	Original 200317907850 1/27/2003	Leased Equipment
MA	Dell Financial Services	Original 200317908550 01/27/2003	Leased Equipment
MA	Dell Financial Services	Original 200318824200 03/06/2003	Leased Equipment
MA	Dell Financial Services	Original 200319159860 3/20/2003	Leased Equipment
MA	Dell Financial Services	Original 200319252390 3/24/2003	Leased Equipment
MA	Dell Financial Services	Original 200426944870 1/23/2004	Leased Equipment
MA	Dell Financial Services	Original 200427265280 2/4/2004	Leased Equipment
MA	Dell Financial Services	Original 200427406700 2/10/2004	Leased Equipment

State	Secured Party	Filing Information	Collateral
MA	CIT Communications Finance	Original 200428486990 3/24/2004	Leased Equipment
MA	Dell Financial Services	Original 200433832410 10/21/2004	Leased Equipment
MA	Dell Financial Services	Original 200434069400 11/01/2004	Leased Equipment
MA	Dell Financial Services	Original 200434697540 11/26/2004	Leased Equipment
MA	Dell Financial Services	Original 200435072120 12/13/2004	Leased Equipment
MA	Dell Financial Services	Original 200435401290 12/27/2004	Leased Equipment
MA	Dell Financial Services	Original 200535933420 01/18/2005	Leased Equipment
MA	Dell Financial Services	Original 200536198990 01/28/2005	Leased Equipment
MA	Dell Financial Services	Original 200536673460 02/17/2005	Leased Equipment
MA	Dell Financial Services	Original 200536927680 03/01/2005	Leased Equipment
MA	Dell Financial Services	Original 200429426850 04/29/2004	Leased Equipment
MA	Dell Financial Services	Original 200430192300 05/27/2004	Leased Equipment

State	Secured Party	Filing Information	Collateral
MA	Dell Financial Services	Original 200430838000 06/22/2004	Leased Equipment
MA	Dell Financial Services	Original 200431230380 07/07/2004	Leased Equipment
MA	Dell Financial Services	Original 200431846040 08/02/2004	Leased Equipment
MA	Dell Financial Services	Original 200432783380 09/09/2004	Leased Equipment
MA	Dell Financial Services	Original 200433262550 09/29/2004	Leased Equipment
MA	Dell Financial Services	Original 200538080130 04/11/2005	Leased Equipment
MA	Dell Financial Services	Original 200538080310 04/11/2005	Leased Equipment
MA	CIT Communications Finance Corporation	Original 200542215030 09/22/2005	Leased Equipment
MA	IOS Capital	Original 200544074860 12/09/2005	Leased Equipment
MA	IOS Capital	Original 200649531790 07/11/2006	Leased Equipment
MA	CIT Bank	Original 200645236130 01/27/2006	Specific Equipment
MA	Winthrop Resources	Original 200645830680 02/22/2006	Leased Equipment

Schedule 2.1(b)(i)

[FORM OF]
NOTICE OF BORROWING

[Date]

Wachovia Bank, National Association
Charlotte Plaza
201 South College Street, CP-8
Charlotte, North Carolina 28288-0680

Attn: Syndication Agency Services

Ladies and Gentlemen:

Pursuant to subsection [2.1(b)][2.4(b)] of the Credit Agreement dated as of September 22, 2006 (as amended, restated or otherwise modified prior to the date hereof, the " Credit Agreement ") by and among Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent "), the Borrower hereby requests that the following Loans be made on [date] as follows (the " Proposed Borrowing "):

I. Revolving Loans requested:

(1) Total Amount of Revolving Loans Requested $ _____

(2) Amount of (1) to be allocated to LIBOR Rate Loans $ _____

(3) Amount of (1) to be allocated to Alternate Base Rate Loans $ _____

(4) Interest Periods and amounts to be allocated thereto in respect of the LIBOR Rate Loans referenced in (2) (amounts must total (2)):

(i) one month $ _____

(ii) two months $ _____

(iii) three months $ _____

(iv) six months $ _____

(v) nine months $ _____

Total LIBOR Rate Loans $ _____

NOTE: REVOLVING LOAN BORROWINGS MUST BE IN MINIMUM AMOUNTS OF $1,000,000 AND IN INTEGRAL MULTIPLES OF $500,000 IN EXCESS THEREOF.

II. Swingline Loans requested:

(1) Total Amount of Swingline Loans Requested $ _____

NOTE: SWINGLINE LOAN BORROWINGS MUST BE IN MINIMUM AMOUNTS OF $100,000 AND IN INTEGRAL AMOUNTS OF $100,000 IN EXCESS THEREOF.

Capitalized terms defined in the Credit Agreement shall have the same meanings when used herein.

The undersigned hereby certifies that the following statements will be true on the date of the Proposed Borrowing:

(A) The representations and warranties made by the Credit Parties in the Credit Agreement, the Security Documents and which are contained in any certificate furnished at any time under or in connection therewith will be true and correct as though such representations and warranties had been made on and as of the date of such Proposed Borrowing (it being understood that any representation or warranty which by its terms is made of a specified date shall be required to be true and correct only as of such specified date);

(B) no Default or Event of Default has occurred and is continuing, or would result from such Proposed Borrowing (other than a Default or Event of Default that has been waived in accordance with the Credit Agreement); and

(C) immediately after giving effect to the making of the Proposed Borrowing (and the application of the proceeds thereof), (i) the sum of outstanding Revolving Loans plus outstanding LOC Obligations plus outstanding Swingline Loans shall not exceed the Revolving Committed Amount, (ii) the outstanding LOC Obligations shall not exceed the LOC Committed Amount and (iii) the outstanding Swingline Loans shall not exceed the Swingline Committed Amount.

Delivery of an executed counterpart of this Notice of Borrowing by telecopier or electronic mail with receipt confirmed shall be effective as delivery of an original executed counterpart of this Notice of Borrowing.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ORTHOFIX HOLDINGS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

Schedule 2.1(e)

[FORM OF]
REVOLVING NOTE

[Date]

FOR VALUE RECEIVED, the undersigned, Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), hereby unconditionally promises to pay, on the Revolver Maturity Date (as defined in the Credit Agreement referred to below), to the order of (the " Lender ") at the office of Wachovia Bank, National Association located at Charlotte Plaza, 201 South College Street, CP-8, Charlotte, North Carolina 28288-0680, in lawful money of the United States of America and in same day funds, the aggregate unpaid principal amount of all Revolving Loans made by the Lender to the Borrower pursuant to Section 2.1 of the Credit Agreement referred to below. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof and, to the extent permitted by law, accrued interest in respect hereof from time to time from the date hereof until payment in full of the principal amount hereof and accrued interest hereon, at the rates and on the dates set forth in the Credit Agreement.

The holder of this Note is authorized to endorse the date and amount of each Revolving Loan made pursuant to Section 2.1 of the Credit Agreement and each payment of principal and interest with respect thereto and its character as a LIBOR Rate Loan or an Alternate Base Rate Loan on Schedule 1 annexed hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed (absent error); provided , however , that the failure to make any such endorsement shall not affect the obligations of the undersigned under this Note.

This Note is one of the Revolving Notes referred to in the Credit Agreement dated as of September 22, 2006 (as amended, restated or otherwise modified from time to time, the " Credit Agreement ") by and among the Borrower, the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent "), and is entitled to the benefits thereof. Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Credit Agreement.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein. In the event this Note is not paid when due at any stated or accelerated maturity, the Borrower agrees to pay, in addition to principal and interest, all costs of collection, including reasonable documented attorneys' fees.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ORTHOFIX HOLDINGS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

SCHEDULE 1
to
Revolving Note

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan [1]	Interest	Interest Rate	Interest Period	Maturity Date	Principal Paid or Converted	Principal Balance	Notation Made By
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____	_____	_____	_____	_____

[1] The type of Loan may be represented either by "L" for LIBOR Rate Loans or "ABR" for Alternate Base Rate Loans.

Schedule 2.2(d)

[FORM OF]
TERM NOTE

[Date]

FOR VALUE RECEIVED, the undersigned, Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), hereby unconditionally promises to pay, on the Term Loan Maturity Date (as defined in the Credit Agreement referred to below), to the order of (the " Lender ") at the office of Wachovia Bank, National Association at Charlotte Plaza, 201 South College Street, CP-8, Charlotte, North Carolina 28288-0680, in lawful money of the United States of America and in same day funds, the aggregate unpaid principal amount of the Term Loan made by the Lender to the Borrower pursuant to Section 2.2 of the Credit Agreement referred to below. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof and, to the extent permitted by law, accrued interest in respect hereof from time to time from the date hereof until payment in full of the principal amount hereof and accrued interest hereon, at the rates and on the dates set forth in the Credit Agreement.

The holder of this Note is authorized to endorse the date and amount of each payment of principal and interest with respect to the Term Loan evidenced by this Note and the portion thereof that constitutes a LIBOR Rate Loan or an Alternate Base Rate Loan on Schedule 1 annexed hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed (absent error); provided , however , that the failure to make any such endorsement shall not affect the obligations of the undersigned under this Note.

This Note is one of the Term Notes referred to in the Credit Agreement, dated as of September 22, 2006 (as amended, restated or otherwise modified from time to time, the " Credit Agreement "), by and among the Borrower, the Guarantors from time to time party thereto, the lenders from time to time party thereto (the " Lenders ") and Wachovia Bank, National Association, as Administrative Agent for the Lenders (the " Administrative Agent "), and is entitled to the benefits thereof. Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Credit Agreement.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein. In the event this Note is not paid when due at any stated or accelerated maturity, the Borrower agrees to pay, in addition to principal and interest, all costs of collection, including reasonable attorneys' fees.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

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ORTHOFIX HOLDINGS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

SCHEDULE 1
to
Term Note

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan [1]	Interest	Interest Rate	Interest Period	Maturity Date	Principal Paid or Converted	Principal Balance	Notation Made By
____	____	____	____	____	____	____	____	____	____
____	____	____	____	____	____	____	____	____	____
____	____	____	____	____	____	____	____	____	____
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____	____	____	____	____	____	____	____	____	____
____	____	____	____	____	____	____	____	____	____

[1] The type of Loan may be represented either by "L" for LIBOR Rate Loans or "ABR" for Alternate Base Rate Loans.

Schedule 2.4(d)

[FORM OF]
SWINGLINE NOTE

[Date]

FOR VALUE RECEIVED, the undersigned, Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), hereby unconditionally promises to pay, on each date specified in the Credit Agreement referred to below for the payment of principal hereof and on the Revolver Maturity Date (as defined in the Credit Agreement referred to below), to the order of Wachovia Bank, National Association (the " Swingline Lender ") at the office of Wachovia Bank, National Association located at Charlotte Plaza, 201 South College Street, CP-8, Charlotte, North Carolina 28288-0680, in lawful money of the United States of America and in same day funds, the principal amount of the aggregate unpaid principal amount of all Swingline Loans made by the Swingline Lender to the Borrower pursuant to Section 2.4 of the Credit Agreement referred to below. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof and, to the extent permitted by law, accrued interest in respect hereof from time to time from the date hereof until payment in full of the principal amount hereof and accrued interest hereon, at the rates and on the dates set forth in the Credit Agreement.

The holder of this Note is authorized to endorse the date and amount of each Swingline Loan made pursuant to Section 2.4 of the Credit Agreement and each payment of principal and interest with respect thereto on Schedule 1 annexed hereto and made a part hereof, or on a continuation thereof which shall be attached hereto and made a part hereof, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed (absent error); provided , however , that the failure to make any such endorsement shall not affect the obligations of the undersigned under this Note.

This Note is the Swingline Note referred to in the Credit Agreement dated as of September 22, 2006 (as amended, restated or otherwise modified from time to time, the " Credit Agreement ") by and among the Borrower, the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent "), and is entitled to the benefits thereof. Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Credit Agreement.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein. In the event this Note is not paid when due at any stated or accelerated maturity, the Borrower agrees to pay, in addition to principal and interest, all costs of collection, including reasonable documented attorneys' fees.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

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ORTHOFIX HOLDINGS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

SCHEDULE 1
to
Swingline Note

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Principal Paid	Interest	Principal Balance	Notation Made By
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
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_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Schedule 2.10

[FORM OF]
NOTICE OF CONVERSION/EXTENSION

[Date]

Wachovia Bank, National Association
Charlotte Plaza
201 South College Street, CP-8
Charlotte, North Carolina 28288-0680

Attn: Syndication Agency Services

Ladies and Gentlemen:

Pursuant to Section 2.10 of the Credit Agreement dated as of September 22, 2006 (as amended, restated or otherwise modified prior to the date hereof, the " Credit Agreement ") by and among Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent "), the Borrower hereby requests conversion or extension of the following Loans be made on [date] as follows (the " Proposed Conversion/Extension "):

I. Revolving Loan

(1) Total Amount of Revolving Loans to be converted/extended $ _____

(2) Amount of (1) to be allocated to LIBOR Rate Loans $ _____

(3) Amount of (1) to be allocated to Alternate Base Rate Loans $ _____

(4) Interest Periods and amounts to be allocated thereto in respect of the LIBOR Rate Loans referenced in (2) (amounts must total (2)):

(i) one month $ _____

(ii)	two months	$ _____
(ii)	three months	$ _____
(iv)	six months	$ _____
(v)	nine months	$ _____
	Total LIBOR Rate Loans	$ _____

NOTE: CONVERSIONS MUST BE (A) IN THE CASE OF REVOLVING LOANS, $1,000,000 OR A WHOLE MULTIPLE OF $500,000 IN EXCESS THEREOF AND (B) IN THE CASE OF THE TERM LOAN, $2,000,000 OR A WHOLE MULTPLE OF $1,000,000 IN EXCESS THEREOF.

Capitalized terms defined in the Credit Agreement shall have the same meanings when used herein.

The undersigned hereby certifies that as of the date of the Proposed Conversion/Extension, no Default or Event of Default has occurred and is continuing, or would result from such Proposed Conversion/Extension or from the application of the proceeds thereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ORTHOFIX HOLDINGS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

Schedule 2.

[FORM OF]
TAX EXEMPT CERTIFICATE

[Date]

Reference is hereby made to the Credit Agreement dated as of September 22, 2006 (as amended, restated or otherwise modified prior to the date hereof, the " Credit Agreement ") by and among Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent "). Pursuant to the provisions of Section 2.18 of the Credit Agreement, the undersigned hereby certifies that it is not a "bank" as such term is used in Section 881(c)(3)(A) of the Internal Revenue Code of 1986, as amended.

This Tax Exempt Certificate may, upon execution, be delivered by facsimile or electronic mail, which shall be deemed for all purposes to be an original signature.

[NAME OF LENDER]

By: _____
Name: _____
Title: _____

Schedule 3.3

QUI TAM MATTERS

1. Orthofix Inc. and Orthofix International N.V.

a) *U.S. ex rel. Karen Neel v. Orthofix, Inc. and Orthofix International N.V.* , Civil Action No. 3-00CV1333-D (N.D. Texas).

The plaintiff filed a whistleblower complaint under the federal False Claims Act relating to the appropriateness of claims Orthofix, Inc. submitted to federal health programs for the off-label use of certain FDA-approved pulsed electronic magnetic field devices and related billing and coding practices. The matter was resolved via settlement Orthofix, Inc. paid $1.6 million to the United States Department of Justice, admitted no wrongdoing and was not found to have violated applicable law.

Schedule 3.8

LITIGATION

1. Orthofix Inc.

a) *Daniel Webb v. Orthofix. Inc.* , United States District Court for the Eastern District of Washington; Civil Action No. CV-06-5053 EFS.

Plaintiff alleges that he was negligently provided with the incorrect model of an Orthofix bone stimulator when he sustained a fracture of the left hip. The case was filed in April 2006 in state court and was removed to the United States District Court for the Eastern District of Washington. No trial date has been assigned. The parties have only recently commenced discovery. Orthofix is vigorously contesting all of plaintiffs liability and damage claims, and plans to file a motion seeking dismissal of plaintiffs action.

b) *Fugate v. Orthofix. Inc.* , 296th Judicial District Collin County Court; Civil Action No. 296-2940-05.

Plaintiff alleges that he was discharged from employment because of a disability. Orthofix has filed a motion for summary judgment which was denied. Mediation is scheduled for October 26, 2006.

c) *Bone Growth Stimulator Reclassification Proceeding*

Orthofix Inc. is currently involved in a proceeding before the FDA addressing whether the regulatory classification of Orthofix Inc.'s Physio-Stim and Spinal-Stim bone growth stimulation products should be reclassified from FDA Class III to FDA Class II. Orthofix Inc. is actively participating in this proceeding and maintains that the current FDA Class III classification is correct. A meeting was held on June 2, 2006 before the FDA's Orthopedic and Rehabilitation Devices panel for the purpose of gathering information to allow the panel to recommend to the FDA whether reclassification is appropriate. At the conclusion of the meeting, the Panel determined that the present FDA Class III classification for the products at issue is proper. Orthofix Inc. does not know when or whether the FDA will reach a final determination on this classification issue or whether any such determination will adversely impact Orthofix Inc.'s ability to market or sell these products.

2. Breg Inc.

a) *Deborah Casillas and Adam Casillas v. Omnimotion, Orthofix, Breg, Healthsouth, NSC Channel Islands and Channel Islands Sursicenter* , State of California Superior Court, County of San Bernardino; Case Number VCVVS 040349.

This matter involves alleged cold injuries sustained while plaintiff was using a Breg Polar Care 300 unit on her elbow following surgery. At this time, we are in the process of obtaining plaintiffs medical records and thereafter will schedule her deposition. Very little discovery has taken place.

b) *John Dade Theriot v. Brgs, Inc. and related distributor action for indemnification* . State of California Superior Court, County of San Francisco; Case Number CGC 04-431658; and related Distributor action for indemnification.

This matter involved alleged cold injuries sustained while plaintiff was using two Polar Care 500 units, one on each knee. The jury returned a verdict in favor of the plaintiff against Breg on theories of product liability and negligence in the amount of $4.1 million. Except for the distributors of the Breg product who wish to retain their rights to proceed against Breg for indemnification, the other parties are currently in the process of settling the case, following a stipulation to vacate the judgment and grant a new trial. The amount of the verdict is insured.

c) *Russell P. Dunnum, MD v. Breg Inc.* , State of California Superior Court, County of San Diego; Case Number GIC860901.

This matter involves an alleged injury sustained when a catheter of the Pain Care 2000 broke off in plaintiffs knee upon removal. Discovery is just beginning.

d) *Denise Chlopek v. Breg, Inc.* , United States Court of Appeals for the Seventh Circuit; Docket No. 06-2927.

Plaintiff alleged that her right great toe was amputated as a result of using the Breg Polar Care 300 cold therapy unit. The jury returned a verdict in favor of Breg and found that there was no defective condition related to the product. Plaintiff filed a Motion for a New Trial which was denied and is currently being appealed.

e) *Ann L. Perkins v. The Orthopedic Store and The Orthopedic Store v. Breg, Inc.* , District Court Bexar County, Texas; Case No. 2006-CI-06600.

Plaintiff used a Polar Care 500 following ankle surgery. She claims to have sustained tissue necrosis. Plaintiff did not sue Breg. Instead, Breg has been named as a third party defendant by The Orthopedic Store, a Durable Medical Equipment dealer who was a customer of Breg. The Orthopedic Store purchased the Polar Care 500 from Breg and leased it to the plaintiff. The plaintiff is still in the process of adding medical professionals to the lawsuit and accordingly there has not been any discovery.

f) Dismissal Related Allegations for Employee Sam Rehan (being handled by British attorneys). We do not believe this matter is currently in litigation.

3. Blackstone Medical, Inc.

a) NovaBone Products, LLC

On January 11, 2006, the Company received a letter from NovaBone Products, LLC, claiming an interest in certain intellectual property being developed by the Company relating to the processing of natural bone product with bioglass, a developmental product underway at the Company.

b) *Berrios v. Blackstone Medical, Inc.*, Circuit Court of the 18th District in and for Brevard, Florida; Case No. 05-2005-CA-017339.

The Plaintiff is claiming damages because of allegedly defective bone screws and fixation hardware sold by the Company. This matter was referred to the Company's products liability insurance carrier and is being defended by counsel selected by that carrier.

c) TissueNet

In 2005, the Company received correspondence dated December 13, 2005 from one of its suppliers, TissueNet Custom Applications, LLC ("TissueNet") claiming that the Company had breached a five year contract under which TissueNet supplied precision tooled allograft implants to the Company for resale. We are unable to determine whether a further claim will be made by TissueNet. The Company is also disputing certain invoices (Nos. 2045 and 2046) that have been presented by TissueNet. The value of the disputed invoices is approximately $138,700.

d) *Frederic H. Leeds v. Blackstone Medical, Inc.* , Second Judicial District Court of the State of Nevada, in and for the County of Washoe; Case No. CV-06-01218.

The Plaintiff is claiming damages because of allegedly defective bone screws and fixation hardware sold by the Company. This matter was referred to the Company's products liability insurance carrier and is being defended by counsel selected by that carrier.

Schedule 3.12

SUBSIDIARIES

Subsidiary	Jurisdiction of Incorporation/ Organization	Owner(s)	No. Shares of Capital Stock/ Equity Interests Outstanding	No. Shares of Capital Stock/ Equity Interests Held By [Each] Owner	Percentage Ownership of [Each] Owner
Orthosonics Ltd	UK	Orthofix International N.V.	120	120	100%
Orthofix B.V.	Amsterdam	Orthofix International N.V.	3,118,860	3,118,860	100%
Novamedix Services Ltd (Cyprus)	UK	Orthofix International N.V.	50,000	50,000	100%
Inter Medical Supplies Ltd	Cyprus	Orthofix International N.V.	10,000	10,000	100%
Novamedix Distribution Ltd	Cyprus	Orthofix International N.V.	4,000	4,000	100%
Inter Medical Supplies Ltd (Seychelles)	Seychelles	Orthofix International N.V.	5,000	5,000	100%
Novamedix Ltd	UK	Orthofix International N.V.	28,617 common, 5,050 preferred	28,617 common, 5,050 preferred	100%
Orthofix Mexico S.A. de C.V.	Mexico	Orthofix International N.V.	100,000	61,250	61.25%
Orthofix de Brasil	Brazil	Orthofix International N.V.	5,000	4,475 shares owned by Orthofix International NV; 325 shares owned by Jorge Fuchs; 200 shares owned by Jose Augusto Proenca	89.5% owned by Orthofix International NV;
Orthofix SRL/DMO	Italy	Orthofix B.V.	3,000,000	3,000,000	100%
Orthofix GmbH	Germany	Orthofix B.V.	2,065,000	2,065,000	100%
Orthofix LTD	UK	Orthofix B.V.	1,426,256	1,426,256	100%
Orthofix SA	France	Orthofix B.V.	120,000	120,000	100%

Subsidiary	Jurisdiction of Incorporation/ Organization	Owner(s)	No. Shares of Capital Stock/ Equity Interests Outstanding	No. Shares of Capital Stock/ Equity Interests Held By [Each] Owner	Percentage Ownership of [Each] Owner
Orthofix AG	Switzerland	Orthofix B.V.	100	100	100%
Orthofix International II B.V.	Amsterdam	Orthofix B.V.	22,449	22,449	100%
Intavent Orthofix LTD	UK	Orthofix International II B.V.	10,000	10,000	100%
Colgate Medical Ltd	UK	Intavent Orthofix LTD	587,879	587,879	100%
Victory Medical Limited	UK	Colgate Medical Ltd	4,000,000	4,000,000	100%
Orthofix Holdings, Inc.	Delaware	Victory Medical Limited	100	100	100%
Breg Inc.	California	Orthofix Holdings, Inc.	1	1	100%
Orthofix Inc.	Minnesota	Orthofix Holdings, Inc.	100	100	100%
Swiftsure Medical Limited	UK	Orthofix Holdings, Inc.	12,251,885	12,251,885	100%
Breg Mexico	Mexico	Breg Inc.; Orthofix International N.V.	N/A	N/A	99.9% owned by Breg Inc.; 0.1% owned by Orthofix International N.V.
Breg Deutschland GmbH	Germany	Orthofix GmbH	N/A	N/A	52% owned by Orthofix GmbH; 48% owned by Stephan Michels, Ronald Hansjorg, Nikolaus Murges and Albert Engal
Implantes Y Sistemas Medicos	Puerto Rico	Orthofix Inc.	100	100	100%
Osteogenics Inc.	Delaware	Orthofix Inc.	1,000	1,000	100%
AMEI Technologies Inc.	Delaware	Orthofix Inc.	1,000	1,000	100%
Neomedics, Inc.	New Jersey	AMEI Technologies Inc.	1,428,000	1,428,000	100%

Subsidiary	Jurisdiction of Incorporation/ Organization	Owner(s)	No. Shares of Capital Stock/ Equity Interests Outstanding	No. Shares of Capital Stock/ Equity Interests Held By [Each] Owner	Percentage Ownership of [Each] Owner
Orthofix UK Ltd	UK	Swiftsure Medical Limited	2	2	100%
Orthofix US LLC	Delaware	Orthofix UK Ltd	0	0	100%
Blackstone Medical, Inc.	Massachusett s	Orthofix Holdings, Inc.	8,000,000 Class A Voting Common Stock; 19,000,000 Class B Nonvoting Common Stock	8,000,000 Class A Voting Common Stock; 19,000,000 Class B Nonvoting Common Stock	100% of Class A and B
Blackstone GmbH	Germany	Blackstone Medical, Inc.	0	0	100%
Goldstone GmbH	Switzerland	Blackstone Medical, Inc.; Blackstone GmbH	0	0	50% owned by Blackstone Medical, Inc.; 50% owned by Blackstone GmbH

Schedule 3.16

INTELLECTUAL PROPERTY

1. Licenses

a) Breg Inc.

i. Joint Development and Technology Rights Agreement by and between Medicine Lodge, Inc. and Breg, Inc., dated February 11, 2002; including Assignment of U.S. Patent Application 10/218,106 to Breg, Inc. and Assignment of U.S. Patent Application 10/270,091 to Breg, Inc.

ii. Agreement between Professional Football Athletic Trainers Society (PFATS) and Breg, Inc, dated. April 26, 1999; First Renewal Agreement between PFATS and Breg, Inc., dated August 1, 2001; Second Renewal Agreement Between PFATS and Breg, Inc., dated September 1, 2003.

iii. Supplier Agreement between Alpine Canada Alpin and Breg, Inc., dated August 1, 2001; Supplier Agreement between Alpine Canada Alpin and Breg, Inc. dated April 14, 2003.

iv. Exclusive License Agreement between Breg, Inc. and Kevin Speer, M.D., dated January 1, 1997.

v. Exclusive License Agreement between Breg, Inc. and James C. Esch, M.D., dated October 1, 1990.

vi. Exclusive License and Assignment Agreement between Breg, Inc. and Ken Yamaguchi, dated October 21, 2003.

vii. License of Patent Agreement between Breg, Inc. and Cincinnati SubZero Products, Inc., dated October 13, 1992.

viii. Biodex Settlement Agreement.

ix. DonJoy Settlement Agreement.

x. Term Royalty Agreement between Breg, Inc. and Bill Brennan and John Gregory, dated May 1, 2002.

xi. Exclusive Distributor Agreement between Accu-Fit, Inc. and Breg, Inc., dated November 1, 2002.

xii. Supply Agreement between Life-Tech, Inc. and Breg, Inc., dated October 18, 2002.

xiii. Distributor Agreement between Ultra Athlete, LLC f/k/a Athlete Protection Gear, LLC and Breg, Inc., dated March 26, 2003 (replaced Distributor Agreement between Athlete Protection Gear, LLC and Breg, Inc., dated June 19, 2003).

xiv. Agreement between Breg, Inc. and Orthofix Inc. for Distribution of Pulsed ElectroMagnetic Fields Device Systems and related products, dated October 22, 2001.

xv. Master Services Agreement, dated August 26, 2002, between Breg, Inc. and Kenexa Technology Inc.

b) Orthofix Inc.

i. License Agreement between Orthofix, Inc. and Innovative Orthotics relating to EZ-Brace technology.

ii. License Agreement between Orthofix, Inc., Jack Farr, M.D. and Scott Gillogly, M.D. relating to Oasis technology.

iii. License Agreement between Orthofix, Inc. and Morphographics, L.C. relating to Guided Growth Plate ("8-Plate") technology.

iv. Product Development and Distribution Agreement between Orthofix, Inc., Orthodyne, Inc. and J. Dean Cole, M.D. relating to Intramedullary Skeletal Kinetic Distractor ("ISKD") Systems.

v. License Agreement between Orthofix, Inc. and Silvatec Medical Company Inc. relating to Lapidus Plate technology.

vi. License Agreement between Orthofix, Inc. and Brian Adams, M.D., Michael Harsman, M.D. and John Pepper, M.D. relating to Bone Staple and Trigger Finger Release technology.

vii. License Agreement between Orthofix, Inc. and David Nelson, M.D. relating to Contours Radial Distal Plate technology.

viii. License Agreement between Orthofix, Inc. and L. Andrew Koman, M.D. relating to M2 minirail technology.

c) Blackstone Medical, Inc.

i. End User License Agreement dated December 1, 2005 by and between the Blackstone and Epicor Software Corporation.

ii. License Agreement dated as of December 2, 2003 by and between Blackstone and Cross Medical Products, Inc.

iii. Professional Service Agreement dated May 30, 2006 by and between Blackstone and IQS, Inc.

iv. Services Agreement dated October 25, 2004 by and between Blackstone and Atrium Medical Corporation.

v. Amended and Restated Agreement between Blackstone and Robert S. Bray, Jr., M.D., dated December 16, 1998.

2. Potential Claims

a) Blackstone Medical, Inc.

i. Letter dated January 31, 2003 from Mark Finkelstein of Latham & Watkins LLP to Matthew Lyons, President of Blackstone regarding potential infringement of patents owned by Cross Medical Products, Inc.

ii. Blackstone is aware that certain patents that it licenses from Cross Medical Products, Inc. are the subject of a pending lawsuit between Medtronic Sofamor Danek and Cross Medical Products, Inc.

iii. Blackstone is aware that Cross Medical Products, Inc. does not agree with Blackstone as to the scope of the license granted to Blackstone under the License Agreement between the parties.

iv. On July 10, 2006, Blackstone wrote to EBI requesting consent to the transfer of the license in the context of the Blackstone/Orthofix transaction. On July 28, 2006, EBI wrote to Blackstone declining to grant consent to the transfer of the license. On September 11, 2006, representatives of Orthofix, Blackstone and EBI met to address EBI's refusal to grant consent. At that meeting, the parties agreed to refrain from initiating any litigation, pending commercial negotiations to resolve the dispute relating to the transfer of the license.

PATENTS

Patent/ Application No.	Credit Party	Title	Jurisdiction	Date of Issuance/ Application	Status
5181902	AMEI Technologies Inc	Double-Transducer System for PEMF Therapy	US	1/26/93	Active
11/408617	AMEI Technologies Inc	Drive Systems and Device Incorporating Drive Systems	US	4/21/06	Pending
11/115009	AMEI Technologies Inc	Screw Extration and Insertion Device	US	4/26/05	Pending
5269747	AMEI Technologies Inc	Double-transducer system for PEMF therapy	US	12/14/93	Active
5195941	AMEI Technologies Inc	Contoured Triangular Transducer System for PEMF Therapy	US	3/23/93	Active
5351389	AMEI Technologies Inc	Method for fabricating a contoured triangular transducer system	US	10/4/94	Active
5401233	AMEI Technologies Inc	Contoured triagular transducer system for PEMF therapy	US	3/28/95	Active
5314401	AMEI Technologies Inc	Conformable PEMF Transducer	US	5/24/94	Active
5304210	AMEI Technologies Inc	Apparatus for Distributed Bone Growth Stimulation	US	4/19/94	Active
5452407	AMEI Technologies Inc	Method for representing a patient's treatment site as data for use with a CAD or CAM device	US	9/19/95	Active
5441527	AMEI Technologies Inc	Implantable Bone Growth Stimulator and Method of Operation	US	8/15/95	Active
D353889	AMEI Technologies Inc	Implantable Tissue Growth Stimulator	US	12/27/94	Active
0,561,068	AMEI Technologies Inc	Implantable Tissue Growth Stimulator	European	3/3/99	Active
5565005	AMEI Technologies Inc	Implantable Tissue Growth Stimulator and Method of Operation	US	10/15/96	Active
5766231	AMEI Technologies Inc	Implantable Tissue Growth Stimulator and Method of Operation	US	6/16/98	Active
0,611,583	AMEI Technologies Inc	Implantable Tissue Growth Stimulator and Method of Operation	European	4/7/99	Active
5524624	AMEI Technologies Inc	Apparatus and Method for Stimulating Tissue Growth with Ultrasound	US	6/11/96	Active
D361555	AMEI Technologies Inc	Combined Programmer and Monitor for an Implantable Tissue Growth Stimulator	US	8/22/95	Active
5304179	AMEI Technologies Inc	System and Method for Installing a Spinal Fixation System at Variable Angles	US	4/19/94	Active
5437669	AMEI Technologies Inc	Spinal Fixation Systems with Bifurcated Connectors	US	8/1/95	Active
5704904	AMEI Technologies Inc	Inflatable Lumbar Traction Device	US	1/6/98	Active
5950628	AMEI Technologies Inc	Inflatable Wearable Traction Device	US	9/14/99	Active
5724993	AMEI Technologies Inc	Inflatable Spinal Traction Device	US	3/10/98	Active
0,837,666	AMEI Technologies Inc	Ambulatory Spinal Traction Device	US/European	2/11/04	Active
310906	AMEI Technologies Inc	Ambulatory Spinal Traction Device	Norway	9/17/01	Active
122495	AMEI Technologies Inc	Ambulatory Spinal Traction Device	Israel	7/22/02	Active
699290	AMEI Technologies Inc	Inflatable Spinal Traction Device	Australia	3/11/99	Active

Patent/ Application No.	Credit Party	Title	Jurisdiction	Date of Issuance/ Application	Status
5743844	AMEI Technologies Inc	High Efficiency Pulsed Electromagnetic Field (PEMF) Stimulation Therapy Method and System	US	4/28/98	Active
6,261,221B1	AMEI Technologies Inc	Flexible Coil Pulsed Electromagnetic Field (PEMF) Stimulation Therapy System	US	7/17/01	Active
6132362	AMEI Technologies Inc	Pulsed Electromagnetic Field (PEMF) Stimulation Therapy System with Bi-Phasic Coil	US	10/17/00	Active
6117575	AMEI Technologies Inc	Battery Compartment	US	9/12/00	Active
6024691	AMEI Technologies Inc	Cervical Collar with Integrated Electrical Circuitry for Electromagnetic field Therapy	US	2/15/00	Active
6418345B1	AMEI Technologies Inc	PEMF Stimulator for Treating Osteoporosis and Stimulating Tissue Growth	US	7/9/02	Active
5507211	AMEI Technologies Inc	Releasable Socket	US	4/16/96	Active
6839595	AMEI Technologies Inc	PEMF Stimulator for Treating Osteoporosis and Stimulating Tissue Growth	US	1/4/05	Active
1100582	AMEI Technologies Inc	PEMF Treatment for Osteoporosis and Tissue Growth Stimulation	European	6/15/05	
6678562	AMEI Technologies Inc	Combined Tissue/Bone Growth Stimulator and External Fixation Device	US	1/13/04	
1248659	AMEI Technologies Inc	Combined Tissue/Bone Growth Stimulator and External Fixation Device	European		Active
D348198	AMEI Technologies Inc	Interlaminar Clamp	US	6/28/94	Active
4735196	AMEI Technologies Inc	Cervical-Thoracic Orthosis and Method	US	4/5/88	Active
6635025	AMEI Technologies Inc	Traction Device Adjustment Mechanism and Method	US	10/21/03	Active
6974432	AMEI Technologies Inc	Traction Device Adjustment Mechanism and Method	US	12/13/05	Active
6533740	AMEI Technologies Inc	Lifting Mechanism for a Traction Device	US	3/18/03	Active
6776767	AMEI Technologies Inc	Traction Device and Associated Lifting Mechanism	US	8/17/04	Active
6702771	AMEI Technologies Inc	Canting Mechanism for Ambulatory Support Device	US	3/9/04	Active
6746413	AMEI Technologies Inc	Canting Mechanism for Ambulatory Support Device	US	6/8/04	Active
6689082	AMEI Technologies Inc	Traction Device	US	2/10/04	Active
6364824	Orthofix Inc.	Stimulating Cell Receptor Activity Using Electromagnetic Fields	US	4/2/04	Active
7089060	AMEI Technologies Inc	Stimulating Cell Growth Using Pulsed Electro-Magnetic Fields (PEMF)	US	8/8/06	Active

Patent/ Application No.	Credit Party	Title	Jurisdiction	Date of Issuance/ Application	Status
7074201	AMEI Technologies Inc	Measurement Device for Fitting a Bracing Device	US/Patent Cooperation Treaty		Active
6997892	AMEI Technologies Inc	Ambulatory Cyclic Traction Device	US	2/4/06	Active
03773260.9 2004/034872	AMEI Technologies Inc	Ambulatory Cyclic Traction Device	European/Patent Cooperation Treaty		Active
7070572	AMEI Technologies Inc	Dynamically Adjustable Stabilization Brace	US/Patent Cooperation Treaty		Active
10/712574	AMEI Technologies Inc	Apparatus and Method for Maintaining Bones in Healing Position	US/Patent Cooperation Treaty	11/13/03	Pending
10/393,541	AMEI Technologies Inc	Field Adjustable Traction Device	US		Pending
11/244879	AMEI Technologies Inc	Bone Alignment Implant and Method of Use	US		Pending
6322571	AMEI Technologies Inc	Apparatus and Method for Placing Sutures in the Lacerated End of a Tendon and Similar Body Tissues	US/Patent Cooperation Treaty	11/27/01	Active
6342060	AMEI Technologies Inc	Tendon Passing Device and Method	US/Patent Cooperation Treaty	1/29/02	Active
7001351	AMEI Technologies Inc	Brace with Integrated Lumbar Support System	US	2/21/06	Active
10/629,192	AMEI Technologies Inc	Fixation Device and Method for Treating Contractures and Other Orthopedic Indications	US	7/29/03	Pending
6936019	Breg Inc.	Strap Connector Assembly for an Orthopedic Brace	US	8/30/05	Active
6893414 B2	Breg Inc.	Integrated Infusion and Aspiration System and Method	US	5/17/05	Active
6802823 B2	Breg Inc.	Medication Delivery System Having Selective Automated or Manual Discharge	US	10/12/04	Active

Patent/ Application No.	Credit Party	Title	Jurisdiction	Date of Issuance/ Application	Status
6719728 B2	Breg Inc.	Patient Controlled Medication Delivery System with Overmedication Prevention (2000L)	US	4/13/2004	Active
6719713 B2	Breg Inc.	Strap Attachment Assembly for an Orthopedic Brace	US	4/13/2004	Active
D486870 S	Breg Inc.	Continuous Passive Motion Device for a Shoulder or Elbow (Shoulder CPM)	US	2/17/2004	Active
6551264 B1	Breg Inc.	Orthosis for Dynamically Stabilizing the Patello-Femoral Joint	US	4/22/2003	Active
6270481 B1	Breg Inc.	Patient-Controlled Medication Delivery System (2000 & 2000L)	US	8/7/2001	Active
6260890 B1	Breg Inc.	Tubing Connector	US	7/17/2001	Active
6176869 B1	Breg Inc.	Fluid Drive Mechanism for a Therapeutic Treatment System	US	1/23/2001	Active
DES.430,288	Breg Inc.	Medical Infusion Pump (2000 & 2000L)	US	8/29/2000	Active
DES.430,289	Breg Inc.	Infusion Pump for Administering a Fluid Medication (2000 & 2000L)	US	8/29/2000	Active
REEXAM (U.S. 5,330,519)	Breg Inc.	Therapeutic Nonambient Temperature Fluid Circulation System	US	7/6/1999	Active
REEXAM(U.S. 5,330,519)	Breg Inc.	Therapeutic Nonambient Temperature Fluid Circulation System	US	11/10/1998	Active
5827208	Breg Inc.	Hinge For an Orthopedic Brace Having a Selectively Positionable Stop to Limit Rotation	US	10/27/1998	Active
5807294	Breg Inc.	Adjustable Hinge Assembly for an Osteoarthritic Knee Brace	US	9/15/1998	Active
5782780	Breg Inc.	Method of Forming a Contoured Orthotic Member	US	7/21/1998	Active
5772618	Breg Inc.	Hinge Plate For an Orthopedic Brace	US	6/30/1998	Active
5672152	Breg Inc.	Hinge For an Orthopedic Brace Having an Adjustable Range of Rotation	US	9/30/1997	Active
DES.383,848	Breg Inc.	Cold Therapy Pad	US	9/16/1997	Active
DES.383,547	Breg Inc.	Cold Therapy Pad With Mounting Straps	US	9/9/1997	Active
5662695	Breg Inc.	Occlusion-Resistant Fluid Pad Conformable to a Body for Therapeutic Treatment Thereof	US	9/2/1997	Active
5507792	Breg Inc.	Therapeutic Treatment Device Having a Heat Transfer Element and a Pump for Circulating a Treatment Fluid Therethrough	US	4/16/1996	Active
5417720	Breg Inc.	Nonambient Temperature Pad Conformable to a Body For Therapeutic Treatment Thereof	US	5/23/1995	Active
DES.352,781	Breg Inc.	Therapeutic Fluid Flow Line	US	11/22/1994	Active
DES. 351,472	Breg Inc.	Therapeutic Fluid Circulation Pad for the Eyes	US	10/11/1994	Active
5352174	Breg Inc.	Shoulder Exercise System	US	10/4/1994	Active
5330519	Breg Inc.	Therapeutic Nonambient Temperature Fluid Circulation System	US	7/19/1994	Active
DES. 348,518	Breg Inc.	Therapeutic Fluid Circulation Pad for Breasts	US	7/5/1994	Active

Patent/ Application No.	Credit Party	Title	Jurisdiction	Date of Issuance/ Application	Status
DES. 348,106	Breg Inc.	Therapeutic Fluid Circulation Pad for Body Joints	US	6/21/1994	Active
DES.345,802	Breg Inc.	Therapeutic Fluid Pump	US	4/5/1994	Active
DES.345,803	Breg Inc.	Therapeutic Fluid Flow Controller	US	4/5/1994	Active
DES. 345,609	Breg Inc.	Nonambient Temperature Pad Conformable to a Body for Therapeutic Treatment Thereof (Therapeutic Fluid Circulation Pad)	US	3/29/1994	Active
5241951	Breg Inc.	Therapeutic Nonambient Temperature Fluid Circulation System	US	9/7/1993	Active
5232020	Breg Inc.	Shutoff Valve Having a Unitary Valve Body (Housing)	US	8/3/1993	Active
5112045	Breg Inc.	Kinesthetic Diagnostic and Rehabilitation Device	US	5/12/1992	Active
5080089	Breg Inc.	Therapeutic Apparatus Applying Compression and a Nonambient Temperature Fluid	US	1/14/1992	Active
11/285,827	Breg Inc.	Non-Ambient Temperature Therapy System with Automatic Treatment Temperature Maintenance (new cold therapy)	US	11/22/2005	Pending
11/040,814	Breg Inc.	Frame for an Orthopedic Brace Including Offset Hinges	US	1/2/2005	Pending
11/067,305	Breg Inc.	Method for Fitting an Orthopedic Brace to the Body	US	1/12/2005	Pending
11/039,448	Breg Inc.	Releasably Locking Hinge for an Orthopedic Brace Having Adjustable Rotation Limits		1/12/2005	Pending
11/039,056	Breg Inc.	Support Assembly for an Orthopedic Brace having a Length-Adjusting Mechanism	US	1/12/2002	Pending
10/933,619	Breg Inc.	Medication Delivery System Having Selective Automated or Manual Discharge (Division of pat no. 6,802,823)		9/2/2004	Pending
10/860,963	Breg Inc.	Shoulder Stabilizing Restraint	US	6/4/2004	Pending
10/745,900	Breg Inc.	Orthopedic Walker Having a Soft Boot with a Deformable Insert	US	12/24/2003	Pending
10/728,736	Breg Inc.	Knee Brace Providing Dynamic Tracking of the Patello-Femoral Joint	US	12/5/2003	Pending
10/420,344	Breg Inc.	Orthosis Providing Dynamic Tracking of the Patello-Femoral Joint Continuation in Part.	US	4/22/2003	Pending
10/285,861	Breg Inc.	Continuous Passive Motion Device for Rehabilitation of the Elbow or Shoulder	US	1/11/2002	Pending
10/270,091	Breg Inc.	Catheter Assemblies for Controlled Movement of Fluid	US	10/14/2002	Pending
PCT/	Breg Inc.	Frame for an Orthopedic Brace Including Offset Hinges	All countries	12/29/2005	Pending
PCT/US03/25069	Breg Inc.	Integrated Infusion and Aspiration System and Method	All countries	8/11/2003	Pending
10/896,515	Breg Inc.	Integrated Infusion and Aspiration System and Method	US	8/12/2002	Pending

Patent/ Application No.	Credit Party	Title	Jurisdiction	Data of Issuance/ Application	Status
2002951449	Blackstone Medical Inc.	An Arthroscopy Irrigation Device	All countries except Taiwan		Pending
2001285096	Blackstone Medical Inc.	A Surgical Cross-Connecting Apparatus	Australia		Active
2420147	Blackstone Medical Inc.	A Surgical Cross-Connecting Apparatus	Canada		Active
01816670.9	Blackstone Medical Inc.	A Surgical Cross-Connecting Apparatus	China		Active
01964217.2	Blackstone Medical Inc.	A Surgical Cross-Connecting Apparatus	EPO		Active
PA/a/2003/001514	Blackstone Medical Inc.	A Surgical Cross-Connecting Apparatus	Mexico		Active
NI201003 90120338	Blackstone Medical Inc.	A Surgical Cross-Connecting Apparatus	Taiwan		Active
6,524,310	Blackstone Medical Inc.	A Surgical Cross-Connecting Apparatus	US	2/25/2003	Active
04105071.7	Blackstone Medical Inc.	A Surgical Cross-Connecting Apparatus	Hong Kong		Active
N1243052 91102582	Blackstone Medical Inc.	Orthopedic Implant and Method for Orthopedic Treatment	Taiwan		Active
10/676,062	Blackstone Medical Inc.	Bone Plate Assembly Provided with Screw Locking Mechanisms	US		Active
2003275367	Blackstone Medical Inc.	Bone Plate Assembly Provided with Screw Locking Mechanisms	Australia		Active
2504215	Blackstone Medical Inc.	Bone Plate Assembly Provided with Screw Locking Mechanisms	Canada		Active
03759643.4	Blackstone Medical Inc.	Bone Plate Assembly Provided with Screw Locking Mechanisms	EPO		Active
PA/a/2005/004596	Blackstone Medical Inc.	Bone Plate Assembly Provided with Screw Locking Mechanisms	Mexico		Active
06101761.9	Blackstone Medical Inc.	Bone Plate Assembly Provided with Screw Locking Mechanisms	Hong Kong		Active
6,960,232	Blackstone Medical Inc.	Artificial Intervertebral Disc	US	11/1/2005	Active
2003228697	Blackstone Medical Inc.	Artificial Intervertebral Disc	Australia		Active
03726462.9	Blackstone Medical Inc.	Artificial Intervertebral Disc	EPO		Active
2003-587291	Blackstone Medical Inc.	Artificial Intervertebral Disc	Japan		Active
10/891,635	Blackstone Medical Inc.	Artificial Intervertebral Disc	US		Active
US04/22778	Blackstone Medical Inc.	Artificial Intervertebral Disc	PCT		Active
6,413,259	Blackstone Medical Inc.	Bone Plate Assembly Including a Screw Retaining Member	US	7/2/2002	Active
6,648,893	Blackstone Medical Inc.	Facet Fixation Devices	US	11/18/2003	Active
6,238,396	Blackstone Medical Inc.	Surgical Cross-Connecting Apparatus and Related Methods	US	5/29/2001	Active
2424814	Blackstone Medical Inc.	Surgical Cross-Connecting Apparatus and Related Methods	Canada		Active
6,540,748	Blackstone Medical Inc.	A Surgical Screw System and Method of Use	US	4/1/2003	Active
2423973	Blackstone Medical Inc.	A Surgical Screw System and Related Methods	Canada		Active
10/968,586	Blackstone Medical Inc.	Vertebral Body Replacement Apparatus and Method	US		Active
2004284933	Blackstone Medical Inc.	Vertebral Body Replacement Apparatus and Method	Australia		Active
2542833	Blackstone Medical Inc.	Vertebral Body Replacement Apparatus and Method	Canada		Active

Patent/ Application No.	Credit Party	Title	Jurisdiction	Date of Issuance/ Application	Status
04795903.6	Blackstone Medical Inc.	Vertebral Body Replacement Apparatus and Method	EPO		
	Blackstone Medical Inc.	Vertebral Body Replacement Apparatus and Method	Japan		
PA/a/2006/004374	Blackstone Medical Inc.	Vertebral Body Replacement Apparatus and Method	Mexico		
11/031,362	Blackstone Medical Inc.	Vertebral Body Replacement Apparatus and Method	US		
US2005/000376	Blackstone Medical Inc.	Vertebral Body Replacement Apparatus and Method	PCT		
10/968,585	Blackstone Medical Inc.	Bone Plate and Method for Using Bone Plate	US		
11/092,273	Blackstone Medical Inc.	Bone Plate and Method for Using Bone Plate	US		
US2005/010540	Blackstone Medical Inc.	Bone Plate and Method for Using Bone Plate	PCT		
10/928,955	Blackstone Medical Inc.	Multi-Axial Connection System	US		
US2005/029836	Blackstone Medical Inc.	Multi-Axial Connection System	PCT		
11/388,666	Blackstone Medical Inc.	Multi-Axial Connection System	US		
US2006/010738	Blackstone Medical Inc.	Multi-Axial Connection System	PCT		
11/228,117	Blackstone Medical Inc.	Anterior Cervical Plating System	US		
60/703,546	Blackstone Medical Inc.	Nerve Protection System	US		
60/719,424	Blackstone Medical Inc.	Artificial Intervertebral Disc-Crimped Ring Design	US		
60/748,333	Blackstone Medical Inc.	Device and Method for Holding and Inserting One or More Components of a Pedicle Screw	US		
60/759,944	Blackstone Medical Inc.	Artificial Intervertebral Disc (aka Crimped Ring-Dacron) I	US		
60/772,812	Blackstone Medical Inc.	Artificial Intervertebral Disc (aka Concentric Columns) I	US		
60/780,903	Blackstone Medical Inc.	System and Method for Dynamic Stabilization of the Spine	US		
60/744,871	Blackstone Medical Inc.	Percutaneous Facet Fusion Device and Method	US		
60/745,303	Blackstone Medical Inc.	Artificial Intervertebral Disc (aka Radially Crimped Dacron)	US		

TRADEMARKS

Registration/ Application No.	Credit Party	Trademark	Jurisdiction	Registration/ Application Date	Status
2646432	AMEI Technologies, Inc.	PHYSIO-STIM	Argentina		Pending
827344643	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Brazil		Pending
827942516	AMEI Technologies, Inc.	GOTFRIED PC.C.P & Design	Brazil		Pending
827318537	AMEI Technologies, Inc.	MIOT	Brazil		Pending
824347269	AMEI Technologies, Inc.	ORTHOTRAC	Brazil		Pending
824631633	AMEI Technologies, Inc.	ORTHOTRAC & Device	Brazil		Pending
828089400	AMEI Technologies, Inc.	PHYSIO-STIM	Brazil		
1254566	AMEI Technologies, Inc.	BLADERUNNER	Canada		Pending
1254565	AMEI Technologies, Inc.	CONTOURS VPS	Canada		Pending
1254260	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Canada		Pending
1254188	AMEI Technologies, Inc.	MIOT	Canada		Pending
4614955	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	China		Pending
4556233	AMEI Technologies, Inc.	MIOT	China		Pending
T2005-037367	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Colombia		Pending
4733911	AMEI Technologies, Inc.	GOTFRIED PC.C.P & Design	CTM		Pending
40-2005-18478	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Republic of Korea (South)		Pending
40-2005-15399	AMEI Technologies, Inc.	MIOT	Republic of Korea (South)		Pending
97116	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Saudi Arabia		Pending
95541	AMEI Technologies, Inc.	MIOT	Saudi Arabia		Pending
2005/07005	AMEI Technologies, Inc.	BLADERUNNER	South Africa		Pending
2005/07005	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	South Africa		Pending
2005/04886	AMEI Technologies, Inc.	MIOT	South Africa		Pending
78526886	AMEI Technologies, Inc.	BLADERUNNER	US		Pending

Registration/ Application No.	Credit Party	Trademark	Jurisdiction	Registration/ Application Date	Status
78663808	AMEI Technologies, Inc.	BONEMAX & Design	US		Pending
78834578	AMEI Technologies, Inc.	MAKING LIFE BETTER THROUGH INNOVATIONS IN HEALING	US		Pending
78504027	AMEI Technologies, Inc.	MIOT	US		Pending
78607031	AMEI Technologies, Inc.	OSTEOMAX	US		Pending
1050584	AMEI Technologies, Inc.	BLADERUNNER	Australia	4/13/2005	Registered
1051609	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Australia	11/28/2005	Registered
1046353	AMEI Technologies, Inc.	MIOT	Australia	3/15/2005	Registered
893347	AMEI Technologies, Inc.	ORTHOTRAC	Australia	10/26/2001	Registered
893350	AMEI Technologies, Inc.	ORTHOTRAC & Device	Australia	10/26/2001	Registered
906762	AMEI Technologies, Inc.	ORTHOTRAC & Device	Australia	3/19/2002	Registered
619612	AMEI Technologies, Inc.	PHYSIO-STIM	Australia	12/31/1993	Registered
619614	AMEI Technologies, Inc.	SPINAL-STIM	Australia	12/31/1993	Registered
544186	AMEI Technologies, Inc.	PHYSIO-STIM	Benelux	10/3/1994	Registered
770936	AMEI Technologies, Inc.	PHYSIO-STIM	Benelux	2/22/2005	Registered
0544185	AMEI Technologies, Inc.	SPINAL-STIM	Benelux	10/3/1994	Registered
770937	AMEI Technologies, Inc.	SPINAL-STIM	Benelux	2/22/2005	Registered
TMA449580	AMEI Technologies, Inc.	AME & Design	Canada	11/3/1995	Registered
TMA535437	AMEI Technologies, Inc.	CERVICAL-STIM	Canada	10/23/2000	Registered
TMA626724	AMEI Technologies, Inc.	ORTHOTRAC	Canada	11/25/2004	Registered
TMA638133	AMEI Technologies, Inc.	ORTHOTRAC & Device	Canada	4/22/2005	Registered
TMA539243	AMEI Technologies, Inc.	OSTEO-TITE	Canada	1/8/2001	Registered
TMA542417	AMEI Technologies, Inc.	PHYSIO-STIM	Canada	3/15/2001	Registered
TMA446011	AMEI Technologies, Inc.	SPINAL-STIM	Canada	8/11/1995	Registered
636707	AMEI Technologies, Inc.	ORTHOTRAC	Chile	7/18/2002	Registered
642654	AMEI Technologies, Inc.	ORTHOTRAC & Device	Chile	9/23/2002	Registered
3013024	AMEI Technologies, Inc.	ORTHOTRAC	China	1/28/2003	Registered
3119623	AMEI Technologies, Inc.	ORTHOTRAC & Device	China	1/28/2003	Registered
305007	AMEI Technologies, Inc.	MIOT	Colombia	10/24/2005	Registered
4386967	AMEI Technologies, Inc.	BLADERUNNER	CTM	4/13/2005	Registered
000884122	AMEI Technologies, Inc.	CERVICAL-STIM	CTM	11/17/1999	Registered
4386901	AMEI Technologies, Inc.	CONTOURS VPS	CTM	4/13/2005	Registered
4409389	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	CTM	4/20/2005	Registered
001260728	AMEI Technologies, Inc.	EZBRACE	CTM	11/8/2000	Registered
4338331	AMEI Technologies, Inc.	MIOT	CTM	3/14/2005	Registered
002431559	AMEI Technologies, Inc.	ORTHOTRAC	CTM	3/31/2003	Registered
002624088	AMEI Technologies, Inc.	ORTHOTRAC & Device	CTM	1/12/2004	Registered
00851634	AMEI Technologies, Inc.	OSTEO-TITE	CTM	10/4/1999	Registered
94502900	AMEI Technologies, Inc.	PHYSIO-STIM	France	7/8/1994	Registered
9450291	AMEI Technologies, Inc.	SPINAL-STIM	France	7/8/1994	Registered
153124	AMEI Technologies, Inc.	PHYSIO-STIM	Germany	6/2/2003	Registered

Registration/ Application No.	Credit Party	Trademark	Jurisdiction	Registration/ Application Date	Status
155984	AMEI Technologies, Inc.	SPINAL-STIM	Germany	5/5/2003	Registered
153124	AMEI Technologies, Inc.	ORTHOTRAC	Israel	6/2/2003	Registered
155984	AMEI Technologies, Inc.	ORTHOTRAC & Device	Israel	5/5/2003	Registered
4896847	AMEI Technologies, Inc.	BLADERUNNER	Japan	9/22/2005	Registered
4399290	AMEI Technologies, Inc.	CERVICAL-STIM	Japan	7/14/2000	Registered
4896849	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Japan	9/22/2005	Registered
4882077	AMEI Technologies, Inc.	MIOT	Japan	7/22/2005	Registered
4399289	AMEI Technologies, Inc.	OSTEO-TITE	Japan	7/14/2000	Registered
4411424	AMEI Technologies, Inc.	PHYSIO-STIM	Japan	8/25/2000	Registered
4325121	AMEI Technologies, Inc.	SPINAL-STIM	Japan	10/15/1999	Registered
4513042	AMEI Technologies, Inc.	THE HEALING ADVANTAGE	Japan	10/12/2001	Registered
101697	AMEI Technologies, Inc.	MIOT	Lebanon	4/6/2005	Registered
913396	AMEI Technologies, Inc.	BLADERUNNER	Mexico	12/13/2005	Registered
913397	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Mexico	12/12/2005	Registered
920317	AMEI Technologies, Inc.	GOTFRIED PC.C.P & Design	Mexico	2/22/2006	Registered
909464	AMEI Technologies, Inc.	MIOT	Mexico	11/23/2005	Registered
753560	AMEI Technologies, Inc.	ORTHOTRAC	Mexico	6/28/2002	Registered
784276	AMEI Technologies, Inc.	ORTHOTRAC & Device	Mexico	3/24/2003	Registered
755668	AMEI Technologies, Inc.	STORM	Mexico	7/25/2002	Registered
726603	AMEI Technologies, Inc.	MIOT	New Zealand	10/21/2004	Registered
647685	AMEI Technologies, Inc.	ORTHOTRAC	New Zealand	5/2/2002	Registered
654028	AMEI Technologies, Inc.	ORTHOTRAC & Device	New Zealand	9/5/2002	Registered
215452	AMEI Technologies, Inc.	ORTHOTRAC	Norway	8/15/2002	Registered
217336	AMEI Technologies, Inc.	ORTHOTRAC & Device	Norway	1/23/2003	Registered
141850	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	Panama	4/19/2005	Registered
141636	AMEI Technologies, Inc.	MIOT	Panama	4/8/2015	Registered
246514	AMEI Technologies, Inc.	ORTHOTRAC	Paraguay	5/8/2002	Registered
255993	AMEI Technologies, Inc.	ORTHOTRAC & Device	Paraguay	4/9/2003	Registered
659808	AMEI Technologies, Inc.	BLADERUNNER	Republic of Korea (South)	4/24/2006	Registered
5432131	AMEI Technologies, Inc.	ORTHOTRAC	Republic of Korea (South)	3/14/2003	Registered
554995	AMEI Technologies, Inc.	ORTHOTRAC & Device	Republic of Korea (South)	7/30/2003	Registered

Registration/ Application No.	Credit Party	Trademark	Jurisdiction	Registration/ Application Date	Status
56175	AMEI Technologies, Inc.	MIOT	Republic of Korea (South)	11/30/2005	Registered
1557943	AMEI Technologies, Inc.	PHYSIO-STIM	United Kingdom	11/3/1995	Registered
1557944	AMEI Technologies, Inc.	SPINAL-STIM	United Kingdom	12/1/1995	Registered
1981113	AMEI Technologies, Inc.	1-800-BONEFIX	US	6/18/1996	Registered
2265742	AMEI Technologies, Inc.	CERVICAL-STIM	US	7/27/1999	Registered
3103333	AMEI Technologies, Inc.	CONTOURS VPS	US	6/13/2006	Registered
3094296	AMEI Technologies, Inc.	EIGHT-PLATE GUIDED GROWTH SYSTEM & Design	US	5/16/2006	Registered
2592020	AMEI Technologies, Inc.	EZBRACE	US	7/9/2002	Registered
3090036	AMEI Technologies, Inc.	GOTFRIED PC.C.P & Design	US	5/9/2006	Registered
2991110	AMEI Technologies, Inc.	I ISKD & Design	US	9/6/2005	Registered
3029777	AMEI Technologies, Inc.	M2 MULTIPLANAR MINIRAIL & Design	US	12/13/2005	Registered
2574017	AMEI Technologies, Inc.	ORTHOTRAC	US	5/28/2002	Registered
2708888	AMEI Technologies, Inc.	ORTHOTRAC & Design	US	4/22/2003	Registered
2269876	AMEI Technologies, Inc.	OSTEO-TITE	US	8/10/1999	Registered
1701625	AMEI Technologies, Inc.	PHYSIO-STIM	US	7/21/1992	Registered
1384143	AMEI Technologies, Inc.	SPINAL-STIM	US	2/25/1986	Registered
2789136	AMEI Technologies, Inc.	THE HEALING ADVANTAGE	US	12/2/2003	Registered
2427678	AMEI Technologies, Inc.	BMD-STIM	US	2/6/2001	Registered
Registration/ Application No.	**Credit Party**	**Trademark**	**Jurisdiction**	**Registration/ Application Date**	**Status**
2,750,593	Breg Inc.	PTO	US	8/12/2003	Registered
2,734,767	Breg Inc.	Breg	US	7/8/2003	Registered
2,692,824	Breg Inc.	B stylized letters	US	3/4/2003	Registered
2,692,823	Breg Inc.	B Breg	US	3/4/2003	Registered
2,393,538	Breg Inc.	THE TRADITION	US	10/10/2000	Registered
2,664,714	Breg Inc.	PAIN CARE	US	12/17/2002	Registered
2,445,909	Breg Inc.	POLAR CARE	US	4/24/2001	Registered
1,898,777	Breg Inc.	FLEX-MATE	US	6/13/1995	Registered
1,710,735	Breg Inc.	B Breg and design	US	8/25/1992	Registered
1,726,657	Breg Inc.	Design only	US	10/20/1992	Registered
1,712,650	Breg Inc.	BREG	US	9/1/1992	Registered
2,041,086	Breg Inc.	BREG	DE	7/23/1993	
751,644	Breg Inc.	BREG	Mexico	11/18/2005	
2,791,770	Breg Inc.	BREG	EC		
1,720,605	Breg Inc.	BREG	Spain		Registered
649,826	Breg Inc.	BREG	Italy		Registered
2,041,086	Breg Inc.	BREG	Germany		Registered
94/432 165	Breg Inc.	BREG	France		Registered

3,052,822	Breg Inc.	BREG	Japan		Registered
VR006441994	Breg Inc.	BREG	Denmark		Registered
160,042	Breg Inc.	BREG	Norway		Registered
827,731,922	Breg Inc.	BREG	Brazil	8/3/2005	Registered
827,731,949	Breg Inc.	POLAR CARE	Brazil	8/3/2005	Registered
Registration/ Application No.	**Credit Party**	**Trademark**	**Jurisdiction**	**Registration/ Application Date**	**Status**
751,647	Breg Inc.	POLAR CARE	Mexico	11/18/2005	Registered
3,066,723	Breg Inc.	ORTHO SELECT	US	3/7/2006	Registered
3,050,423	Breg Inc.	FUSION	US	1/24/2006	Registered
3,050,899	Breg Inc.	FUSION and twin F design	US	1/24/2006	Registered
3,050,900	Breg Inc.	twin F design	US	1/24/2006	Registered
3,020,950	Breg Inc.	PAIN CARE	US	11/29/2005	Registered
3,012,237	Breg Inc.	T SCOPE	US	11/1/2005	Registered
2,900,945	Breg Inc.	NEUTRAL WEDGE	US	11/2/2004	Registered
2,855,229	Breg Inc.	ARTHOTAP	US	6/15/2004	Registered
2,796,013	Breg Inc.	AIRMESH	US	12/16/2003	Registered
2,775,794	Breg Inc.	X2K	US	10/21/2003	Registered
78/963,043	Breg Inc.	KOOL SLING	US	8/29/2006	Pending
78/959,137	Breg Inc.	KODIAK	US	8/23/2006	Pending
78/881,001	Breg Inc.	PAINDRAIN	US	5/10/2006	Pending
78/722,922	Blackstone Medical Inc.	Advent	US	9/29/2005	Pending
3091181	Blackstone Medical Inc.	Alloquent	US	5/9/2006	Active
3101182	Blackstone Medical Inc.	Ascent	US	6/6/2006	Active
2347454	Blackstone Medical Inc.	Blackstone	US	5/2/2000	Active
3078373	Blackstone Medical Inc.	Breakthrough Thinking	US	4/11/2006	Active
78/415,732	Blackstone Medical Inc.	Construx	US	5/10/2006	Pending
76/626,832	Blackstone Medical Inc.	Hallmark	US	1/4/2005	Pending
76/634,301	Blackstone Medical Inc.	Icon	US	3/25/2005	Pending
76/627,654	Blackstone Medical Inc.	Newbridge	US	1/12/2005	Pending
78/415,714	Blackstone Medical Inc.	Ngage	US	5/10/2004	Pending
78/932,408	Blackstone Medical Inc.	Origen DBM	US	7/18/2006	Pending
78/880,509	Blackstone Medical Inc.	Pillar	US	5/10/2006	Pending
78/880,515	Blackstone Medical Inc.	Proview	US	5/10/2006	Pending
78/415,658	Blackstone Medical Inc.	Reveal	US		
78/935,508	Blackstone Medical Inc.	Reliant	US	7/18/2006	
78/751,479	Blackstone Medical Inc.	Trinity and Design	US	11/10/2005	Pending
78/752,413	Blackstone Medical Inc.	Trinity	US	11/11/2005	Pending
76/625,481	Blackstone Medical Inc.	Unity	US	12/23/2004	Pending
76/635,940	Blackstone Medical Inc.	Unity 51	US		

Schedule 3.19(a)

LOCATION OF REAL PROPERTY

1. Leased Properties

a)	Street Address:	1720 Bray Central Drive, McKinney, TX 75069
	State:	Texas
	County:	Collin County
b)	Street Address:	2611 Commerce Way, Vista, CA 92081
	State:	California
	County:	San Diego County
c)	Street Address:	10115 Kincey Avenue, Suite 250, Huntersville Park, Huntersville, NC 28078
	State:	North Carolina
	County:	Mecklenburg County
d)	Street Address:	90 Brookdale Drive, Springfield, MA 01104
	State:	Massachusetts
	County:	Hampden County
e)	Street Address:	1211 Hamburg Turnpike, Suite 214, Wayne, NJ 07470
	State:	New Jersey
	County:	Passaic County

2. Owned Properties

None.

Schedule 3.19(b)

LOCATION OF COLLATERAL

Address (including county)	Value of Collateral
10115 Kincey Avenue, Suite 250 Huntersville, NC 28078 Mecklenburg County	$121,917
1720 Bray Central Drive McKinney, TX 75069 Collin County	$17,966,908
2611 Commerce Way Vista, CA 92081 San Diego County	$13,485,000
90 Brookdale Drive Springfield, MA 01104 Hampden County	$11,738,600
1211 Hamburg Turnpike, Suite 214 Wayne, NJ 07470 Passaic County	$279,087

Schedule 3.19(c)

CHIEF EXECUTIVE OFFICES

Credit Party	Jurisdiction of Incorporation/ Organization	Chief Executive Office	Principal Place of Business	Tax Identification Number/Tax Reference Number	Organization Identification Number
Orthofix International N.V.	Netherlands Antilles	10115 Kincey Avenue, Suite 250, Huntersville, NC 28078 Mecklenburg County	7 Abraham de Veerstraat Curacao, Netherlands Antilles	117.595.068	None
Colgate Medical Ltd	UK	5 Burney Court, Cordwallis Park, Maidenhead, Berks SL6 7BZ	5 Burney Court, Cordwallis Park, Maidenhead, Berks SL6 7BZ	610 67740 10890	01311455
Orthofix Holdings, Inc.	Delaware	10115 Kincey Avenue, Suite 250, Huntersville, NC 28078 Mecklenburg County	10115 Kincey Avenue, Suite 250, Huntersville, NC 28078 Mecklenburg County	52-2436054	3741422
Victory Medical Limited	UK	5 Burney Court, Cordwallis Park, Maidenhead, Berks SL6 7BZ	5 Burney Court, Cordwallis Park, Maidenhead, Berks SL6 7BZ	610 75400 20346	05594778
Swiftsure Medical Limited	UK	5 Burney Court, Cordwallis Park, Maidenhead, Berks SL6	5 Burney Court, Cordwallis Park, Maidenhead, Berks SL6	610 54745 13575	05594781

Credit Party	Jurisdiction of Incorporation/ Organization	Chief Executive Office	Principal Place of Business	Tax Identification Number/Tax Reference Number	Organization Identification Number
		7BZ	7BZ		
Orthofix UK Ltd	UK	5 Burney Court, Cordwallis Park, Maidenhead, Berks SL6 7BZ	5 Burney Court, Cordwallis Park, Maidenhead, Berks SL6 7BZ	610 17836 02273	05000721
Orthofix Inc.	Minnesota	1720 Bray Central Drive, McKinney, TX 75069 Collin County	1720 Bray Central Drive, McKinney, TX 75069 Collin County	75-2608036	8R-468
Breg Inc.	California	2611 Commerce Way, Vista, CA 92081 San Diego County	2611 Commerce Way, Vista, CA 92081 San Diego County	33-0361048	C1635882
Orthofix US LLC	Delaware	10115 Kincey Avenue, Suite 250, Huntersville, NC 28078 Mecklenburg County	10115 Kincey Avenue, Suite 250, Huntersville, NC 28078 Mecklenburg County	52-2436057	3742359
AMEI Technologies Inc.	Delaware	1720 Bray Central Drive, McKinney, TX 75069 Collin County	1720 Bray Central Drive, McKinney, TX 75069 Collin County	51-0349533	3978372
Osteogenics Inc.	Delaware	1720 Bray Central Drive, McKinney, TX 75069	1720 Bray Central Drive, McKinney, TX 75069	75-2571587	2440883

Credit Party	Jurisdiction of Incorporation/ Organization	Chief Executive Office	Principal Place of Business	Tax Identification Number/Tax Reference Number	Organization Identification Number
		Collin County	Collin County		
Neomedics, Inc.	New Jersey	1720 Bray Central Drive, McKinney, TX 75069 Collin County	1720 Bray Central Drive, McKinney, TX 75069 Collin County	22-3370043	0100624244
Blackstone Medical, Inc.	Massachusetts	90 Brookdale Drive, Springfield, MA 01104 Hampden County 1211 Hamburg Turnpike, Suite 214, Wayne, New Jersey 07470 Passaic County	90 Brookdale Drive, Springfield, MA 01104	04-3290472	None

Schedule 3.19(d)

MORTGAGED PROPERTIES

1. Leased Properties

a)	Street Address:	1720 Bray Central Drive, McKinney, TX 75069
	State:	Texas
	County:	Collin County
b)	Street Address:	2611 Commerce Way, Vista, CA 92081
	State:	California
	County:	San Diego County
c)	Street Address:	90 Brookdale Drive, Springfield, MA 01104
	State:	Massachusetts
	County:	Hampden County

2. Owned Properties .

None

Schedule 3.21

LABOR MATTERS

1. The employees of Orthofix International N.V.'s Orthofix Srl subsidiary are represented for the purposes of collective bargaining by a labor organization as mandated by Italian law.

Schedule 3.29

MATERIAL CONTRACTS

1. Orthofix International N.V.

a) Employment Agreement, dated November 20, 2003, between Orthofix International N.V. and Bradley R. Mason, filed with the SEC in an 8-K dated November 26, 2003.

b) Employment Agreement, dated April 15, 2005, between Orthofix International N.V. and Charles W. Federico, filed with the SEC in an 8-K dated April 18, 2005.

c) Employment Agreement, as amended, dated December 29, 2005, between Orthofix International N.V. and Charles W. Federico, filed with the SEC in an 8-K dated December 30, 2005.

d) Employment Agreement, dated July 13, 2006, between the Company and Thomas Hein, filed with the SEC in an 8-K dated July 18, 2006.

e) Employment Agreement, dated July 13, 2006, between Orthofix Inc. and Alan W. Milinazzo, filed with the SEC in an 8-K dated July 18, 2006.

f) Employment Agreement, dated July 13, 2006, between Orthofix Inc. and Michael M. Finegan, filed with the SEC in an 8-K dated July 18, 2006.

g) Employment Agreement, dated July 13, 2006, between Orthofix Inc. and Raymond C. Kolls, filed with the SEC in an 8-K dated July 18, 2006.

2. Blackstone Medical, Inc.

a) Distribution and Supply Agreement by and between Blackstone and Osiris Therapeutics, Inc. dated November __, 2005. Section 11.2 provides that Blackstone may transfer the agreement in connection with a merger with the prior written consent of Osiris, such consent not to be unreasonably withheld. [1]

b) Agreement between Blackstone and Invibio, Inc. dated as of October 23, 2003. Section 4.3 provides that neither party may assign a right or obligation under the agreement without first obtaining the other party's written consent.

[1] Note: Document executed, but not dated.

c) License Agreement dated December 2, 2003 by and between Blackstone and Cross Medical Products, Inc. Section 6.1 provides that the parties may assign any or all of their rights or delegate any or all of their duties under the agreement only upon the prior written consent of the other party, but such consent shall not be unreasonably withheld in the event a party wishes to assign the agreement to a purchaser of all or substantially all of its assets relating to the '237 Patent, the '555 Patent or the Licensed Product.

3. Breg Inc.

a) Extension of Lease between Breg, Inc. and North County Industrial Park, LP (Vista).

b) Lease Agreement between Breg Mexico S. de R.L de C.V. and Industrias Asociadas Maquiladoras, S.A. de C.V. (Mexicali).

c) GPO Agreements; Amerinet; Consorta; Novation; Healthtrust; OPGA; DOD and VA Government Contracts; and Hanger.

4. Tax Structure Documents (as defined in the Credit Agreement).

Schedule 3.30

INSURANCE

1. Orthofix Holdings, Inc. and its Domestic Subsidiaries

Type of Insurance	Carrier	Policy Number	Amount	Expiration Date
Product Liability	Medmarc Casualty Insurance Company	06NC380002	$10,000,000 Per Occurrence $10,000,000 Aggregate $1,000,000 Separate Defense Cost Limit $250,000 per Occurrence SIR $1,000,000 Aggregate SIR	04/01/07
Excess Product Liability	Lexington Insurance Company	715-75-77	$5,000,000 Per Occurrence $5,000,000 Aggregate	04/01/07
General Liability	Travelers Property Casualty Company of America	Y-630- 6108A144-TIL-06	$2,000,000 General Aggregate $1,000,000 Each Occurrence Limit $1,000,000 Personal/Advertising Injury $300,000 Fire Damage Legal Liability $10,000 Medical Payments Per Person Product Liability Excluded	04/01/07
Property including Equipment Breakdown	Travelers Property Casualty Company of America	Y-630- 6108A144-TIL-06	$6,000,000 Real Property $25,854,000 Business Personal Property $100,145,000 Business Interruption $10,500,000 Inland Marine $25,000 PD Deductible $50,000 PD Deductible Flood/EQ 5%/$250,000 min. CA EQ Deductible 72 Hr BI Deductible	04/01/07
Inland Marine	Travelers Property Casualty Company of America	Y-630- 6108A144-TIL-06	$10,500,000 Inland Marine Limit $25,000 Deductible $50,000 Deductible Flood/EQ	04/01/07
Automobile Liability & Physical Damage	Travelers Property Casualty Company of America	Y-810- 6108A132-TIL-06	$1,000,000 BI & PD Combined Single Limit	04/01/07

Workers Compensation	The Travelers Indemnity Company of Connecticut	YEUB-6117A90-3-06	Statutory WC Limits $1,000,000 Employers Liability Limits	04/01/07
Foreign Liability	St. Paul Fire & Marine Insurance Company	GB06800892	$1,000,000 Each Occurrence $2,000,000 Aggregate Product Liability Excluded	04/01/07
Umbrella	National Union Fire Insurance Company of Pittsburgh, PA	BE6565109	$25,000,000 Per Occurrence $25,000,000 Aggregate $10,000 SIR Product Liability Excluded	04/01/07
California Earthquake	Glencoe Insurance Company	305506XF-1	$3,000,000 excess of Travelers $2,000,000 5% deductible per location (min. $500,0000)	04/01/07
Marine Ocean Cargo	Continental Insurance Company	OC0243831	$1,000,000 Any One Conveyance $1,000 Deductible	04/01/07

2. Orthofix International N.V. and its Subsidiaries

Type of Insurance	Carrier	Policy Number	Amount	Expiration Date
Crime	St. Paul Fire & Marine Insurance Company	429CF0600	$3,000,000 limit $25,000 Deductible	09/07/07
Employment Practices Liability	St. Paul Mercury Insurance Company	EC09000870	$5,000,000 limit $100,000 Deductible	09/07/07
Kidnap & Ransom	St. Paul Fire & Marine Insurance Company	429CF0601	$3,000,000 per Insured Event	09/07/07
Fiduciary Liability	Federal Insurance Company	8139-0905	$3,000,000 Each Claim $3,000,000 Each policy period $10,000 Retention	09/07/07
Directors & Officers	St. Paul Mercury Insurance Company	EC09000869	$15,000,000 Limit $250,000 Retention $500,000 Retention SEC Claims	09/07/07

Excess Directors & Officers	Federal Insurance Company	6803-3515	$10,000,000 limit excess of $15,000,000	09/07/07

3. Blackstone Medical, Inc.

Type of Insurance	Carrier	Policy Number	Amount	Expiration Date
Product Liability	Noetic Specialty Insurance Co.	NO6MA380001	Aggregate: $10,000,000 Each Occurrence: $10,000,000	01/06/07

Schedule 4.1-1

[FORM OF]
SECRETARY'S CERTIFICATE

Pursuant to Section 4.1(b) of the Credit Agreement dated as of September 22, 2006 (the " Credit Agreement ") by and among Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent "), the undersigned _____of **[CREDIT PARTY]** (the " Company ") hereby certifies as follows:

1. Attached hereto as Exhibit A is a true and complete copy of the [articles of incorporation] [certificate of formation] [certificate of limited partnership] of the Company and all amendments thereto as in effect on the date hereof certified as a recent date by the appropriate Governmental Authority of the state of [incorporation] [organization] of the Company.

2. Attached hereto as Exhibit B is a true and complete copy of the [bylaws] [operating agreement] [partnership agreement] of the Company and all amendments thereto as in effect on the date hereof.

3. Attached hereto as Exhibit C is a true and complete copy of resolutions duly adopted by the [board of directors] [members] [managers] [partners] of the Company on _____ _____. Such resolutions have not in any way been rescinded or modified and have been in full force and effect since their adoption to and including the date hereof, and such resolutions are the only corporate proceedings of the Company now in force relating to or affecting the matters referred to therein.

4. Attached hereto as Exhibit D is a true and complete copy of the certificates of good standing, existence or its equivalent of the Company, each certified as a recent date by the appropriate Governmental Authority of the state of [incorporation] [organization] of the Company or any other state in which the failure to so qualify and be in good standing could reasonably be expected to have a Material Adverse Effect.

5. The following persons are now the duly elected and qualified [officers] [directors] of the Company, [holding the offices indicated next to the names below on the date hereof,] and the signatures appearing opposite the names of the [officers] [directors] below are their true and genuine signatures, and each of such [officers] [directors] is duly authorized to execute and deliver on behalf of the Company, the Credit Agreement, the Notes and the other Credit Documents to be issued pursuant thereto:

Name	[Office] [Director]	Signature

This Certificate may, upon execution, be delivered by facsimile or electronic mail, which shall be deemed for all purposes to be an original signature.

Capitalized terms defined in the Credit Agreement shall have the same meanings when used herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned hereunder subscribes his/her name effective as of the __ day of _____, ___.

Name: _____
Title: _____

I, _____, the _____ of the Company, hereby certify that _____ is the duly elected and qualified _____ of the Company and that his/her true and genuine signature is set forth above.

Name: _____
Title: _____

Schedule 4.1-2

[FORM OF]
SOLVENCY CERTIFICATE

The undersigned, Thomas Hein, Chief Financial Officer of ORTHOFIX INTERNATIONAL, N.V., a Netherlands Antilles corporation (the " Company "), is familiar with the properties, businesses, assets and liabilities of the Credit Parties and is duly authorized to execute this certificate (this " Solvency Certificate ") on behalf of the Credit Parties.

This Solvency Certificate is delivered pursuant to Section 4.1(j) of that certain Credit Agreement dated as of September 22, 2006 (the " Credit Agreement ") by and among Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent "). All capitalized terms used and not defined herein have the meanings stated in the Credit Agreement.

1. The undersigned certifies that he has made such investigation and inquiries as to the financial condition of the Credit Parties as the undersigned deems necessary and prudent for the purpose of providing this Solvency Certificate. The undersigned acknowledges that the Administrative Agent and the Lenders are relying on the truth and accuracy of this Solvency Certificate in connection with the making of Loans and other Extensions of Credit under the Credit Agreement.

2. The undersigned certifies that the financial information, projections and assumptions which underlie and form the basis for the representations made in this Solvency Certificate were reasonable when made and were made in good faith and continue to be reasonable as of the date hereof.

BASED ON THE FOREGOING, the undersigned certifies that after giving effect to the Acquisition, the Loans and other Extensions of Credit made on the Closing Date:

A. On the date hereof, each of the Credit Parties is able to pay its debts and other liabilities, contingent obligations and other commitments as they become due.

B. Each of the Credit Parties does not intend to, and does not believe that it will, incur debts or liabilities beyond its ability to pay as such debts and liabilities become due.

C. On the date hereof, each of the Credit Parties is not engaged in any business or transaction, and is not about to engage in any business or transaction, for which the assets of such Credit Party would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which the Credit Parties and their Subsidiaries are engaged or are to engage.

D. On the date hereof, the present fair saleable value of the consolidated assets of the Credit Parties and their Subsidiaries, measured on a going concern basis, exceeds all probable liabilities of the Credit Parties and their Subsidiaries, on a consolidated basis, including contingent liabilities incurred pursuant to the Credit Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ORTHOFIX INTERNATIONAL, N.V.,
a Netherlands Antilles corporation

By: _____
Name: _____
Title: _____

Schedule 4.1-3

[FORM OF]
LENDER CONSENT

TO: Wachovia Bank, National Association, as Administrative Agent

RE: Credit Agreement dated as of September 22, 2006 (the " Credit Agreement ") by and among Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), the Guarantors from time to time party thereto, the Lenders from time to time party thereto (the " Lenders ") and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent ").

DATE: September 22, 2006

This Consent is given pursuant to the Credit Agreement referenced above. The undersigned hereby (i) approves the Credit Agreement, (ii) authorizes and appoints the Administrative Agent as its agent in accordance with the terms of Article VIII of the Credit Agreement and (iii) authorizes the Administrative Agent to execute and deliver the Credit Agreement on its behalf and, by its execution below, the undersigned agrees to be bound as a Lender by the terms and conditions of the Credit Agreement as if the undersigned had directly executed and delivered a signature page to the Credit Agreement. By becoming a Lender under the Credit Agreement pursuant to this Consent, the undersigned agrees to make Extensions of Credit to the Borrower up to the amount of its Commitments in accordance with the terms of the Credit Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Credit Agreement.

Delivery of this Consent by telecopy shall be effective as an original.

A duly authorized officer of the undersigned has executed this Consent as of the _____ day of _____, ___.

_____,
as a Lender

By: _____
Name: _____
Title: _____

Schedule 5 .10

[FORM OF]
JOINDER AGREEMENT

THIS JOINDER AGREEMENT (the " Agreement "), dated as of _____, _____, is by and between _____, a _____ (the " New Domestic Subsidiary "), and **WACHOVIA BANK, NATIONAL ASSOCIATION,** in its capacity as Administrative Agent under that certain Credit Agreement dated as of September 22, 2006 (as amended, restated or otherwise modified prior to the date hereof, the " Credit Agreement ") by and among Orthofix Holdings, Inc., a Delaware corporation (the " Borrower "), the Guarantors from time to time party thereto, the Lenders from time to time party thereto and Wachovia Bank, National Association, as Administrative Agent (the " Administrative Agent "). All of the defined terms in the Credit Agreement are incorporated herein by reference.

The New Domestic Subsidiary is an Additional Credit Party, and, consequently, the Credit Parties are required by Section 5.10 of the Credit Agreement to cause the New Domestic Subsidiary to become a "Guarantor" thereunder.

Accordingly, the New Domestic Subsidiary and the Borrower hereby agree as follows with the Administrative Agent, for the benefit of the Lenders:

1. The New Domestic Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Domestic Subsidiary will be deemed to be a party to and a "Guarantor" under the Credit Agreement and shall have all of the obligations of a Guarantor thereunder as if it had executed the Credit Agreement. The New Domestic Subsidiary hereby ratifies, as of the date hereof, and agrees to be bound by, all of the terms, provisions and conditions contained in the applicable Credit Documents, including without limitation (a) all of the representations and warranties set forth in Article III of the Credit Agreement and (b) all of the affirmative and negative covenants set forth in Articles V and VI of the Credit Agreement. Without limiting the generality of the foregoing terms of this Paragraph 1, the New Domestic Subsidiary hereby guarantees, jointly and severally together with the other Guarantors, the prompt payment of the Credit Party Obligations in accordance with Article X of the Credit Agreement.

2. The New Domestic Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Domestic Subsidiary will be deemed to be a party to the Security Agreement, and shall have all the rights and obligations of an "Obligor" (as such term is defined in the Security Agreement) thereunder as if it had executed the Security Agreement. The New Domestic Subsidiary hereby agrees to be bound by, all of the terms, provisions and conditions contained in the Security Agreement. Without limiting the generality of the foregoing terms of this Paragraph 2, the New Domestic Subsidiary hereby grants to the Administrative Agent, for the benefit of the Lenders, a continuing security interest in, and a right of set off, to the extent applicable, against any and all right, title and interest of the New Domestic Subsidiary in and to the Collateral (as such term is defined in Section 2 of the Security Agreement) of the New Domestic Subsidiary.

3. The New Domestic Subsidiary hereby acknowledges, agrees and confirms that, by its execution of this Agreement, the New Domestic Subsidiary will be deemed to be a party to the Pledge Agreement, and shall have all the rights and obligations of a "Pledgor" thereunder as if it had executed the Pledge Agreement. The New Domestic Subsidiary hereby agrees to be bound by, all the terms, provisions and conditions contained in the Pledge Agreement. Without limiting the generality of the foregoing terms of this Paragraph 3, the New Domestic Subsidiary hereby pledges and assigns to the Administrative Agent, for the benefit of the Lenders, and grants to the Administrative Agent, for the benefit of the Lenders, a continuing security interest in any and all right, title and interest of the New Domestic Subsidiary in and to Pledged Capital Stock (as such term is defined in Section 2 of the Pledge Agreement) and the other Pledged Collateral (as such term is defined in Section 2 of the Pledge Agreement).

4. The New Domestic Subsidiary acknowledges and confirms that it has received a copy of the Credit Agreement and the schedules and exhibits thereto and each Security Document and the schedules and exhibits thereto. The schedules to the Credit Agreement and the Security Documents are hereby supplemented (to the extent permitted under the Credit Agreement or Security Documents) to include the information shown on the attached Schedule A .

5. The Borrower confirms that the Credit Agreement is and, upon the New Domestic Subsidiary becoming a Guarantor, shall continue to be, in full force and effect. The parties hereto confirm and agree that immediately upon the New Domestic Subsidiary becoming a Guarantor under the Credit Agreement, the term "Credit Party Obligations," as used in the Credit Agreement, shall include all obligations of the New Domestic Subsidiary under the Credit Agreement and under each other Credit Document.

6. Each of the Borrower and the New Domestic Subsidiary agrees that at any time and from time to time, upon the written request of the Administrative Agent, it will execute and deliver such further documents and do such further acts as the Administrative Agent may reasonably request in accordance with the terms and conditions of the Credit Agreement in order to effect the purposes of this Agreement.

7. This Agreement (a) may be executed in two or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute one contract and (b) may, upon execution, be delivered by facsimile or electronic mail, which shall be deemed for all purposes to be an original signature.

8. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York. The terms of Sections 9.14 and 9.17 of the Credit Agreement are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

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IN WITNESS WHEREOF, each of the Borrower and the New Domestic Subsidiary has caused this Agreement to be duly executed by its authorized officer, and the Administrative Agent, for the benefit of the Lenders, has caused the same to be accepted by its authorized officer, as of the day and year first above written.

BORROWER:

ORTHOFIX HOLDINGS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

NEW DOMESTIC SUBSIDIARY:

[NEW DOMESTIC SUBSIDIARY]

By: _____
Name: _____
Title: _____

Acknowledged and accepted:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

By: _____
Name: _____
Title: _____

SCHEDULE A
to
Joinder Agreement

Schedules to Credit Agreement

Schedules to Security Agreement

Schedules to Pledge Agreement

Schedule 6. (b)

INDEBTEDNESS

1. Orthofix International N.V.

a) Letter of Credit issued by Bank of America in favor of to Orthofix de Centro America S.A in the amount of $243,185.35, cash collateralized by an Orthofix International N.V. certificate of deposit with Bank of America. The letter of credit expires on July 31, 2007.

b) Guarantee by Orthofix International N.V. of the payment obligation of Orthofix Inc. to Michael M. Finegan pursuant to that certain Employment Agreement, dated July 13, 2006, between Orthofix Inc. and Michael M. Finegan.

c) Guarantee by Orthofix International N.V. of the payment obligation of Orthofix Inc. to Raymond C. Kolls pursuant to that certain Employment Agreement, dated July 13, 2006, between Orthofix Inc. and Raymond C. Kolls.

d) Guarantee by Orthofix International N.V. of the payment obligation of Orthofix Inc. to Thomas Hein pursuant to that certain Employment Agreement, dated July 13, 2006, between Orthofix Inc. and Thomas Hein.

e) Guarantee by Orthofix International N.V. of the payment obligation of Orthofix Inc. to Alan W. Milinazzo pursuant to that certain Employment Agreement, dated July 13, 2006, between Orthofix Inc. and Alan W. Milinazzo.

2. Orthofix Holdings. Inc.

a) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $35,561,349, dated as of December 29, 2003.

b) Note issued by Orthofix Holdings, Inc. in favor of Orthofix US LLC in the principal amount of USD $129,000,000, dated as of December 30, 2003.

c) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $15,000,000, dated as of September 24, 2004.

d) Note issued by Ortho-fix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $7,000,000, dated as of December 16, 2004.

e) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $6,400,000, dated as of December 22, 2004.

f) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $3,000,000, dated as of September 19, 2005.

g) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $3,300,000, dated as of June 16, 2005.

h) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $5,500,000, dated as of September 22, 2005.

i) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $6,500,000, dated as of December 15, 2005.

j) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $3,500,000, dated as of March 17, 2006.

k) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $9,000,000, dated as of March 22, 2006.

l) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the amount of USD $4,050,000, dated as of June 22, 2006.

m) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $900,000, dated as of September 14, 2006.

n) Note issued by Orthofix Holdings Inc. in favor of Blackstone Medical, Inc. in the amount of USD $333,000,000, dated as of September 22, 2006.

3. Orthofix Inc.

a) Note issued by Orthofix Inc. in favor of AMEI Technologies Inc. in the principal amount of USD $5,000,000, dated as of April 30, 1996.

b) Note issued by Orthofix Inc. in favor of AMEI Technologies Inc. in the principal amount of USD $5,000,000, dated as of September 30, 1997.

c) Note issued by Orthofix Inc. in favor of AMEI Technologies Inc. in the principal amount of USD $150,000,000, dated as of October 31, 1997.

d) Note issued by Orthofix Inc. in favor of Osteogenics Inc. in the principal amount of USD $1,000,000, dated as of January 21, 2000.

4. Breg Inc.

a) Note issued by Breg Inc. in favor of Orthofix Holdings, Inc. in the principal amount of USD $125,170,148.14, dated as of December 30, 2003.

b) Breg Inc. is a guarantor of Breg Mexico's lease agreement for the facility in Mexicali, Mexico.

5. AMEI Technologies Inc.

a) Note issued by AMEI Technologies Inc. in favor of Osteogenics Inc. in the principal amount of USD $20,000,000, dated May 6, 1998.

6. Orthofix SRL/DMO

a) Available line of credit established and issued collectively by Unicredit BABK, Banco Popolare di Verona and Banco of Brescia, in favor of Orthofix SRL/DMO, in a maximum principal amount at any time outstanding of €6,800,000. This line of credit is renewed each April.

7. Colgate Medical Ltd

a) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $11,779,217.08, dated as of December 27, 2004.

b) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $5,000,000, dated as of September 26, 2005.

c) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $4,700,000, dated as of December 22, 2005.

d) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $10,600,000, dated as of March 29, 2006.

e) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $10,000,000, dated as of September 27, 2004.

f) Note issued by Colgate Medical Ltd in favor of Orthofix International N.V. in the principal amount of USD $4,725,000 dated as of June 16, 2005.

8. Blackstone Medical, Inc.

a) Demand Convertible Promissory Note dated January 24, 2003 in principal amount of USD $215,000 made by Blackstone Medical, Inc. in favor of Michael W. Lyons. [1]

b) Demand Convertible Promissory Note dated January 24, 2003 in principal amount of USD $215,000 made by Blackstone Medical, Inc. in favor of Matthew V. Lyons. [1]

c) Demand Convertible Promissory Note dated January 24, 2003 in principal amount of USD $215,000 made by Blackstone Medical, Inc. in favor of William G. Lyons III. [1]

d) Master Lease Finance Agreement dated as of September 28, 2004 by and between Banknorth Leasing Corp. and Blackstone Medical, Inc. and schedules thereto. [2]

e) Lease dated January 23, 2003 by and between Banknorth Leasing Corp. and Blackstone Medical, Inc. [2]

f) Lease dated April 4, 2003 by and between Banknorth Leasing Corp. and Blackstone Medical, Inc. [2]

---

[1] Expected to be converted into common stock immediately prior to the Effective Time of the Orthofix-Blackstone merger.
[2] This capital lease is expected to be paid off immediately prior to the Effective Time of the Orthofix-Blackstone merger.

Schedule 6.4(a)

PERMITTED ASSET SALES

1. 1,500,000 shares of Innovative Spinal Technologies, owned by Orthofix Inc.

2. 1,500,000 shares of OPED AG, owned by Orthofix International N.V.

3. 3,470,000 shares of OrthoRx, owned by Orthofix International N.V.

Schedule 6.5

INVESTMENTS

1. Orthofix International N.V.

a) Investment in Innovative Spinal Technologies in the amount of USD $1,500,000.

b) Investment in OPED AG in the amount of USD $2,500,000.

c) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $35,561,349, dated as of December 29, 2003.

d) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $6,400,000, dated as of December 22, 2004.

e) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $3,300,000, dated as of June 16, 2005.

f) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $5,500,000, dated as of September 22, 2005.

g) Note issued by Orthofix Holdings, Inc. in favor of Orthofix International N.V. in the principal amount of USD $3,500,000, dated as of March 17, 2006.

i) Note issued by Colgate Medical Ltd in favor of Orthofix International N.V. in the principal amount of USD $4,725,000 dated June 16, 2005.

2. Orthofix Holdings, Inc.

a) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $5,000,000, dated as of September 26, 2005.

b) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $4,700,000, dated as of December 22, 2005.

c) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $10,600,000, dated as of March 29, 2006.

d) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $11,779,217.08, dated as of December 27, 2004.

e) Note issued by Colgate Medical Ltd in favor of Orthofix Holdings, Inc. in the principal amount of USD $10,000,000, dated as of September 27, 2004.

f) Note issued by Breg Inc. in favor of Orthofix Holdings, Inc. in the principal amount of USD $125,170,148.14, dated as of December 30, 2003.

3. Orthofix US LLC

a) Note issued by Orthofix Holdings, Inc. in favor of Orthofix US LLC in the principal amount of USD $129,000,000, dated as of December 30, 2003.

4. Orthofix Inc.

a) Investment in Bio Wave in the amount of USD $500,000.

b) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $15,000,000, dated as of September 24, 2004.

c) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $7,000,000, dated as of December 16, 2004.

d) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $3,000,000, dated as of September 19, 2005.

e) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $6,500,000, dated as of December 15, 2005.

f) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $9,000,000, dated March 22, 2006.

g) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the principal amount of USD $900,000, dated as of September 14, 2006.

h) Note issued by Orthofix Holdings, Inc. in favor of Orthofix Inc. in the amount of USD $4,050,000, dated as of June 22, 2006.

5. Breg. Inc.

a) Investment in Orthospot in the amount of USD $531,831.

6. AMEI Technologies Inc.

a) Note issued by Orthofix Inc. in favor of AMEI Technologies Inc. in the principal amount of USD $5,000,000, dated as of April 30, 1996.

b) Note issued by Orthofix Inc. in favor of AMEI Technologies Inc. in the principal amount of USD $5,000,000, dated as of September 30, 1997.

c) Note issued by Orthofix Inc. in favor of AMEI Technologies Inc. in the principal amount of USD $150,000,000, dated as of October 31, 1997.

7. Osteogenics Inc.

a) Note issued by AMEI Technologies Inc. in favor of Osteogenics Inc. in the principal amount of USD $20,000,000, dated May 6, 1998.

b) Note issued by Orthofix Inc. in favor of Osteogenics Inc. in the principal amount of USD $1,000,000, dated as of January 21, 2000.

8. Blackstone Medical, Inc.

a) Note issued by Orthofix Holdings, Inc. in favor of Blackstone Medical, Inc. in the amount of USD $333,000,000, dated as of September 22, 2006.

Schedule 6.13

ACCOUNTS

1. Orthofix International N.V.

   a) Bank: Bank of America
      Type of Account: Operating

   b) Bank: Bank of America
      Type of Account: Investment

   c) Bank: Bank of America
      Type of Account: Checking

   d) Bank: Bank of America
      Type of Account: CD - Costa Rica

2. Orthofix Holdings, Inc.

   a) Bank: Bank of America
      Type of Account: Operating

3. Victory Medical Limited

   a) Bank: Bank of America
      Type of Account: Operating

4. Orthofix Inc.

   a) Bank: Bank of America
      Type of Account: Operating

   b) Bank: Wells Fargo
      Type of Account: Operating

c) Bank: Bank of America
Type of Account: Checking

5. Breg Inc.

a) Bank: Bank of America
Type of Account: Operating

6. Orthofix US LLC

a) Bank: Bank of America
Type of Account: Operating

7. AMEI Technologies Inc.

a) Bank: Wilmington Trust
Type of Account: Checking

b) Bank: Wilmington Trust
Type of Account: Investment

8. Colgate Medical Ltd

c) Bank: Bank of America
Type of Account: Operating

9. Swiftsure Medical Limited

a) Bank: Bank of America
Type of Account: Operating

10. Orthofix UK Ltd

a) Bank: Bank of America
Type of Account: Operating

b) Bank: Bank of America
Type of Account: Investment

11. Blackstone Medical, Inc.

a) Bank of America account to be opened promptly following closing.

Schedule 9.6(c)

ASSIGNMENT AGREEMENT

This Assignment Agreement (the " Assignment Agreement ") is dated as of the Effective Date set forth below and is entered into by and between [the] [each] Assignor identified in item 1 below ([the] [each, an] " Assignor ") and [the] [each] Assignee identified in item 2 below ([the][each, an] " Assignee "). [It is understood and agreed that the rights and obligations of [the Assignors] [the Assignees] hereunder are several and not joint.]1 Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the " Credit Agreement "), receipt of a copy of which is hereby acknowledged by [the] [each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment Agreement as if set forth herein in full.

For an agreed consideration, [the] [each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor] [the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Lender] [their respective capacities as Lenders] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor] [the respective Assignors] under the respective facilities identified below (including without limitation any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Lender)] [the respective Assignors (in their respective capacities as Lenders)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the] [any] Assignor to [the] [any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] " Assigned Interest "). Each such sale and assignment is without recourse to [the] [any] Assignor and, except as expressly provided in this Assignment Agreement, without representation or warranty by [the] [any] Assignor.

1. Assignor [s]: _____

_____

[1] Include bracketed language if there are either multiple Assignors or multiple Assignees.

2. Assignee[s]: _____

_____

[for each Assignee, indicate [Affiliate] [Approved Fund] of *[identify Lender]*

3. Borrower: Orthofix Holdings, Inc., a Delaware corporation

4. Administrative Agent: Wachovia Bank, National Association, as the administrative agent under the Credit Agreement.

5. Credit Agreement: The Credit Agreement dated as of September 22, 2006 among the Borrower, the guarantors from time to time party thereto, the lenders and other financial institutions from time to time party thereto, and Wachovia Bank, National Association, as Administrative Agent.

6. Assigned Interest[s]:

Assignor[s]	Assignee[s]	Facility Assigned	Aggregate Amount of Commitment/ Loans for all Lenders	Amount of Commitment/ Loans Assigned	Percentage Assigned of Commitment/ Loans	CUSIP Number
			$	$	%	
			$	$	%	
			$	$	%	

[7. Trade Date: _____] [2]

Effective Date: _____ __ , 20__.

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_____

[2] To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment Agreement are hereby agreed to

ASSIGNOR[S]
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE[S]
[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and] Accepted:

WACHOVIA BANK, NATIONAL
ASSOCIATION, as
Administrative Agent

By: _____
Title:

[Consented to:]

[NAME OF RELEVANT PARTY]

By: _____
Title:

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AGREEMENT

1. Representations and Warranties .

1.1 Assignor[s] . [The] [Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the] [the relevant] Assigned Interest, (ii) [the] [such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment Agreement and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. Assignee[s] . [The] [Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment Agreement and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all the requirements to be an assignee under Section 9.6 of the Credit Agreement (subject to such consents, if any, as may be required under Section 9.6 of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of [the] [the relevant] Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 5.1 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment Agreement and to purchase [the] [such] Assigned Interest, and (vi) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment Agreement and to purchase [the] [such] Assigned Interest; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, [the] [any] Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Lender.

2. Payments . From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the] [each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the] [the relevant] Assignor for amounts which have accrued to but excluding the Effective Date and to [the] [the relevant] Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions . This Assignment Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment Agreement may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment Agreement. This Assignment Agreement shall be governed by, and construed in accordance with, the law of the State of New York.

Exhibit 10.48

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the " Agreement "), entered into and effective as of July 1, 2009 (the " Effective Date "), is by and between Orthofix Inc., a Minnesota corporation (the " Company "), and Eric Brown, an individual (the " Executive ").

PRELIMINARY STATEMENTS

A. The Company and the Executive are parties to an Amended and Restated Employment Agreement, entered into and effective as of May 1, 2008 (the " Prior Agreement "), but desire to amend and restate the Prior Agreement in its entirety to memorialize the terms of their relationship in order to retain the continued services of the Executive.

B. The Executive desires to render such services, upon the terms and conditions contained herein.

C. The Company and the Executive agree and acknowledge that pursuant to this Agreement the Executive will receive consideration and other benefits over and above that which he was entitled to receive under the Prior Agreement and over and above that which he would otherwise be entitled to receive as compensation for services performed for the Company.

D. The Company is a subsidiary of Orthofix International N.V., a corporation organized under the laws of the Netherlands Antilles (the " Parent ") for whom Executive will also perform services as contemplated hereby, and under certain compensation plans of which Executive shall be eligible to receive compensation, and Parent is agreeing to provide such compensation and guarantee the Company's payment obligations hereunder.

E. Capitalized terms used herein and not otherwise defined have the meaning for them set forth on Exhibit A attached hereto and incorporated herein by reference.

The parties, intending to be legally bound, hereby agree and the Prior Agreement is hereby amended and restated as follows:

I. EMPLOYMENT AND DUTIES

1 . 1 Duties . The Company hereby employs the Executive as an employee, and the Executive agrees to be employed by the Company, upon the terms and conditions set forth herein. While serving as an employee of the Company, the Executive shall serve as President – Spine Stimulation of the Company, and be appointed to serve as President – Spine Stimulation of the Parent. The Executive shall have such power and authority and perform such duties, functions and responsibilities as are associated with and incident to such positions, and as the Board may from time to time require of him; provided , however , that such authority, duties, functions and responsibilities are commensurate with the power, authority, duties, functions and responsibilities generally performed by similarly situated executives of companies which are similar in size and nature to, and the financial position of, the Parent Group. The Executive also agrees to serve, if elected, as an officer or director of Parent or any other direct or indirect subsidiary of the Parent, in each such case at no compensation in addition to that provided for in this Agreement, but the Executive serves in such positions solely as an accommodation to the Company and such positions shall grant him no rights hereunder (including for purposes of the definition of Good Reason).

1.2 Services. During the Term (as defined in Section 1.3), and excluding any periods of vacation, sick leave or disability, the Executive agrees to devote his full business time, attention and efforts to the business and affairs of the Company. During the Term, it shall not be a violation of this Section 1.2 for the Executive to (a) serve on civic or charitable boards or committees (but not corporate boards), (b) deliver lectures or fulfill speaking engagements or (c) manage personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities in accordance with this Agreement. The Executive must request the Board's prior written consent to serve on a corporate board, which consent shall be at the Board's reasonable discretion and only so long as such service does not interfere with the performance of his responsibilities hereunder.

1.3 Term of Employment. The term of this Agreement shall commence on the Effective Date and shall continue until 11:59 p.m. Eastern Time on July 1, 2011 (the "Initial Term") unless sooner terminated or extended as provided hereunder. This Agreement shall automatically renew for additional one-year periods on July 1, 2011 and on each and every July 1 thereafter (each such extension, the "Renewal Term") unless either party gives the other party written notice of its or his election not to extend such employment at least six months prior to the next July 1 renewal date. Further, if a Change of Control occurs when less than two full years remain in the Initial Term or during any Renewal Term, this Agreement shall automatically be extended for two years only from the Change of Control Date and thereafter shall terminate on the second anniversary of the Change of Control Date in accordance with its terms. The Initial Term, together with any Renewal Term or extension as a result of a Change of Control, are collectively referred to herein as the "Term." In the event that the Executive continues to be employed by the Company after the Term, unless otherwise agreed by the parties in writing, such continued employment shall be on an at-will, month-to-month basis upon terms agreed upon at such time without regard to the terms and conditions of this Agreement (except as expressly provided herein) and this Agreement shall be deemed terminated at the end of the Term, regardless of whether such employment continues at-will, other than Articles VI and VII, plus specified provisions of Articles IV and V to the extent they relate to termination of employment after expiration of the Term, which shall survive the termination or expiration of this Agreement for any reason.

II. COMPENSATION

2.1 General. The base salary and Incentive Compensation (as defined in Section 2.3.) payable to the Executive hereunder, as well as any stock-based compensation, including stock options, stock appreciation rights and restricted stock grants, shall be determined from time to time by the Board and paid pursuant to the Company's customary payroll practices or in accordance with the terms of the applicable stock-based Plans (as defined in Section 2.4). The Company shall pay the Executive in cash, in accordance with the normal payroll practices of the Company, the base salary and Incentive Compensation set forth below. For the avoidance of doubt, in providing any compensation payable in stock, the Company may withhold, deduct or collect from the compensation otherwise payable or issuable to the Executive a portion of such compensation to the extent required to comply with applicable tax laws to the extent such withholding is not made or otherwise provided for pursuant to the agreement governing such stock-based compensation.

2 .2 Base Salary . The Executive shall be paid a base salary of no less than $24,937.50 per month ($299,250 on an annualized basis) while he is employed by the Company during the Term; provided , however , that nothing shall prohibit the Company from reducing the base salary as part of an overall cost reduction program that affects all senior executives of the Parent Group and does not disproportionately affect the Executive, so long as such reductions do not reduce the base salary to a rate that is less than 90% of the minimum base salary amount set forth above (or, if the minimum base salary amount has been increased during the Term, 90% of such increased amount). The base salary shall be reviewed annually by the Board for increase (but not decrease, except as permitted above) as part of its annual compensation review, and any increased amount shall become the base salary under this Agreement.

2 .3 Bonus or other Incentive Compensation . With respect to each fiscal year of the Company during the Term, the Executive shall be eligible to receive annual bonus compensation in an amount based on reasonable goals for the earning of such compensation as may be determined by the Board from time to time (the " Goals "). Amounts that may be earned upon attainment of annual Goals will be targeted to equal not less than 50% of the annual base salary in such fiscal year. The amount of any actual payment under the Bonus Plan will depend upon the achievement (or not) of the various performance metrics comprising the Goals, with an opportunity to earn maximum annual bonus compensation of not less than 60% of annual base salary in such fiscal year under Parent's Executive Annual Incentive Plan or any successor plan or as may be determined by the Board from time-to-time (the " Bonus Plan "). Amounts will be less than either such target or nothing if the Goals are not met as set forth under the terms of the Bonus Plan. Amounts payable under the Bonus Plan shall be determined by the Board and shall be payable following such fiscal year and no later than two and one-half months after the end of such fiscal year. In addition, the Executive shall be eligible to receive such additional bonus or incentive compensation as the Board may establish from time to time in its sole discretion. Any bonus or incentive compensation under this Section 2.3 under the Bonus Plan or otherwise is referred to herein as " Incentive Compensation ." Stock-based compensation shall not be considered Incentive Compensation under the terms of this Agreement unless the parties expressly agree otherwise in writing.

2 .4 Stock Compensation . The Executive shall be eligible to receive stock-based compensation, whether stock options, stock appreciation rights, restricted stock grants or otherwise, under the Parent's Amended and Restated 2004 Long Term Incentive Plan or other stock-based compensation plans as Parent may establish from time to time (collectively, the " Plans "). The Executive shall be considered for such grants no less often than annually as part of the Board's annual compensation review, but any such grants shall be at the sole discretion of the Board.

III. EMPLOYEE BENEFITS

3 . 1 General . Subject only to any post-employment rights under Article V, so long as the Executive is employed by the Company pursuant to this Agreement, he shall be eligible for the following benefits to the extent generally available to senior executives of the Company or by virtue of his position, tenure, salary and other qualifications. Any eligibility shall be subject to and in accordance with the terms and conditions of the Company's benefits policies and applicable plans (including as to deductibles, premium sharing, co-payments or other cost-splitting arrangements).

3 .2 Savings and Retirement Plans . The Executive shall be entitled to participate in, and enjoy the benefits of, all savings, pension, salary continuation and retirement plans, practices, policies and programs available to senior executives of the Company.

3.3 Welfare and Other Benefits . The Executive and/or the Executive's eligible dependents, as the case may be, shall be entitled to participate in, and enjoy the benefits of, all welfare benefit plans, practices, policies and programs provided by the Company (including without limitation, medical, prescription, drug, dental, disability, salary continuance, group life, dependent life, accidental death and travel accident insurance plans and programs) and other benefits (including, without limitation, executive physicals and tax and financial planning assistance) at a level that is available to other senior executives of the Company.

3.4 Vacation . The Executive shall be entitled to 4 weeks paid vacation per 12-month period.

3.5 Expenses . The Executive shall be entitled to receive prompt reimbursement for all reasonable business-related expenses incurred by the Executive in performing his duties under this Agreement. Reimbursement of the Executive for such expenses will be made upon presentation to the Company of expense vouchers that are in sufficient detail to identify the nature of the expense, the amount of the expense, the date the expense was incurred and to whom payment was made to incur the expense, all in accordance with the expense reimbursement practices, policies and procedures of the Company.

3.6 Key Man Insurance . The Company shall be entitled to obtain a "key man" or similar life or disability insurance policy on the Executive, and neither the Executive nor any of his family members, heirs or beneficiaries shall be entitled to the proceeds thereof. Such insurance shall be available to offset any payments due to the Executive pursuant to Section 5.1 of this Agreement due to his death or Disability.

IV. TERMINATION OF EMPLOYMENT

4 . 1 Termination by Mutual Agreement . The Executive's employment may be terminated at any time during the Term by mutual written agreement of the Company and the Executive.

4 .2 Death . The Executive's employment hereunder shall terminate upon his death.

4.3 Disability . In the event the Executive incurs a Disability for a continuous period exceeding 90 days or for a total of 180 days during any period of 12 consecutive months, the Company may, at its election, terminate the Executive's employment during or after the Term by delivering a Notice of Termination (as defined in Section 4.8) to the Executive 30 days in advance of the date of termination.

4.4 Good Reason . The Executive may terminate his employment at any time during or after the Term for Good Reason by delivering a Notice of Termination to the Company 30 days in advance of the date of termination; provided , however , that the Executive agrees not to terminate his employment for Good Reason until the Executive has given the Company at least 30 days' in which to cure the circumstances set forth in the Notice of Termination constituting Good Reason and if such circumstances are not cured by the 30 th day, the Executive's employment shall terminate on such date. If the circumstances constituting Good Reason are remedied within the cure period to the reasonable satisfaction of the Executive, such event shall no longer constitute Good Reason for purposes of this Agreement and the Executive shall thereafter have no further right hereunder to terminate his employment for Good Reason as a result of such event. Unless the Executive provides written notification of an event described in the definition of Good Reason within 90 days after the Executive has actual knowledge of the occurrence of any such event, the Executive shall be deemed to have consented thereto and such event shall no longer constitute Good Reason for purposes of this Agreement.

4.5 Termination without Cause . The Company may terminate the Executive's employment at any time during or after the Term without Cause by delivering to the Executive a Notice of Termination 30 days in advance of the date of termination; provided that as part of such notice the Company may request that the Executive immediately tender the resignations contemplated by Section 4.9 and otherwise cease performing his duties hereunder. The Notice of Termination need not state any reason for termination and such termination can be for any reason or no reason. The date of termination shall be the date set forth in the Notice of Termination.

4.6 Cause . The Company may terminate the Executive's employment at any time during or after the Term for Cause by delivering a Notice of Termination to the Executive. The Notice of Termination shall include a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a meeting of the Board called and held for such purpose, finding that in the good faith opinion of the Board an event constituting Cause has occurred and specifying the particulars thereof. A Notice of Termination for Cause may not be delivered unless in conjunction with such Board meeting the Executive was given reasonable notice and the opportunity for the Executive, together with the Executive's counsel, to be heard before the Board prior to such vote. If the event constituting Cause for termination is other than as a result of a breach or violation by the Executive of any provision of Article VI and only if the event constituting Cause is curable, then the Executive shall have 30 days from the date of the Notice of Termination to cure such event described therein to the reasonable satisfaction of the Board in its sole discretion and, if such event is cured by the Executive within the cure period, such event shall no longer constitute Cause for purposes of this Agreement and the Company shall thereafter have no further right to terminate the Executive's employment for Cause as a result of such event. The Executive shall have no other rights under this Agreement to cure an event that constitutes Cause. Unless the Company provides written notification of an event described in the definition of Cause within 90 days after the Company knows or has reason to know of the occurrence of any such event, the Company may not terminate the Executive for Cause unless such event is recurring or uncurable. Knowledge shall mean actual knowledge of the Board or the Company's senior executives.

4.7 Voluntary Termination . The Executive may voluntarily terminate his employment at any time during or after the Term by delivering to the Company a Notice of Termination 30 days in advance of the date of termination (a " Voluntary Termination "). For purposes of this Agreement, a Voluntary Termination shall not include a termination of the Executive's employment by reason of death or for Good Reason, but shall include voluntary termination upon retirement in accordance with the Company's retirement policies. A Voluntary Termination shall not be considered a breach or other violation of this Agreement.

4.8 Notice of Termination . Any termination of employment under this Agreement by the Company or the Executive requiring a notice of termination shall require delivery of a written notice by one party to the other party (a " Notice of Termination "). A Notice of Termination must indicate the specific termination provision of this Agreement relied upon and the date of termination. It must also set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination, other than in the event of a Voluntary Termination or termination without Cause. The date of termination specified in the Notice of Termination shall comply with the time periods required under this Article IV, and may in no event be earlier than the date such Notice of Termination is delivered to or received by the party getting the notice. If the Executive fails to include a date of termination in any Notice of Termination he delivers, the Company may establish such date in its sole discretion. No Notice of Termination under Section 4.4 or 4.6 shall be effective until the applicable cure period, if any, shall have expired without the Company or the Executive, respectively, having corrected the event or events subject to cure to the reasonable satisfaction of the other party. The terms "termination" and "termination of employment," as used herein are intended to mean a termination of employment which constitutes a "separation from service" under Section 409A.

4.9 Resignations . Upon ceasing to be an employee of the Company for any reason, or earlier upon request by the Company pursuant to Section 4.5, the Executive agrees to immediately tender written resignations to the Company with respect to all officer and director positions he may hold at that time with any member of the Parent Group.

V. PAYMENTS ON TERMINATION

5. 1 Death; Disability; Resignation for Good Reason; Termination without Cause . If at any time during the Term the Executive's employment with the Company is terminated pursuant to Section 4.2, 4.3, 4.4 or 4.5, the Executive shall be entitled to the payment and benefits set forth below only. If at any time after the Term the Executive's employment with the Company is terminated pursuant to Section 4.2, 4.3, 4.4 or 4.5, the Executive shall be entitled to the payment and benefits set forth in (a), (b) and the specified provisions of (c) only.

(a) any unpaid base salary and accrued unpaid vacation then owing through the date of termination or Incentive Compensation that is as of such date actually earned or owing under Article II, but not yet paid to the Executive, which amounts shall be paid to the Executive within 30 days of the date of termination; provided, however, the Executive shall be entitled to receive the pro rata amount of any Bonus Plan Incentive Compensation for the fiscal year of his termination of employment (based on the number of business days he was actually employed by the Company during the fiscal year in which the termination of employment occurs) that he would have received had his employment not been terminated during such year. Nothing in the foregoing sentence is intended to give the Executive greater rights to such Incentive Compensation than a pro rata portion of what he would ordinarily be entitled to under the Bonus Plan Incentive Compensation that would have been applicable to him had his employment not been terminated, it being understood that Executive's termination of employment shall not be used to disqualify Executive from or make him ineligible for a pro rata portion of the Bonus Plan Incentive Compensation to which he would otherwise have been entitled. The pro rata portion of Bonus Plan Incentive Compensation shall, subject to Section 7.16, be paid at the time such Incentive Compensation is paid to senior executives of the Company (" Severance Bonus Payment Date ") but in no event later than two and one-half months after the end of such fiscal year.

(b) a one-time lump sum severance payment in an amount equal to 100% of the Executive's Base Amount. The lump sum severance payment shall be paid within 30 days of the Executive's signing the release described in Section 5.4 and the expiration of any applicable revocation period, subject, in the case of termination other than as a result of the Executive's death, to Section 7.16.

(c) all stock options, stock appreciation rights or similar stock-based rights granted to the Executive shall vest in full and be immediately exercisable and any risk of forfeiture included in restricted or other stock grants previously made to the Executive shall immediately lapse. In addition, if the Executive's employment is terminated pursuant to Section 4.2, 4.3, 4.4 or 4.5 during or after the Term, the Executive shall have until the earlier of (i) five (5) years from the date of termination, or (ii) the latest date that each stock option or stock appreciation right would otherwise expire by its original terms had the Executive's employment not terminated to exercise any outstanding stock options or stock appreciation rights that were granted prior to June 30, 2009. For any new stock options awarded after June 29, 2009, if the Executive's employment is terminated pursuant to Section 4.2, 4.3, 4.4 or 4.5 during or after the Term, the Executive shall have until the earlier of (i) two (2) years from the date of termination, or (ii) the latest date that each stock option or stock appreciation right would otherwise expire by its original terms had the Executive's employment not terminated to exercise any vested and outstanding stock options or stock appreciation rights that were granted after June 29, 2009. The vesting and extension of the exercise period set forth in this Section 5.1(c) shall occur notwithstanding any provision in any Plans or related grant documents which provides for a lesser vesting or shorter period for exercise upon termination by the Company without Cause (which for this purpose shall include a termination by the Executive for Good Reason), notwithstanding anything to the contrary in any Plans or grant documents; provided, however , and for the avoidance of doubt, nothing in this Agreement shall be construed as or imply that this Agreement does or can grant greater rights than are allowed under the terms and conditions of the Plans; provided, further , and for the avoidance of doubt, the first sentence of this Section 5.1(c) shall not apply to a termination of employment after the Term.

(d) to the fullest extent permitted by the Company's then-current benefit plans, continuation of health, dental, vision and life insurance coverage (but not pension, retirement, profit-sharing, severance or similar compensatory benefits), for the Executive and the Executive's eligible dependents substantially similar to coverage they were receiving or which they were entitled to immediately prior to the termination of the Executive's employment for the lesser of 12 months after termination or until the Executive secures coverage from new employment and the period of COBRA health care continuation coverage provided under Section 4980B of the Code shall run concurrently with the foregoing 12 month period. In order to receive such benefits, the Executive or his eligible dependents must continue to make any required co-payments, deductibles, premium sharing or other cost-splitting arrangements the Executive was otherwise paying immediately prior to the date of termination and nothing herein shall require the Company to be responsible for such items. If Executive is a "specified employee" under Section 409A, the full cost of the continuation or provision of employee group welfare benefits (other than medical or dental benefits) shall be paid by Executive until the earliest to occur of (i) Executive's death or (ii) the first day of the seventh month following Executive's termination of employment, and such cost shall be reimbursed by the Company to, or on behalf of, Executive in a lump sum cash payment on the earlier to occur of Executive's death or the first day of the seventh month following Executive's termination of employment, except that, as provided above, Executive shall not receive reimbursement for any required co-payments, deductibles, premium sharing or other cost-splitting arrangements the Executive was otherwise paying immediately prior to the date of termination.

(e) payment or reimbursement to the Executive of the costs and expenses of any executive outplacement firm selected by the Executive in an amount not to exceed $12,500 during the 12-month period following his date of termination. The Executive shall provide the Company with reasonable documentation of such costs and expenses.

In the event the Executive's termination is pursuant to Section 4.2, in lieu of a lump sum payment, the Executive's heirs, beneficiaries, or personal representatives, as applicable, shall receive (i) salary-related portions of the Base Amount on regular payroll dates of the Company until the twelve-month anniversary of the date of termination of the Executive and (ii) Incentive Compensation-related portions of the Base Amount on the dates that such Incentive Compensation is actually paid by the Company to its senior executives, but in no event later than two and one-half months after the end of such fiscal year. Further, any payments by the Company under Section 5.1(b) above pursuant to a termination under Section 4.2 or 4.3 shall be reduced by any payments received by the Executive pursuant to any of the Company's employee welfare benefit plans providing for payments in the event of death or Disability.

5.2 Termination for Cause; Voluntary Termination . If at any time during or after the Term the Executive's employment with the Company is terminated pursuant to Section 4.6 or 4.7, the Executive shall be entitled to only the following:

(a) any unpaid base salary and accrued unpaid vacation then owing through the date of termination or Incentive Compensation that is as of such date actually earned or owing under Article II, but not yet paid to the Executive, which amounts shall be paid to the Executive within 30 days of the date of termination. Nothing in this provision is intended to imply that the Executive is entitled to any partial or pro rata payment of Incentive Compensation on termination unless the Bonus Plan expressly provides as much under its specific terms.

(b) whatever rights, if any, that are available to the Executive upon such a termination pursuant to the Plans or any award documents related to any stock-based compensation such as stock options, stock appreciation rights or restricted stock grants. This Agreement does not grant any greater rights with respect to such items than provided for in the Plans or the award documents in the event of any termination for Cause or a Voluntary Termination.

5.3 Termination following Change of Control . The Executive shall have no specific right to terminate this Agreement or right to any severance payments or other benefits solely as a result of a Change of Control or Potential Change of Control. However, if during a Change of Control Period during or after the Term, (a) the Executive terminates his employment with the Company pursuant to Section 4.4, or (b) the Company terminates the Executive's employment pursuant to Section 4.5, the lump sum severance payment under Section 5.1 shall be increased from 100% of the Base Amount to 150% of the Base Amount and, for a termination of employment described in (a) and (b) during the Term, the period for continuation of benefits under Section 5.1 shall be increased to 18 months from 12 months. The terms and rights with respect to such payments shall otherwise be governed by Section 5.1. No other rights result from termination during a Change of Control Period; provided , however , that nothing in this Section 5.3 is intended to limit or impair the rights of the Executive under the Plans or any documents evidencing any stock-based compensation awards in the event of a Change of Control if such Plans or award documents grant greater rights than are set forth herein.

5.4 Release . The Company's obligation to pay or provide any benefits to the Executive following termination (other than in the event of death pursuant to Section 4.2) is expressly subject to the requirement that he execute and not breach or rescind a release relating to employment matters and the circumstances surrounding his termination in favor of the members of the Parent Group and their officers, directors and related parties and agents, in a form acceptable to the Company at the time of termination of employment. The Company shall deliver such release to the Executive within three business days following his termination of employment and the Executive shall be obligated to sign and return the release to the Company within 45 days of receipt of such release to receive any benefits or payments following termination.

5.5 Other Benefits . Except as expressly provided otherwise in this Article V, the provisions of this Agreement shall not affect the Executive's participation in, or terminating distributions and vested rights under, any pension, profit-sharing, insurance or other employee benefit plan of the Parent Group to which the Executive is entitled pursuant to the terms of such plans, or expense reimbursements he is otherwise entitled to under Section 3.5.

5.6 No Mitigation . It will be difficult, and may be impossible, for the Executive to find reasonably comparable employment following the termination of the Executive's employment, and the protective provisions under Article VI contained herein will further limit the employment opportunities for the Executive. In addition, the Company's severance pay policy applicable in general to its salaried employees does not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of severance compensation in accordance with the terms of this Agreement will be liquidated damages, and that the Executive shall not be required to seek other employment, or otherwise, to mitigate any payment provided for hereunder.

5.7 Limitation; No Other Rights . Any amounts due or payable under this Article V are in the nature of severance payments or liquidated damages, or both, and the Executive agrees that such amounts shall fully compensate the Executive, his dependents, heirs and beneficiaries and the estate of the Executive for any and all direct damages and consequential damages that they do or may suffer as a result of the termination of the Executive's employment, or both, and are not in the nature of a penalty. Notwithstanding the above, no member of the Parent Group shall be liable to the Executive under any circumstances for any consequential, incidental, punitive or similar damages. The Executive expressly acknowledges that the payments and other rights under this Article V shall be the sole monies or other rights to which the Executive shall be entitled to and such payments and rights will be in lieu of any other rights or remedies he might have or otherwise be entitled to. In the event of any termination under this Article V, the Executive hereby expressly waives any rights to any other amounts, benefits or other rights, including without limitation whether arising under current or future compensation or severance or similar plans, agreements or arrangements of any member of the Parent Group (including as a result of changes in (or of) control or similar transactions), unless Executive's entitlement to participate or receive benefits thereunder has been expressly approved by the Board. Similarly, no one in the Parent Group shall have any further liability or obligation to the Executive following the date of termination, except as expressly provided in this Agreement.

5.8 No Right to Set Off . The Company shall not be entitled to set off against amounts payable to the Executive hereunder any amounts earned by the Executive in other employment, or otherwise, after termination of his employment with the Company, or any amounts which might have been earned by the Executive in other employment had he sought such other employment.

5.9 Adjustments Due to Excise Tax .

(a) If it is determined that any amount or benefit to be paid or payable to the Executive under this Agreement or otherwise in conjunction with his employment (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in conjunction with his employment) would give rise to liability of the Executive for the excise tax imposed by Section 4999 of the Code, as amended from time to time, or any successor provision (the " Excise Tax "), then the amount or benefits payable to the Executive (the total value of such amounts or benefits, the " Payments ") shall be reduced by the Company to the extent necessary so that no portion of the Payments to the Executive is subject to the Excise Tax. Such reduction shall only be made if the net amount of the Payments, as so reduced (and after deduction of applicable federal, state, and local income and payroll taxes on such reduced Payments other than the Excise Tax (collectively, the " Deductions ")) is greater than the excess of (1) the net amount of the Payments, without reduction (but after making the Deductions) over (2) the amount of Excise Tax to which the Executive would be subject in respect of such Payments.

(b) In the event it is determined that the Excise Tax may be imposed on the Executive prior to the possibility of any reductions being made pursuant to Section 5.9(a), the Company and the Executive agree to take such actions as they may mutually agree in writing to take to avoid any such reductions being made or, if such reduction is not otherwise required by Section 5.9(a), to reduce the amount of Excise Tax imposed.

(c) The independent public accounting firm serving as the Company's auditing firm, or such other accounting firm, law firm or professional consulting services provider of national reputation and experience reasonably acceptable to the Company and Executive (the " Accountants ") shall make in writing in good faith all calculations and determinations under this Section 5.9, including the assumptions to be used in arriving at any calculations. For purposes of making the calculations and determinations under this Section 5.9, the Accountants and each other party may make reasonable assumptions and approximations concerning the application of Section 280G and Section 4999. The Company and Executive shall furnish to the Accountants and each other such information and documents as the Accountants and each other may reasonably request to make the calculations and determinations under this Section 5.9. The Company shall bear all costs the Accountants incur in connection with any calculations contemplated hereby.

VI. PROTECTIVE PROVISIONS

6. 1 Noncompetition . Without the prior written consent of the Board (which may be withheld in the Board's sole discretion), so long as the Executive is an employee of the Company or any other member of the Parent Group and for a twelve-month period thereafter, the Executive agrees that he shall not anywhere in the Prohibited Area, for his own account or the benefit of any other, engage or participate in or assist or otherwise be connected with a Competing Business. For the avoidance of doubt, the Executive understands that this Section 6.1 prohibits the Executive from acting for himself or as an officer, employee, manager, operator, principal, owner, partner, shareholder, advisor, consultant of, or lender to, any individual or other Person that is engaged or participates in or carries out a Competing Business or is actively planning or preparing to enter into a Competing Business. The parties agree that such prohibition shall not apply to the Executive's passive ownership of not more than 5% of a publicly-traded company.

6 . 2 No Solicitation or Interference . So long as the Executive is an employee of the Company or any other member of the Parent Group (other than while an employee acting solely for the express benefit of the Parent Group) and for a twelve-month period thereafter, the Executive shall not, whether for his own account or for the account or benefit of any other Person, throughout the Prohibited Area:

(a) request, induce or attempt to influence (i) any customer of any member of the Parent Group to limit, curtail, cancel or terminate any business it transacts with, or products or services it receives from or sells to, or (ii) any Person employed by (or otherwise engaged in providing services for or on behalf of) any member of the Parent Group to limit, curtail, cancel or terminate any employment, consulting or other service arrangement, with any member of the Parent Group. Such prohibition shall expressly extend to any hiring or enticing away (or any attempt to hire or entice away) any employee or consultant of the Parent Group.

(b) solicit from or sell to any customer any products or services that any member of the Parent Group provides or is capable of providing to such customer and that are the same as or substantially similar to the products or services that any member of the Parent Group, sold or provided while the Executive was employed with, or providing services to, any member of the Parent Group.

(c) contact or solicit any customer for the purpose of discussing (i) services or products that are competitive with and the same or closely similar to those offered by any member of the Parent Group or (ii) any past or present business of any member of the Parent Group.

(d) request, induce or attempt to influence any supplier, distributor or other Person with which any member of the Parent Group has a business relationship or to limit, curtail, cancel or terminate any business it transacts with any member of the Parent Group.

(e) otherwise interfere with the relationship of any member of the Parent Group with any Person which is, or within one-year prior to the Executive's date of termination was, doing business with, employed by or otherwise engaged in performing services for, any member of the Parent Group.

The twelve-month post-termination employment period described herein and in Section 6.1 shall be extended to eighteen months in the event of a termination described in Section 5.3.

6 . 3 Confidential Information . During the period of the Executive's employment with the Company or any member of the Parent Group and at all times thereafter, the Executive shall hold in secrecy for the Company all Confidential Information that may come to his knowledge, may have come to his attention or may have come into his possession or control while employed by the Company (or otherwise performing services for any member of the Parent Group). Notwithstanding the preceding sentence, the Executive shall not be required to maintain the confidentiality of any Confidential Information which (a) is or becomes available to the public or others in the industry generally (other than as a result of disclosure or inappropriate use, or caused, by the Executive in violation of this Section 6.3) or (b) the Executive is compelled to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under subpoena. Except as expressly required in the performance of his duties to the Company under this Agreement, the Executive shall not use for his own benefit or disclose (or permit or cause the disclosure of) to any Person, directly or indirectly, any Confidential Information unless such use or disclosure has been specifically authorized in writing by the Company in advance. During the Executive's employment and as necessary to perform his duties under Section 1.2, the Company will provide and grant the Executive access to the Confidential Information. The Executive recognizes that any Confidential Information is of a highly competitive value, will include Confidential Information not previously provided the Executive and that the Confidential Information could be used to the competitive and financial detriment of any member of the Parent Group if misused or disclosed by the Executive. The Company promises to provide access to the Confidential Information only in exchange for the Executive's promises contained herein, expressly including the covenants in Sections 6.1, 6.2 and 6.4.

6 .4 Inventions .

(a) The Executive shall promptly and fully disclose to the Company any and all ideas, improvements, discoveries and inventions, whether or not they are believed to be patentable (" Inventions "), that the Executive conceives of or first actually reduces to practice, either solely or jointly with others, during the Executive's employment with the Company or any other member of the Parent Group, and that relate to the business now or thereafter carried on or contemplated by any member of the Parent Group or that result from any work performed by the Executive for any member of the Parent Group.

(b) The Executive acknowledges and agrees that all Inventions shall be the sole and exclusive property of the Company (or member of the Parent Group) and are hereby assigned to the Company (or applicable member of the Parent Group). During the term of the Executive's employment with the Company (or any other member of the Parent Group) and thereafter, whenever requested to do so by the Company, the Executive shall take such action as may be requested to execute and assign any and all applications, assignments and other instruments that the Company shall deem necessary or appropriate in order to apply for and obtain Letters Patent of the United States and/or of any foreign countries for such Inventions and in order to assign and convey to the Company (or any other member of the Parent Group) or their nominees the sole and exclusive right, title and interest in and to such Inventions.

(c) The Company acknowledges and agrees that the provisions of this Section 6.4 do not apply to an Invention: (i) for which no equipment, supplies, or facility of any member of the Parent Group or Confidential Information was used; (ii) that was developed entirely on the Executive's own time and does not involve the use of Confidential Information; (iii) that does not relate directly to the business of any member of the Parent Group or to the actual or demonstrably anticipated research or development of any member of the Parent Group; and (iv) that does not result from any work performed by the Executive for any member of the Parent Group.

6 .5 Return of Documents and Property . Upon termination of the Executive's employment for any reason, the Executive (or his heirs or personal representatives) shall immediately deliver to the Company (a) all documents and materials containing Confidential Information (including without limitation any "soft" copies or computerized or electronic versions thereof) or otherwise containing information relating to the business and affairs of any member of the Parent Group (whether or not confidential), and (b) all other documents, materials and other property belonging to any member of the Parent Group that are in the possession or under the control of the Executive.

6 .6 Reasonableness; Remedies . The Executive acknowledges that each of the restrictions set forth in this Article VI are reasonable and necessary for the protection of the Company's business and opportunities (and those of the Parent Group) and that a breach of any of the covenants contained in this Article VI would result in material irreparable injury to the Company and the other members of the Parent Group for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Accordingly, the Company and any member of the Parent Group shall be entitled to the remedies of injunction and specific performance, or either of such remedies, as well as all other remedies to which any member of the Parent Group may be entitled, at law, in equity or otherwise, without the need for the posting of a bond or by the posting of the minimum bond that may otherwise be required by law or court order.

6 .7 Extension; Survival . The Executive and the Company agree that the time periods identified in this Article VI will be stayed, and the Company's obligation to make any payments or provide any benefits under Article V shall be suspended, during the period of any breach or violation by the Executive of the covenants contained herein. The parties further agree that this Article VI shall survive the termination or expiration of this Agreement for any reason. The Executive acknowledges that his agreement to each of the provisions of this Article VI is fundamental to the Company's willingness to enter into this Agreement and for it to provide for the severance and other benefits described in Article V, none of which the Company was required to do prior to the date hereof. Further, it is the express intent and desire of the parties for each provision of this Article VI to be enforced to the fullest extent permitted by law. If any part of this Article VI, or any provision hereof, is deemed illegal, void, unenforceable or overly broad (including as to time, scope and geography), the parties express desire is that such provision be reformed to the fullest extent possible to ensure its enforceability or if such reformation is deemed impossible then such provision shall be severed from this Agreement, but the remainder of this Agreement (expressly including the other provisions of this Article VI) shall remain in full force and effect.

VII. MISCELLANEOUS

7. 1 Notices . Any notice required or permitted under this Agreement shall be given in writing and shall be deemed to have been effectively made or given if personally delivered, or if sent via U.S. mail or recognized overnight delivery service or sent via confirmed e-mail or facsimile to the other party at its address set forth below in this Section 7.1, or at such other address as such party may designate by written notice to the other party hereto. Any effective notice hereunder shall be deemed given on the date personally delivered, three business days after mailed via U.S. mail or one business day after it is sent via overnight delivery service or via confirmed e-mail or facsimile, as the case may be, to the following address:

If to the Company:

Orthofix Inc.
Attn: General Counsel
The Storrs Building
Suite 250
10115 Kincey Ave.
Huntersville, NC 28078

Facsimile: 704-948-2690
E-mail: raykolls@orthofix.com
With a copy which shall not constitute notice to:

mailto: Hogan & Hartson LLP
555 Thirteenth Street, N.W.
Washington, D.C. 20004
Telephone No.: (202) 637-5600
Email: jegilligan@hhlaw.com

If to the Executive:

At the most recent address on file with the Company

7. 2 Legal Fees .

(a) The Company shall pay all reasonable legal fees and expenses of the Executive's counsel in connection with the preparation and negotiation of this Agreement.

(b) It is the intent of the Company that the Executive not be required to bear the legal fees and related expenses associated with the enforcement or defense of the Executive's rights under this Agreement by litigation, arbitration or other legal action because having to do so would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, the parties hereto agree that any dispute or controversy arising under or in connection with this Agreement shall be resolved exclusively and finally by binding arbitration in Huntersville, North Carolina, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company shall be responsible for its own fees, costs and expenses and shall pay to the Executive an amount equal to all reasonable attorneys' and related fees, costs and expenses incurred by the Executive in connection with such arbitration unless the arbitrator determines that the Executive (a) did not commence or engage in the arbitration with a reasonable, good faith belief that his claims were meritorious or (b) the Executive's claims had no merit and a reasonable person under similar circumstances would not have brought such claims. If there is any dispute between the Company and the Executive as to the payment of such fees and expenses, the arbitrator shall resolve such dispute, which resolution shall also be final and binding on the parties, and as to such dispute only the burden of proof shall be on the Company.

7.3 Severability . If an arbitrator or a court of competent jurisdiction determines that any term or provision hereof is void, invalid or otherwise unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) such arbitrator or court shall replace such void, invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the void, invalid or unenforceable term or provision. For the avoidance of doubt, the parties expressly intend that this provision extend to Article VI of this Agreement.

7.4 Entire Agreement . This Agreement represents the entire agreement of the parties with respect to the subject matter hereof and shall supersede any and all previous contracts, arrangements or understandings between the Company, the Parent and the Executive relating to the Executive's employment by the Company, expressly including the Prior Agreement, which Prior Agreement is hereby terminated in its entirety and of no further force and effect. The Executive expressly acknowledges that he has no further rights, and hereby waives or forfeits any and all rights he may have or may have had, under the Prior Agreement as a result of its termination hereby, and neither the Company nor any member of the Parent Group shall have any obligation to make any payments or satisfy any other liability to him thereunder. Nothing in this Agreement shall modify or alter the Indemnity Agreement dated _____, __ 200_, by and between Parent and the Executive (the " Indemnity Agreement ") or alter or impair any of the Executive's rights under the Plans or related award agreements. In the event of any conflict between this Agreement and any other agreement between the Executive and the Company (or any other member of the Parent Group), this Agreement shall control.

7.5 Amendment; Modification . Except for increases in Base Salary, and adjustments with respect to Incentive Compensation, made as provided in Article II, this Agreement may be amended at any time only by mutual written agreement of the Executive and the Company; provided , however , that, notwithstanding any other provision of this Agreement, the Plans (or any award documents under the Plans) or the Indemnity Agreement, the Company may reform this Agreement, the Plans (or any award documents under the Plans), the Indemnity Agreement or any provision thereof (including, without limitation, an amendment instituting a six-month waiting period before a distribution) or otherwise as contemplated by Section 7.16 below.

7.6 Withholding . The Company shall be entitled to withhold, deduct or collect or cause to be withheld, deducted or collected from payment any amount of withholding taxes required by law, statutory deductions or collections with respect to payments made to the Executive in connection with his employment, termination (including Article V) or his rights hereunder, including as it relates to stock-based compensation.

7.7 Representations .

(a) The Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, and (ii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms. The Executive hereby acknowledges and represents that he has consulted with legal counsel regarding his rights and obligations under this Agreement and that he fully understands the terms and conditions contained herein.

(b) The Company hereby represents and warrants to the Executive that (i) the execution, delivery and performance of this Agreement by the Company do not and shall not conflict with, breach, violate or cause a default under any material contract, agreement, instrument, order, judgment or decree to which the Company is a party or by which it is bound and (ii) upon the execution and delivery of this Agreement by the Executive, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

7.8 Governing Law; Jurisdiction . This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of Massachusetts without regard to any provision of that State's rules on the conflicts of law that might make applicable the law of a jurisdiction other than that of the State of Massachusetts. Except as otherwise provided in Section 7.2, all actions or proceedings arising out of this Agreement shall exclusively be heard and determined in state or federal courts in the State of North Carolina having appropriate jurisdiction. The parties expressly consent to the exclusive jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein or any claim for forum nonconveniens.

7.9 Successors . This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by the Executive, the Company, and their respective heirs, executors, administrators, legal representatives, successors, and assigns. In the event of a Business Combination (as defined in clause (iii) of Change of Control), the provisions of this Agreement shall be binding upon and inure to the benefit of the parent or entity resulting from such Business Combination or to which the assets shall be sold or transferred, which entity from and after the date of such Business Combination shall be deemed to be the Company for purposes of this Agreement. In the event of any other assignment of this Agreement by the Company, the Company shall remain primarily liable for its obligations hereunder; provided , however , that if the Company is financially unable to meet its obligations hereunder, the Parent shall assume responsibility for the Company's obligations hereunder pursuant to the guaranty provision following the signature page hereof. The Executive expressly acknowledges that the Parent and other members of the Parent Group (and their successors and assigns) are third party beneficiaries of this Agreement and may enforce this Agreement on behalf of themselves or the Company. Both parties agree that there are no third party beneficiaries to this Agreement other than as expressly set forth in this Section 7.9.

7.10 Nonassignability . Neither this Agreement nor any right or interest hereunder shall be assignable by the Executive, his beneficiaries, dependents or legal representatives without the Company's prior written consent; provided , however , that nothing in this Section 7.10 shall preclude (a) the Executive from designating a beneficiary to receive any benefit payable hereunder upon his death or (b) the executors, administrators or other legal representatives of the Executive or his estate from assigning any rights hereunder to the Person(s) entitled thereto.

7.11 No Attachment . Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation in favor of any third party, or to execution, attachment, levy or similar process or assignment by operation of law in favor of any third party, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

7.12 Waiver . No term or condition of this Agreement shall be deemed to have been waived, nor there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

7.13 Construction . The headings of articles or sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement. References to days found herein shall be actual calendar days and not business days unless expressly provided otherwise.

7.14 Counterparts . This Agreement may be executed by any of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

7.15 Effectiveness . This Agreement shall be effective as of the Effective Date when signed by the Executive and the Company.

7.16 Code Section 409A .

(a) It is the intent of the parties that payments and benefits under this Agreement comply with Section 409A and, accordingly, to interpret, to the maximum extent permitted, this Agreement to be in compliance therewith. If the Executive notifies the Company in writing (with specificity as to the reason therefore) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the parties shall, in good faith, reform such provision to try to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified by the parties to try to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent of the applicable provision without violating the provisions of Code Section 409A. Notwithstanding the foregoing, the Company shall not be required to assume any economic burden in connection therewith.

(b) If the Executive is deemed on the date of "separation from service" to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is specified as subject to this Section, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 7.16 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. If a payment is to be made promptly after a date, it shall be made within sixty (60) days thereafter.

(c) Any expense reimbursement under this Agreement shall be made promptly upon Executive's presentation to the Company of evidence of the fees and expenses incurred by the Executive and in all events on or before the last day of the taxable year following the taxable year in which such expense was incurred by the Executive, and no such reimbursement or the amount of expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year, except for (i) the limit on the amount of outplacement costs and expenses reimbursable pursuant to Section 5.1(c) and (ii) any limit on the amount of expenses that may be reimbursed under an arrangement described in Code Section 105(b).

7.17 Survival . As provided in Section 1.3 with respect to expiration of the Term, Articles VI and VII and specified parts of Articles IV and V shall survive the termination or expiration of this Agreement for any reason.

IN WITNESS WHEREOF , the parties have executed this Agreement as of the Effective Date.

ORTHOFIX INC.

/s/ Alan W. Milinazzo
Name:Alan W. Milinazzo
Title: Chief Executive Officer

EXECUTIVE

/s/ Eric Brown
Eric Brown, an individual

Guaranty by Parent

Parent (Orthofix International N.V.) is not a party to this Agreement, but joins in this Agreement for the sole purpose of guaranteeing the obligations of the Company to pay, provide, or reimburse the Executive for all cash or other benefits provided for in this Agreement, including the provision of all benefits in the form of, or related to, securities of Parent and to elect or appoint Executive to the positions with Parent and provide Executive with the authority relating thereto as contemplated by Section 1.1 of this Agreement, and to ensure the Board will take the actions required of it hereby.

ORTHOFIX INTERNATIONAL N.V.

/s/ Alan W. Milinazzo
Name:Alan W. Milinazzo
Title: Chief Executive Officer

EXHIBIT A

Definitions

For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

" Base Amount " shall mean an amount equal to the sum of:

(i) the Executive's annual base salary at the highest annual rate in effect at any time during the Term; and

(ii) the lower of (i) the Executive's target bonus under Section 2.3 in effect during the fiscal year in which termination of employment occurs, or (ii) the average of the Incentive Compensation (as defined in Section 2.3) actually earned by the Executive (A) with respect to the two consecutive annual Incentive Compensation periods ending immediately prior to the year in which termination of the Executive's employment with the Company occurs or, (B) if greater, with respect to the two consecutive annual Incentive Compensation periods ending immediately prior to the Change of Control Date or the Potential Change of Control Date; provided , however , that if the Executive was not eligible for Incentive Compensation for such two consecutive Incentive Compensation periods, the amount included pursuant to this clause (ii) shall be the Incentive Compensation paid to the Executive for the most recent annual Incentive Compensation Period. In the event the Incentive Compensation paid to the Executive for any such prior Incentive Compensation period represented a pro rated full-year amount because the Executive was not employed by the Company for the entire Incentive Compensation period, the Incentive Compensation paid to the Executive for such period for purposes of this clause (ii) shall be an amount equal to such pro-rated full-year amount.

" Board " shall mean the Board of Directors of Parent. Any obligation of the Board other than termination for Cause under this Agreement may be delegated to an appropriate committee of the Board, including its compensation committee, and references to the Board herein shall be references to any such committee, as appropriate.

" Cause " shall mean termination of the Executive's employment because of the Executive's: (i) involvement in fraud, misappropriation or embezzlement related to the business or property of the Company; (ii) conviction for, or guilty plea to, or plea of nolo contendere to, a felony or crime of similar gravity in the jurisdiction in which such conviction or guilty plea occurs; (iii) intentional wrongful disclosure of Confidential Information or other intentional wrongful violation of Article VI; (iv) willful and continued failure by the Executive to follow the reasonable instructions of the Board or Chief Executive Officer; (v) willful commission by the Executive of acts that are dishonest and demonstrably and materially injurious to a member of the Parent Group, monetarily or otherwise; (vi) willful or material violation of, or willful or material noncompliance with, any securities law, rule or regulation or stock exchange listing rule adversely affecting the Parent Group including without limitation (a) if the Executive has undertaken to provide any certification or related back-up material required for the chief and principal executive and financial officers to provide a certification required under the Sarbanes-Oxley Act of 2002, including the rules and regulations promulgated thereunder (the " Sarbanes-Oxley Act "), and he willfully or materially fails to take reasonable and appropriate steps to determine whether or not the certificate or related back-up material was accurate or otherwise in compliance with the requirements of the Sarbanes-Oxley Act or (b) the Executive's willful or material failure to establish and administer effective systems and controls applicable to his area of responsibility necessary for the Parent to timely and accurately file reports pursuant to Section 13 or 15(d) of the Exchange Act. No act or omission shall be deemed willful or material for purposes of this definition if taken or omitted to be taken by Executive in a good faith belief that such act or omission to act was in the best interests of the Parent Group or if done at the express direction of the Board.

" Change of Control " shall occur upon any of the following events:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), in any individual transaction or series of related transactions, of 50% or more of either (A) the then outstanding shares of common stock of Parent (the " Outstanding Common Stock ") or (B) the combined voting power of the then outstanding voting securities of Parent entitled to vote generally in the election of directors (the " Outstanding Voting Securities "); excluding , however , the following: (1) any acquisition directly from Parent, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Parent; (2) any acquisition by Parent; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Parent or any entity controlled by Parent; or (4) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this definition of Change of Control;

(ii) a change in the composition of the Board such that the individuals who as of the Effective Date constitute the Board (the " Incumbent Board ") cease for any reason to constitute at least a majority of the Board; provided , however , for purposes of this paragraph, that any individual who becomes a member of the Board subsequent to the Effective Date, whose appointment, election, or nomination for election by Parent's shareholders was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but provided further that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board;

(iii) consummation of a reorganization, merger, consolidation or other business combination or the sale or other disposition of all or substantially all of the assets of Parent (including assets that are shares held by Parent in its subsidiaries) (any such transaction, a " Business Combination "); expressly excluding , however , any such Business Combination pursuant to which all of the following conditions are met: (A) all or substantially all of the Person(s) who are the beneficial owners of the Outstanding Common Stock and Outstanding Voting Securities, respectively, immediately prior to such Business Combination will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which as a result of such transaction owns Parent or all or substantially all of Parent's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (B) no Person (other than Parent, any employee benefit plan (or related trust) of Parent or such entity resulting from such Business Combination) will beneficially own, directly or indirectly, 50% or more of, respectively, the outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the outstanding voting securities of such entity entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Business Combination, and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the entity resulting from such Business Combination;

(iv) the approval by the shareholders of Parent of a complete liquidation or dissolution of Parent;

(v) the Parent Group (or any of them) shall sell or dispose of, in a single transaction or series of related transactions, business operations that generated two-thirds of the consolidated revenues of the Parent Group (determined on the basis of Parent's four most recently completed fiscal quarters for which reports have been filed under the Exchange Act) and such disposal shall not be exempted pursuant to clause (iii) of this definition of Change of Control;

(vi) Parent files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) that a change of control of Parent has or may have occurred or will or may occur in the future pursuant to any then-existing agreement or transaction; notwithstanding the foregoing, unless determined in a specific case by a majority vote of the Board, a " Change of Control " shall not be deemed to have occurred solely because: (A) an entity in which Parent directly or indirectly beneficially owns 50% or more of the voting securities, or any Parent-sponsored employee stock ownership plan, or any other employee plan of Parent or the Company, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by form or report or item therein, disclosing beneficial ownership by it of shares of stock of Parent, or because Parent reports that a change of control of Parent has or may have occurred or will or may occur in the future by reason of such beneficial ownership or (B) any Parent-sponsored employee stock ownership plan, or any other employee plan of Parent or the Company, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by form or report or item therein, disclosing beneficial ownership by it of shares of stock of Parent, or because Parent reports that a change of control of Parent has or may have occurred or will or may occur in the future by reason of such beneficial ownership; or

(vii) any other transaction or series of related transactions occur that have substantially the effect of the transactions specified in any of the preceding clauses in this definition.

Notwithstanding the above definition of Change of Control, the Board, in its sole discretion, may determine that a Change of Control has occurred for purposes of this Agreement, even if the events giving rise to such Change of Control are not expressly described in the above definition.

" Change of Control Date " shall mean the date on which a Change of Control occurs.

" Change of Control Period " shall mean the 24 month period commencing on the Change of Control Date; provided , however , if the Company terminates the Executive's employment with the Company prior to the Change of Control Date but on or after a Potential Change of Control Date, and it is reasonably demonstrated that the Executive's (i) employment was terminated at the request of an unaffiliated third party who has taken steps reasonably calculated to effect a Change of Control or (ii) termination of employment otherwise arose in connection with or in anticipation of the Change of Control, then the " Change of Control Period " shall mean the 24 month period beginning on the date immediately prior to the date of the Executive's termination of employment with the Company.

" Code " shall mean the Internal Revenue Code of 1986, as amended.

" Competing Business " means any business or activity that (i) competes with any member of the Parent Group for which the Executive performed services or the Executive was involved in for purposes of making strategic or other material business decisions and involves (ii) (A) the same or substantially similar types of products or services (individually or collectively) manufactured, marketed or sold by any member of the Parent Group during Term or (B) products or services so similar in nature to that of any member of the Parent Group during Term (or that any member of the Parent Group will soon thereafter offer) that they would be reasonably likely to displace substantial business opportunities or customers of the Parent Group.

"Confidential Information " shall include Trade Secrets and includes information acquired by the Executive in the course and scope of his activities under this Agreement, including information acquired from third parties, that (i) is not generally known or disseminated outside the Parent Group (such as non-public information), (ii) is designated or marked by any member of the Parent Group as "confidential" or reasonably should be considered confidential or proprietary, or (iii) any member of the Parent Group indicates through its policies, procedures, or other instructions should not be disclosed to anyone outside the Parent Group. Without limiting the foregoing definitions, some examples of Confidential Information under this Agreement include (a) matters of a technical nature, such as scientific, trade or engineering secrets, "know-how", formulae, secret processes, inventions, and research and development plans or projects regarding existing and prospective customers and products or services, (b) information about costs, profits, markets, sales, customer lists, customer needs, customer preferences and customer purchasing histories, supplier lists, internal financial data, personnel evaluations, non-public information about medical devices or products of any member of the Parent Group (including future plans about them), information and material provided by third parties in confidence and/or with nondisclosure restrictions, computer access passwords, and internal market studies or surveys and (c) and any other information or matters of a similar nature.

"Disability" as used in this Agreement shall have the meaning given that term by any disability insurance the Company carries at the time of termination that would apply to the Executive. Otherwise, the term " Disability " shall mean the inability of the Executive to perform his duties and responsibilities under this Agreement as a result of a physical or mental illness, disease or personal injury he has incurred. Any dispute as to whether or not the Executive has a " Disability " for purposes of this Agreement shall be resolved by a physician reasonably satisfactory to the Board and the Executive (or his legal representative, if applicable). If the Board and the Executive (or his legal representative, if applicable) are unable to agree on a physician, then each shall select one physician and those two physicians shall pick a third physician and the determination of such third physician shall be binding on the parties.

" Exchange Act " shall mean the Securities Exchange Act of 1934, as amended.

" Good Reason " shall mean the occurrence of any of the following without the written consent of the Executive: (i) any duties, functions or responsibilities are assigned to the Executive that are materially inconsistent with the Executive's duties, functions or responsibilities with the Company or the Parent as contemplated or permitted by Section 1.1; (ii) any action by the Company or the Parent that results in a material adverse change in the nature or scope of the position, power, duties, functions, responsibilities or authorities of the Executive with the Company or the Parent from those contemplated or permitted by Section 1.1; (iii) the base salary of the Executive is materially reduced, unless a reduction in accordance with Section 2.2; (iv) there is a material adverse change or termination of the Executive's right to participate, on a basis substantially consistent with practices applicable to senior executives of the Company generally, in any bonus, incentive, profit-sharing, stock option, stock purchase, stock appreciation, restricted stock, discretionary pay or similar policy, plan, program or arrangement of the Company, or any material adverse failure to provide the compensation and benefits contemplated by Sections 2.3, 2.4 and Article III, except where necessary to avoid the imposition of any additional tax under Section 409A of the Code; (v) there is a material termination or denial of the Executive's right, on a basis substantially consistent with practices applicable generally to senior executives of the Company, to participate in and receive service credit for benefits as provided under, all life, accident, medical payment, health and disability insurance, retirement, pension, salary continuation, expense reimbursement and other employee and perquisite policies, plans, programs and arrangements that generally are made available to senior executives of the Company, except for any arrangements that the Board adopts for select senior executives to compensate them for special or extenuating circumstances or as needed to comply with applicable law or as necessary to avoid the imposition of any additional tax under Section 409A, or (vi) any material breach by the Company of its representations under Section 7.7(b), or the guaranty by Parent on the signature page of the Agreement.

" Parent " shall mean Orthofix International N.V., an entity organized under the laws of the Netherlands Antilles.

" Parent Group " shall mean Parent, together with its subsidiaries including the Company.

" Person " shall include individuals or entities such as corporations, partnerships, companies, firms, business organizations or enterprises, and governmental or quasi-governmental bodies.

" Potential Change of Control " shall mean the earliest to occur of: (i) the date on which Parent executes an agreement or letter of intent, the consummation of the transactions described in which would result in the occurrence of a Change of Control or (ii) the date on which the Board approves a transaction or series of transactions, the consummation of which would result in a Change of Control, and ending when, in the opinion of the Board, the Parent (or the Company) or the respective third party has abandoned or terminated any Potential Change of Control.

" Potential Change of Control Date " shall mean the date on which a Potential Change of Control occurs; provided , however , such date shall become null and void when, in the opinion of the Board, the Parent (or the Company) or the respective third party has abandoned or terminated any Potential Change of Control.

" Prohibited Area " means North America, South America and the European Union, which Prohibited Area the parties have agreed to as a result of the fact that those are the geographic areas in which the members of the Parent Group conduct a preponderance of their business and in which the Executive provides substantive services to the benefit of the Parent Group.

" Section 409A " shall mean Section 409A of the Code and regulations promulgated thereunder (and any similar or successor federal or state statute or regulations).

" Trade Secrets " are information of special value, not generally known to the public that any member of the Parent Group has taken steps to maintain as secret from Persons other than those selected by any member of the Parent Group.

Exhibit 10.49

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (the " Agreement "), entered into and effective as of November 16, 2009 (the " Effective Date "), is by and between Breg Inc., a California corporation (the " Company "), and Brad Lee, an individual (the " Executive ").

PRELIMINARY STATEMENTS

A. The Company and the Executive are parties to an Amended and Restated Employment Agreement, entered into August 17, 2009 (the " Prior Agreement "), but desire to further amend and restate the Prior Agreement in its entirety to memorialize the terms of their relationship in order to retain the continued services of the Executive.

B. The Executive desires to render such services, upon the terms and conditions contained herein.

C. The Company and the Executive agree and acknowledge that pursuant to this Agreement the Executive will receive consideration and other benefits over and above that which he was entitled to receive under the Prior Agreement and over and above that which he would otherwise be entitled to receive as compensation for services performed for the Company.

D. The Company is, as of the date of this Agreement, a subsidiary of Orthofix International N.V., a corporation organized under the laws of the Netherlands Antilles (the " Parent ").

E. Capitalized terms used herein and not otherwise defined have the meaning for them set forth on Exhibit A attached hereto and incorporated herein by reference.

The parties, intending to be legally bound, hereby agree and the Prior Agreement is hereby amended and restated as follows:

I. EMPLOYMENT AND DUTIES

1 . 1 Duties . The Company hereby employs the Executive as an employee, and the Executive agrees to be employed by the Company, upon the terms and conditions set forth herein. While serving as an employee of the Company, the Executive shall serve as President of the Company. The Executive shall have such power and authority and perform such duties, functions and responsibilities as are associated with and incident to such positions, and as the Board may from time to time require of him; provided , however , that such authority, duties, functions and responsibilities are commensurate with the power, authority, duties, functions and responsibilities generally performed by similarly-situated executives of companies which are similar in size and nature to, and the financial position of, the Company.

1 . 2 Services . During the Term (as defined in Section 1.3), and excluding any periods of vacation, sick leave or disability, the Executive agrees to devote his full business time, attention and efforts to the business and affairs of the Company. During the Term, it shall not be a violation of this Section 1.2 for the Executive to (a) serve on civic or charitable boards or committees (but not corporate boards), (b) deliver lectures or fulfill speaking engagements or (c) manage personal investments, so long as such activities do not interfere with the performance of the Executive's responsibilities in accordance with this Agreement. The Executive must request the Board's prior written consent to serve on a corporate board, which consent shall be at the Board's reasonable discretion and only so long as such service does not interfere with the performance of his responsibilities hereunder.

1 . 3 Term of Employment . The term of this Agreement shall commence on the Effective Date and shall continue until 11:59 p.m. Eastern Time on July 1, 2011 (the " Initial Term ") unless sooner terminated or extended as provided hereunder. This Agreement shall automatically renew for additional one-year periods on July 1, 2011 and on each and every July 1 thereafter (each such extension, the " Renewal Term ") unless either party gives the other party written notice of its or his election not to extend such employment at least six months prior to the next July 1 renewal date. Further, if a Change of Control occurs during the Initial Term or during any Renewal Term, this Agreement shall automatically be extended for two years only from the Change of Control Date and thereafter shall terminate on the second anniversary of the Change of Control Date in accordance with its terms. The Initial Term, together with any Renewal Term or extension as a result of a Change of Control, are collectively referred to herein as the " Term ." In the event that the Executive continues to be employed by the Company after the Term, unless otherwise agreed by the parties in writing, such continued employment shall be on an at-will, month-to-month basis upon terms agreed upon at such time without regard to the terms and conditions of this Agreement (except as expressly provided herein) and this Agreement shall be deemed terminated at the end of the Term, regardless of whether such employment continues at-will, other than Articles VI and VII, plus specified provisions of Articles IV and V to the extent they relate to termination of employment after expiration of the Term, which shall survive the termination or expiration of this Agreement for any reason.

II. COMPENSATION

2 . 1 General . The base salary and Incentive Compensation (as defined in Section 2.3) payable to the Executive hereunder, as well as any stock-based compensation, including stock options, stock appreciation rights and restricted stock grants, shall be paid pursuant to the Company's customary payroll practices or in accordance with the terms of any applicable stock-based plans. The Company shall pay the Executive in cash, in accordance with the normal payroll practices of the Company, the base salary and Incentive Compensation set forth below. For the avoidance of doubt, in providing any compensation payable in stock, the Company may withhold, deduct or collect from the compensation otherwise payable or issuable to the Executive a portion of such compensation to the extent required to comply with applicable tax laws to the extent such withholding is not made or otherwise provided for pursuant to the agreement governing such stock-based compensation.

2 .2 Base Salary . The Executive shall be paid a base salary of no less than $24,166.67 per month ($290,000 on an annualized basis) while he is employed by the Company during the Term. The base salary shall be reviewed annually by the Board (or, so long as the Company is a direct or indirect subsidiary of the Parent, the Parent Board) for increase (but not decrease, except as permitted above) as part of its annual compensation review, and any increased amount shall become the base salary under this Agreement.

2 .3 Bonus or other Incentive Compensation .

(a) For so long as the Company is a direct or indirect subsidiary of Parent, the Executive shall be eligible to receive annual bonus compensation in an amount based on reasonable Company-specific goals for the earning of such compensation as may be determined by the Parent Board from time to time (the " Goals "). Amounts that may be earned upon attainment of annual Goals will be targeted to equal not less than 50% of the annual base salary in such fiscal year. The amount of any actual payment under the Bonus Plan will depend upon the achievement (or not) of the various performance metrics comprising the Goals, with an opportunity to earn maximum annual bonus compensation of not less than 60% of annual base salary in such fiscal year under Parent's Executive Annual Incentive Plan or any successor plan or as may be determined by the Parent Board from time-to-time (the " Bonus Plan "). Amounts will be less than either such target or nothing if the Goals are not met as set forth under the terms of the Bonus Plan. Amounts payable under the Bonus Plan shall be determined by the Parent Board and shall be payable following such fiscal year and no later than two and one-half months after the end of such fiscal year. In addition, the Executive shall be eligible to receive such additional bonus or incentive compensation as the Parent Board may establish from time to time in its sole discretion. In the event that a Change of Control occurs that results in the Company not being a direct or indirect subsidiary of Parent, (i) the Company (not Parent) shall be responsible for the payment of any Incentive Compensation amounts with respect to completed or pro rata fiscal years for which Bonus Plan amounts have not yet been paid (collectively, " Unpaid Periods ") and (ii) the Goals will deemed satisfied at a 100% achievement level with respect to Unpaid Periods.

(b) Following any Change of Control that results in the Company not being a direct or indirect subsidiary of Parent (a " Breg Disposition "), Executive shall be eligible to receive annual bonus compensation awards from the Company on economic terms materially consistent with those provided to Executive under the Bonus Plan immediately prior to such Change of Control.

(c) Any bonus or incentive compensation under this Section 2.3 under the Bonus Plan or otherwise is referred to herein as " Incentive Compensation ." Stock-based compensation shall not be considered Incentive Compensation under the terms of this Agreement unless the parties expressly agree otherwise in writing.

2 .4 Stock Compensation . For so long as the Company is a direct or indirect subsidiary of Parent, the Executive shall be eligible to receive stock-based compensation, whether stock options, stock appreciation rights, restricted stock grants or otherwise, under the Parent's Amended and Restated 2004 Long Term Incentive Plan or other stock-based compensation plans as Parent may establish from time to time (collectively, the " Plans "). The Executive shall be considered for such grants no less often than annually as part of the Parent Board's annual compensation review, but any such grants shall be at the sole discretion of the Parent Board. In addition, upon the consummation of any Breg Disposition that occurs while Executive remains an employee of the Company, all Parent stock options, stock appreciation, rights, or similar stock-based rights of Executive that are unvested at the time of consummation of the Breg Disposition shall (notwithstanding the terms thereof) automatically accelerate and become fully vested as of the closing date of the Breg Disposition, and any risk of forfeiture included in Parent restricted or other stock grants previously made to the Executive shall immediately lapse. Notwithstanding anything to the contrary in the Plans or any related grant documents, in such even of a Breg Disposition, (i) with respect to Parket stock options or stock appreciation rights granted before June 30, 2009, Executive may exercise such options or rights until the earlier of (A) five (5) years from the date of consummation of the Breg Disposition, or (B) the latest date that each such stock option or stock appreciation right would otherwise expire by its original terms, and (ii) with respect to Parent stock options or stock appreciation rights granted on or after June 30, 2009, Executive may exercise such options or rights until the earlier of (X) two (2) years from the date of consummation of the Breg Disposition, or (Y) the latest date that each stock option or stock appreciation right would otherwise expire by its original terms to exercise any outstanding stock options or stock appreciation rights.

III. EMPLOYEE BENEFITS

3 . 1 General . Subject only to any post-employment rights under Article V, so long as the Executive is employed by the Company pursuant to this Agreement, he shall be eligible for the following benefits to the extent generally available to senior executives of the Company or by virtue of his position, tenure, salary and other qualifications. Any eligibility shall be subject to and in accordance with the terms and conditions of the Company's benefits policies and applicable plans (including as to deductibles, premium sharing, co-payments or other cost-splitting arrangements).

3 .2 Savings and Retirement Plans . The Executive shall be entitled to participate in, and enjoy the benefits of, all savings, pension, salary continuation and retirement plans, practices, policies and programs available to senior executives of the Company.

3.3 Welfare and Other Benefits . The Executive and/or the Executive's eligible dependents, as the case may be, shall be entitled to participate in, and enjoy the benefits of, all welfare benefit plans, practices, policies and programs provided by the Company (including without limitation, medical, prescription, drug, dental, disability, salary continuance, group life, dependent life, accidental death and travel accident insurance plans and programs) and other benefits (including, without limitation, executive physicals and tax and financial planning assistance) at a level that is available to other senior executives of the Company.

3.4 Vacation . The Executive shall be entitled to 4 weeks paid vacation per 12-month period.

3.5 Expenses . The Executive shall be entitled to receive prompt reimbursement for all reasonable business-related expenses incurred by the Executive in performing his duties under this Agreement. Reimbursement of the Executive for such expenses will be made upon presentation to the Company of expense vouchers that are in sufficient detail to identify the nature of the expense, the amount of the expense, the date the expense was incurred and to whom payment was made to incur the expense, all in accordance with the expense reimbursement practices, policies and procedures of the Company.

3.6 Key Man Insurance . The Company shall be entitled to obtain a "key man" or similar life or disability insurance policy on the Executive, and neither the Executive nor any of his family members, heirs or beneficiaries shall be entitled to the proceeds thereof. Such insurance shall be available to offset any payments due to the Executive pursuant to Section 5.1 of this Agreement due to his death or Disability.

IV. TERMINATION OF EMPLOYMENT

4 . 1 Termination by Mutual Agreement . The Executive's employment may be terminated at any time during the Term by mutual written agreement of the Company and the Executive.

4 .2 Death . The Executive's employment hereunder shall terminate upon his death.

4.3 Disability . In the event the Executive incurs a Disability for a continuous period exceeding 90 days or for a total of 180 days during any period of 12 consecutive months, the Company may, at its election, terminate the Executive's employment during or after the Term by delivering a Notice of Termination (as defined in Section 4.8) to the Executive 30 days in advance of the date of termination.

4.4 Good Reason . The Executive may terminate his employment at any time during or after the Term for Good Reason by delivering a Notice of Termination to the Company 30 days in advance of the date of termination; provided , however , that the Executive agrees not to terminate his employment for Good Reason until the Executive has given the Company at least 30 days' in which to cure the circumstances set forth in the Notice of Termination constituting Good Reason and if such circumstances are not cured by the 30 th day, the Executive's employment shall terminate on such date. If the circumstances constituting Good Reason are remedied within the cure period to the reasonable satisfaction of the Executive, such event shall no longer constitute Good Reason for purposes of this Agreement and the Executive shall thereafter have no further right hereunder to terminate his employment for Good Reason as a result of such event. Unless the Executive provides written notification of an event described in the definition of Good Reason within 90 days after the Executive has actual knowledge of the occurrence of any such event, the Executive shall be deemed to have consented thereto and such event shall no longer constitute Good Reason for purposes of this Agreement.

4.5 Termination without Cause . The Company may terminate the Executive's employment at any time during or after the Term without Cause by delivering to the Executive a Notice of Termination 30 days in advance of the date of termination; provided that as part of such notice the Company may request that the Executive immediately tender the resignations contemplated by Section 4.9 and otherwise cease performing his duties hereunder. The Notice of Termination need not state any reason for termination and such termination can be for any reason or no reason. The date of termination shall be the date set forth in the Notice of Termination.

4.6 Cause . The Company may terminate the Executive's employment at any time during or after the Term for Cause by delivering a Notice of Termination to the Executive. The Notice of Termination shall include a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a meeting of the Board called and held for such purpose, finding that in the good faith opinion of the Board an event constituting Cause has occurred and specifying the particulars thereof. A Notice of Termination for Cause may not be delivered unless in conjunction with such Board meeting the Executive was given reasonable notice and the opportunity for the Executive, together with the Executive's counsel, to be heard before the Board prior to such vote. If the event constituting Cause for termination is other than as a result of a breach or violation by the Executive of any provision of Article VI and only if the event constituting Cause is curable, then the Executive shall have 30 days from the date of the Notice of Termination to cure such event described therein to the reasonable satisfaction of the Board in its sole discretion and, if such event is cured by the Executive within the cure period, such event shall no longer constitute Cause for purposes of this Agreement and the Company shall thereafter have no further right to terminate the Executive's employment for Cause as a result of such event. The Executive shall have no other rights under this Agreement to cure an event that constitutes Cause. Unless the Company provides written notification of an event described in the definition of Cause within 90 days after the Company knows or has reason to know of the occurrence of any such event, the Company may not terminate the Executive for Cause unless such event is recurring or uncurable. Knowledge shall mean actual knowledge of the Board or the Company's senior executives.

4.7 Voluntary Termination . The Executive may voluntarily terminate his employment at any time during or after the Term by delivering to the Company a Notice of Termination 30 days in advance of the date of termination (a " Voluntary Termination "). For purposes of this Agreement, a Voluntary Termination shall not include a termination of the Executive's employment by reason of death or for Good Reason, but shall include voluntary termination upon retirement in accordance with the Company's retirement policies. A Voluntary Termination shall not be considered a breach or other violation of this Agreement.

4.8 Notice of Termination . Any termination of employment under this Agreement by the Company or the Executive requiring a notice of termination shall require delivery of a written notice by one party to the other party (a " Notice of Termination "). A Notice of Termination must indicate the specific termination provision of this Agreement relied upon and the date of termination. It must also set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination, other than in the event of a Voluntary Termination or termination without Cause. The date of termination specified in the Notice of Termination shall comply with the time periods required under this Article IV, and may in no event be earlier than the date such Notice of Termination is delivered to or received by the party getting the notice. If the Executive fails to include a date of termination in any Notice of Termination he delivers, the Company may establish such date in its sole discretion. No Notice of Termination under Section 4.4 or 4.6 shall be effective until the applicable cure period, if any, shall have expired without the Company or the Executive, respectively, having corrected the event or events subject to cure to the reasonable satisfaction of the other party. The terms "termination" and "termination of employment," as used herein are intended to mean a termination of employment which constitutes a "separation from service" under Section 409A.

4.9 Resignations . Upon ceasing to be an employee of the Company for any reason, or earlier upon request by the Company pursuant to Section 4.5, the Executive agrees to immediately tender written resignations to the Company with respect to all officer and director positions he may hold at that time with the Company and its Affiliate Companies.

V. PAYMENTS ON TERMINATION

5. 1 Death; Disability; Resignation for Good Reason; Termination without Cause . If at any time during the Term the Executive's employment with the Company is terminated pursuant to Section 4.2, 4.3, 4.4 or 4.5, the Executive shall be entitled to the payment and benefits set forth below only. If at any time after the Term the Executive's employment with the Company is terminated pursuant to Section 4.2, 4.3, 4.4 or 4.5, the Executive shall be entitled to the payment and benefits set forth in (a), (b) and the specified provisions of (c) only.

(a) any unpaid base salary and accrued unpaid vacation then owing through the date of termination or Incentive Compensation that is as of such date actually earned or owing under Article II, but not yet paid to the Executive, which amounts shall be paid to the Executive within 30 days of the date of termination; provided, however, the Executive shall be entitled to receive the pro rata amount of any Incentive Compensation for the fiscal year of his termination of employment (based on the number of business days he was actually employed by the Company during the fiscal year in which the termination of employment occurs) that he would have received had his employment not been terminated during such year. Nothing in the foregoing sentence is intended to give the Executive greater rights to such Incentive Compensation than a pro rata portion of what Incentive Compensation would have been applicable to him had his employment not been terminated, provided that Executive's termination of employment shall not be used to disqualify Executive from or make him ineligible for a pro rata portion of the Incentive Compensation to which he would otherwise have been entitled, and provided further that any personal or Company-based performance goals applicable to such Incentive Compensation shall be deemed 100% satisfied when calculating the amount of any pro rata Incentive Compensation payable pursuant to this Section 5.1 (a). The pro rata portion of Incentive Compensation shall, subject to Section 7.16, be paid at the time such Incentive Compensation is paid to senior executives of the Company (" Severance Bonus Payment Date ") but in no event later than two and one-half months after the end of such fiscal year.

(b) a one-time lump sum severance payment in an amount equal to 100% of the Executive's Base Amount. The lump sum severance payment shall be paid within 30 days of the Executive's signing the release described in Section 5.4 and the expiration of any applicable revocation period, subject, in the case of termination other than as a result of the Executive's death, to Section 7.16.

(c) if the Company is a direct or indirect subsidiary of Parent at the time of such termination, all stock options, stock appreciation rights or similar stock-based rights granted to the Executive by Parent shall vest in full and be immediately exercisable and any risk of forfeiture included in restricted or other stock grants previously made to the Executive shall immediately lapse. In addition, if the Executive's employment is terminated pursuant to Section 4.2, 4.3, 4.4 or 4.5 during or after the Term while the Company is a direct or indirect subsidiary of Parent, the Executive shall have until the earlier of (i) five (5) years from the date of termination, or (ii) the latest date that each stock option or stock appreciation right would otherwise expire by its original terms had the Executive's employment not terminated to exercise any outstanding stock options or stock appreciation rights of Parent that were granted prior to June 30, 2009. For any new stock options awarded after June 29, 2009, if the Executive's employment is terminated pursuant to Section 4.2, 4.3, 4.4 or 4.5 during or after the Term while the Company is a direct or indirect subsidiary of Parent, the Executive shall have until the earlier of (i) two (2) years from the date of termination, or (ii) the latest date that each stock option or stock appreciation right would otherwise expire by its original terms had the Executive's employment not terminated to exercise any vested and outstanding stock options or stock appreciation rights of Parent that were granted after June 29, 2009. The vesting and extension of the exercise period set forth in this Section 5.1(c) shall occur notwithstanding any provision in any Plans or related grant documents which provides for a lesser vesting or shorter period for exercise upon termination by the Company without Cause (which for this purpose shall include a termination by the Executive for Good Reason), notwithstanding anything to the contrary in any Plans or grant documents; provided, however , and for the avoidance of doubt, nothing in this Agreement shall be construed as or imply that this Agreement does or can grant greater rights than are allowed under the terms and conditions of the Plans; provided, further , and for the avoidance of doubt, the first sentence of this Section 5.1(c) shall not apply to a termination of employment after the Term.

(d) to the fullest extent permitted by the Company's then-current benefit plans, continuation of health, dental, vision and life insurance coverage (but not pension, retirement, profit-sharing, severance or similar compensatory benefits), for the Executive and the Executive's eligible dependents substantially similar to coverage they were receiving or which they were entitled to immediately prior to the termination of the Executive's employment for the lesser of 12 months after termination or until the Executive secures coverage from new employment and the period of COBRA health care continuation coverage provided under Section 4980B of the Code shall run concurrently with the foregoing 12 month period. In order to receive such benefits, the Executive or his eligible dependents must continue to make any required co-payments, deductibles, premium sharing or other cost-splitting arrangements the Executive was otherwise paying immediately prior to the date of termination and nothing herein shall require the Company to be responsible for such items. If Executive is a "specified employee" under Section 409A, the full cost of the continuation or provision of employee group welfare benefits (other than medical or dental benefits) shall be paid by Executive until the earliest to occur of (i) Executive's death or (ii) the first day of the seventh month following Executive's termination of employment, and such cost shall be reimbursed by the Company to, or on behalf of, Executive in a lump sum cash payment on the earlier to occur of Executive's death or the first day of the seventh month following Executive's termination of employment, except that, as provided above, Executive shall not receive reimbursement for any required co-payments, deductibles, premium sharing or other cost-splitting arrangements the Executive was otherwise paying immediately prior to the date of termination.

(e) payment or reimbursement to the Executive of the costs and expenses of any executive outplacement firm selected by the Executive in an amount not to exceed $12,500 during the 12-month period following his date of termination. The Executive shall provide the Company with reasonable documentation of such costs and expenses.

In the event the Executive's termination is pursuant to Section 4.2, in lieu of a lump sum payment, the Executive's heirs, beneficiaries, or personal representatives, as applicable, shall receive (i) salary-related portions of the Base Amount on regular payroll dates of the Company until the twelve-month anniversary of the date of termination of the Executive and (ii) Incentive Compensation-related portions of the Base Amount on the dates that such Incentive Compensation is actually paid by the Company to its senior executives, but in no event later than two and one-half months after the end of such fiscal year. Further, any payments by the Company under Section 5.1(b) above pursuant to a termination under Section 4.2 or 4.3 shall be reduced by any payments received by the Executive pursuant to any of the Company's employee welfare benefit plans providing for payments in the event of death or Disability.

5.2 Termination for Cause; Voluntary Termination . If at any time during or after the Term the Executive's employment with the Company is terminated pursuant to Section 4.6 or 4.7, the Executive shall be entitled to only the following:

(a) any unpaid base salary and accrued unpaid vacation then owing through the date of termination or Incentive Compensation that is as of such date actually earned or owing under Article II, but not yet paid to the Executive, which amounts shall be paid to the Executive within 30 days of the date of termination. Nothing in this provision is intended to imply that the Executive is entitled to any partial or pro rata payment of Incentive Compensation on termination unless the Bonus Plan or other plan, as applicable, expressly provides as much under its specific terms.

(b) whatever rights, if any, that are available to the Executive upon such a termination pursuant to the Plans or any award documents related to any stock-based compensation such as stock options, stock appreciation rights or restricted stock grants. This Agreement does not grant any greater rights with respect to such items than provided for in the Plans or the award documents in the event of any termination for Cause or a Voluntary Termination.

5.3 Termination following Change of Control . The Executive shall have no specific right to terminate this Agreement or right to any severance payments or other benefits solely as a result of a Change of Control or Potential Change of Control. However, if during a Change of Control Period during or after the Term, (a) the Executive terminates his employment with the Company pursuant to Section 4.4, or (b) the Company terminates the Executive's employment pursuant to Section 4.5, the lump sum severance payment under Section 5.1 shall be increased from 100% of the Base Amount to 150% of the Base Amount and, for a termination of employment described in (a) and (b) during the Term, the period for continuation of benefits under Section 5.1 shall be increased to 18 months from 12 months. The terms and rights with respect to such payments shall otherwise be governed by Section 5.1. No other rights result from termination during a Change of Control Period; provided , however , that nothing in this Section 5.3 is intended to limit or impair the rights of the Executive under the Plans or any documents evidencing any stock-based compensation awards in the event of a Change of Control if such Plans or award documents grant greater rights than are set forth herein.

5.4 Release . The Company's obligation to pay or provide any benefits to the Executive following termination (other than in the event of death pursuant to Section 4.2) is expressly subject to the requirement that he execute and not breach or rescind a release relating to employment matters and the circumstances surrounding his termination in favor of the Company and its Affiliate Companies, their successors, and their respective officers, directors and related parties and agents, in a form acceptable to the Company at the time of termination of employment. The Company shall deliver such release to the Executive within three business days following his termination of employment and the Executive shall be obligated to sign and return the release to the Company within 45 days of receipt of such release to receive any benefits or payments following termination.

5.5 Other Benefits . Except as expressly provided otherwise in this Article V, the provisions of this Agreement shall not affect the Executive's participation in, or terminating distributions and vested rights under, any pension, profit-sharing, insurance or other employee benefit plan of the Company or any of its Affiliate Companies to which the Executive is entitled pursuant to the terms of such plans, or expense reimbursements he is otherwise entitled to under Section 3.5.

5.6 No Mitigation . It will be difficult, and may be impossible, for the Executive to find reasonably comparable employment following the termination of the Executive's employment, and the protective provisions under Article VI contained herein will further limit the employment opportunities for the Executive. In addition, the Company's severance pay policy applicable in general to its salaried employees does not provide for mitigation, offset or reduction of any severance payment received thereunder. Accordingly, the parties hereto expressly agree that the payment of severance compensation in accordance with the terms of this Agreement will be liquidated damages, and that the Executive shall not be required to seek other employment, or otherwise, to mitigate any payment provided for hereunder.

5.7 Limitation; No Other Rights . Any amounts due or payable under this Article V are in the nature of severance payments or liquidated damages, or both, and the Executive agrees that such amounts shall fully compensate the Executive, his dependents, heirs and beneficiaries and the estate of the Executive for any and all direct damages and consequential damages that they do or may suffer as a result of the termination of the Executive's employment, or both, and are not in the nature of a penalty. Notwithstanding the above, neither the Company nor any of its Affiliate Companies shall be liable to the Executive under any circumstances for any consequential, incidental, punitive or similar damages. The Executive expressly acknowledges that the payments and other rights under this Article V shall be the sole monies or other rights to which the Executive shall be entitled to and such payments and rights will be in lieu of any other rights or remedies he might have or otherwise be entitled to. In the event of any termination under this Article V, the Executive hereby expressly waives any rights to any other amounts, benefits or other rights, including without limitation whether arising under current or future compensation or severance or similar plans, agreements or arrangements with the Company or any of its Affiliate Companies (including as a result of changes in (or of) control or similar transactions), unless Executive's entitlement to participate or receive benefits thereunder has been expressly approved by the Board. Similarly, neither the Company nor any of its Affiliate Companies shall have any further liability or obligation to the Executive following the date of termination, except as expressly provided in this Agreement.

5.8 No Right to Set Off . The Company shall not be entitled to set off against amounts payable to the Executive hereunder any amounts earned by the Executive in other employment, or otherwise, after termination of his employment with the Company, or any amounts which might have been earned by the Executive in other employment had he sought such other employment.

5.9 Adjustments Due to Excise Tax .

(a) If it is determined that any amount or benefit to be paid or payable to the Executive under this Agreement or otherwise in conjunction with his employment (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise in conjunction with his employment) would give rise to liability of the Executive for the excise tax imposed by Section 4999 of the Code, as amended from time to time, or any successor provision (the " Excise Tax "), then the amount or benefits payable to the Executive (the total value of such amounts or benefits, the " Payments ") shall be reduced by the Company to the extent necessary so that no portion of the Payments to the Executive is subject to the Excise Tax. Such reduction shall only be made if the net amount of the Payments, as so reduced (and after deduction of applicable federal, state, and local income and payroll taxes on such reduced Payments other than the Excise Tax (collectively, the " Deductions ")) is greater than the excess of (1) the net amount of the Payments, without reduction (but after making the Deductions) over (2) the amount of Excise Tax to which the Executive would be subject in respect of such Payments.

(b) In the event it is determined that the Excise Tax may be imposed on the Executive prior to the possibility of any reductions being made pursuant to Section 5.9(a), the Company and the Executive agree to take such actions as they may mutually agree in writing to take to avoid any such reductions being made or, if such reduction is not otherwise required by Section 5.9(a), to reduce the amount of Excise Tax imposed.

(c) The independent public accounting firm serving as the Company's auditing firm, or such other accounting firm, law firm or professional consulting services provider of national reputation and experience reasonably acceptable to the Company and Executive (the " Accountants ") shall make in writing in good faith all calculations and determinations under this Section 5.9, including the assumptions to be used in arriving at any calculations. For purposes of making the calculations and determinations under this Section 5.9, the Accountants and each other party may make reasonable assumptions and approximations concerning the application of Section 280G and Section 4999. The Company and Executive shall furnish to the Accountants and each other such information and documents as the Accountants and each other may reasonably request to make the calculations and determinations under this Section 5.9. The Company shall bear all costs the Accountants incur in connection with any calculations contemplated hereby.

VI. PROTECTIVE PROVISIONS

6. 1 Noncompetition . Without the prior written consent of the Board (which may be withheld in the Board's sole discretion), so long as the Executive is an employee of the Company and for a twelve-month period thereafter, the Executive agrees that he shall not anywhere in the Prohibited Area, for his own account or the benefit of any other, engage or participate in or assist or otherwise be connected with a Competing Business. For the avoidance of doubt, the Executive understands that this Section 6.1 prohibits the Executive from acting for himself or as an officer, employee, manager, operator, principal, owner, partner, shareholder, advisor, consultant of, or lender to, any individual or other Person that is engaged or participates in or carries out a Competing Business or is actively planning or preparing to enter into a Competing Business. The parties agree that such prohibition shall not apply to the Executive's passive ownership of not more than 5% of a publicly-traded company.

6 . 2 No Solicitation or Interference . So long as the Executive is an employee of the Company and for a twelve-month period thereafter, the Executive shall not, whether for his own account or for the account or benefit of any other Person, throughout the Prohibited Area:

(a) request, induce or attempt to influence (i) any customer of the Company or Parent or their respective direct and indirect subsidiaries to limit, curtail, cancel or terminate any business it transacts with, or products or services it receives from or sells to, or (ii) any Person employed by (or otherwise engaged in providing services for or on behalf of) the Company or Parent or their respective direct and indirect subsidiaries to limit, curtail, cancel or terminate any employment, consulting or other service arrangement, with the Company or Parent or their respective direct and indirect subsidiaries. Such prohibition shall expressly extend to any hiring or enticing away (or any attempt to hire or entice away) any employee or consultant of the Company or Parent or their respective direct and indirect subsidiaries.

(b) solicit from or sell to any customer any products or services that the Company or Parent or their respective direct and indirect subsidiaries provides or is capable of providing to such customer and that are the same as or substantially similar to the products or services that the Company or Parent or their respective direct and indirect subsidiaries sold or provided while the Executive was employed with, or providing services to, the Company or Parent or their respective direct and indirect subsidiaries.

(c) contact or solicit any customer for the purpose of discussing (i) services or products that are competitive with and the same or closely similar to those offered by the Company or Parent or their respective direct and indirect subsidiaries or (ii) any past or present business of the Company or Parent or their respective direct and indirect subsidiaries.

(d) request, induce or attempt to influence any supplier, distributor or other Person with which the Company or Parent or their respective direct and indirect subsidiaries has a business relationship or to limit, curtail, cancel or terminate any business it transacts with the Company or Parent or their respective direct and indirect subsidiaries.

(e) otherwise interfere with the relationship of the Company or Parent or their respective direct and indirect subsidiaries with any Person which is, or within one-year prior to the Executive's date of termination was, doing business with, employed by or otherwise engaged in performing services for, the Company or Parent or their respective direct and indirect subsidiaries.

The twelve-month post-termination employment period described herein and in Section 6.1 shall be extended to eighteen months in the event of a termination described in Section 5.3.

6 . 3 Confidential Information . During the period of the Executive's employment with the Company and at all times thereafter, the Executive shall hold in secrecy for the Company all Confidential Information that may come to his knowledge, may have come to his attention or may have come into his possession or control while employed by the Company (or otherwise performing services for the Company or any then-current Affiliate Company). Notwithstanding the preceding sentence, the Executive shall not be required to maintain the confidentiality of any Confidential Information which (a) is or becomes available to the public or others in the industry generally (other than as a result of disclosure or inappropriate use, or caused, by the Executive in violation of this Section 6.3) or (b) the Executive is compelled to disclose under any applicable laws, regulations or directives of any government agency, tribunal or authority having jurisdiction in the matter or under subpoena. Except as expressly required in the performance of his duties to the Company under this Agreement, the Executive shall not use for his own benefit or disclose (or permit or cause the disclosure of) to any Person, directly or indirectly, any Confidential Information unless such use or disclosure has been specifically authorized in writing by the Company in advance. During the Executive's employment and as necessary to perform his duties under Section 1.2, the Company will provide and grant the Executive access to the Confidential Information. The Executive recognizes that any Confidential Information is of a highly competitive value, will include Confidential Information not previously provided the Executive and that the Confidential Information could be used to the competitive and financial detriment of the Company or any of its Affiliate Companies if misused or disclosed by the Executive. The Company promises to provide access to the Confidential Information only in exchange for the Executive's promises contained herein, expressly including the covenants in Sections 6.1, 6.2 and 6.4.

6 .4 Inventions .

(a) The Executive shall promptly and fully disclose to the Company any and all ideas, improvements, discoveries and inventions, whether or not they are believed to be patentable (" Inventions "), that the Executive conceives of or first actually reduces to practice, either solely or jointly with others, during the Executive's employment with the Company, and that relate to the business now or thereafter carried on or contemplated by the Company or any of its Affiliate Companies or that result from any work performed by the Executive for the Company or any of its Affiliate Companies.

(b) The Executive acknowledges and agrees that all Inventions shall be the sole and exclusive property of the Company (or applicable Affiliate Company) and are hereby assigned to the Company (or applicable Affiliate Company). During the term of the Executive's employment with the Company and thereafter, whenever requested to do so by the Company, the Executive shall take such action as may be requested to execute and assign any and all applications, assignments and other instruments that the Company shall deem necessary or appropriate in order to apply for and obtain Letters Patent of the United States and/or of any foreign countries for such Inventions and in order to assign and convey to the Company (or applicable Affiliate Company) or their nominees the sole and exclusive right, title and interest in and to such Inventions.

(c) The Company acknowledges and agrees that the provisions of this Section 6.4 do not apply to an Invention: (i) for which no equipment, supplies, or facility of the Company or any of its Affiliate Companies or Confidential Information was used; (ii) that was developed entirely on the Executive's own time and does not involve the use of Confidential Information; (iii) that does not relate directly to the business of the Company or any of its Affiliate Companies or to the actual or demonstrably anticipated research or development of the Company or any of its Affiliate Companies; and (iv) that does not result from any work performed by the Executive for the Company or any of its Affiliate Companies.

6 .5 Return of Documents and Property . Upon termination of the Executive's employment for any reason, the Executive (or his heirs or personal representatives) shall immediately deliver to the Company (a) all documents and materials containing Confidential Information (including without limitation any "soft" copies or computerized or electronic versions thereof) or otherwise containing information relating to the business and affairs of the Company or its Affiliate Companies (whether or not confidential), and (b) all other documents, materials and other property belonging to the Company or any of its Affiliate Companies that are in the possession or under the control of the Executive.

6 .6 Reasonableness; Remedies . The Executive acknowledges that each of the restrictions set forth in this Article VI are reasonable and necessary for the protection of the Company's business and opportunities (and those of the Affiliate Companies) and that a breach of any of the covenants contained in this Article VI would result in material irreparable injury to the Company and the Affiliate Companies for which there is no adequate remedy at law and that it will not be possible to measure damages for such injuries precisely. Accordingly, the Company and each of its Affiliate Companies shall be entitled to the remedies of injunction and specific performance, or either of such remedies, as well as all other remedies to which the Company or any of its Affiliate Companies may be entitled, at law, in equity or otherwise, without the need for the posting of a bond or by the posting of the minimum bond that may otherwise be required by law or court order.

6 .7 Extension; Survival . The Executive and the Company agree that the time periods identified in this Article VI will be stayed, and the Company's obligation to make any payments or provide any benefits under Article V shall be suspended, during the period of any breach or violation by the Executive of the covenants contained herein. The parties further agree that this Article VI shall survive the termination or expiration of this Agreement for any reason. The Executive acknowledges that his agreement to each of the provisions of this Article VI is fundamental to the Company's willingness to enter into this Agreement and for it to provide for the severance and other benefits described in Article V. Further, it is the express intent and desire of the parties for each provision of this Article VI to be enforced to the fullest extent permitted by law. If any part of this Article VI, or any provision hereof, is deemed illegal, void, unenforceable or overly broad (including as to time, scope and geography), the parties' express desire is that such provision be reformed to the fullest extent possible to ensure its enforceability or if such reformation is deemed impossible then such provision shall be severed from this Agreement, but the remainder of this Agreement (expressly including the other provisions of this Article VI) shall remain in full force and effect.

VII. MISCELLANEOUS

7. 1 Notices . Any notice required or permitted under this Agreement shall be given in writing and shall be deemed to have been effectively made or given if personally delivered, or if sent via U.S. mail or recognized overnight delivery service or sent via confirmed e-mail or facsimile to the other party at its address set forth below in this Section 7.1, or at such other address as such party may designate by written notice to the other party hereto. Any effective notice hereunder shall be deemed given on the date personally delivered, three business days after mailed via U.S. mail or one business day after it is sent via overnight delivery service or via confirmed e-mail or facsimile, as the case may be, to the following address:

If to the Company:

Breg Inc.
Attn: General Counsel
2611 Commerce Way
Vista, California 92081
Facsimile: 760-598-8125

With, so long as the Company is a direct or indirect subsidiary of Parent, a copy (which shall not constitute notice) to:

Orthofix Inc.
Attn: Chief Financial Officer
800 Boylston Street
15th Floor
The PRU Tower
Boston, MA 02199
E-mail: robertvaters@orthofix.com

If to the Executive:

At the most recent address on file with the Company

7. 2 Legal Fees .

(a) The Comp any shall pay all reasonable legal fees and expenses of the Executive's counsel in connection with the preparation and negotiation of this Agreement.

(b) It is the intent of the Company that the Executive not be required to bear the legal fees and related expenses associated with the enforcement or defense of the Executive's rights under this Agreement by litigation, arbitration or other legal action because having to do so would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, the parties hereto agree that any dispute or controversy arising under or in connection with this Agreement shall be resolved exclusively and finally by binding arbitration in Vista, California, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. The Company shall be responsible for its own fees, costs and expenses and shall pay to the Executive an amount equal to all reasonable attorneys' and related fees, costs and expenses incurred by the Executive in connection with such arbitration unless the arbitrator determines that the Executive (a) did not commence or engage in the arbitration with a reasonable, good faith belief that his claims were meritorious or (b) the Executive's claims had no merit and a reasonable person under similar circumstances would not have brought such claims. If there is any dispute between the Company and the Executive as to the payment of such fees and expenses, the arbitrator shall resolve such dispute, which resolution shall also be final and binding on the parties, and as to such dispute only the burden of proof shall be on the Company.

7.3 Severability . If an arbitrator or a court of competent jurisdiction determines that any term or provision hereof is void, invalid or otherwise unenforceable, (a) the remaining terms and provisions hereof shall be unimpaired and (b) such arbitrator or court shall replace such void, invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the void, invalid or unenforceable term or provision. For the avoidance of doubt, the parties expressly intend that this provision extend to Article VI of this Agreement.

7.4 Entire Agreement . This Agreement represents the entire agreement of the parties with respect to the subject matter hereof and shall supersede any and all previous contracts, arrangements or understandings between the Company, any Affiliate Companies, and the Executive relating to the Executive's employment by the Company, expressly including the Prior Agreement, which Prior Agreement is hereby terminated in its entirety upon mutual agreement of the parties thereto and of no further force and effect. The Executive expressly acknowledges that he has no further rights, and hereby waives or forfeits any and all rights he may have or may have had, under the Prior Agreement as a result of its termination hereby, and neither the Company nor any Affiliate Company shall have any obligation to make any payments or satisfy any other liability to him thereunder. Nothing in this Agreement shall modify or alter any Indemnity Agreement by and between Parent and the Executive (an " Indemnity Agreement ") or alter or impair any of the Executive's rights under the Plans or related award agreements. In the event of any conflict between this Agreement and any other agreement between the Executive and the Company (or any Affiliate Company), this Agreement shall control.

7.5 Amendment; Modification . Except for increases in Base Salary, and adjustments with respect to Incentive Compensation, made as provided in Article II, this Agreement may be amended at any time only by mutual written agreement of the Executive and the Company; provided , however , that, notwithstanding any other provision of this Agreement, the Plans (or any award documents under the Plans) or an Indemnity Agreement, the Company may reform this Agreement, the Plans (or any award documents under the Plans), an Indemnity Agreement or any provision thereof (including, without limitation, an amendment instituting a six-month waiting period before a distribution) or otherwise as contemplated by Section 7.16 below.

7.6 Withholding . The Company shall be entitled to withhold, deduct or collect or cause to be withheld, deducted or collected from payment any amount of withholding taxes required by law, statutory deductions or collections with respect to payments made to the Executive in connection with his employment, termination (including Article V) or his rights hereunder, including as it relates to stock-based compensation.

7.7 Representations .

(a) The Executive hereby represents and warrants to the Company that (i) the execution, delivery and performance of this Agreement by the Executive do not and shall not conflict with, breach, violate or cause a default under any contract, agreement, instrument, order, judgment or decree to which the Executive is a party or by which he is bound, and (ii) upon the execution and delivery of this Agreement by the Company, this Agreement shall be the valid and binding obligation of the Executive, enforceable in accordance with its terms. The Executive hereby acknowledges and represents that he has consulted with legal counsel regarding his rights and obligations under this Agreement and that he fully understands the terms and conditions contained herein.

(b) The Company hereby represents and warrants to the Executive that (i) the execution, delivery and performance of this Agreement by the Company do not and shall not conflict with, breach, violate or cause a default under any material contract, agreement, instrument, order, judgment or decree to which the Company is a party or by which it is bound and (ii) upon the execution and delivery of this Agreement by the Executive, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms.

7.8 Governing Law; Jurisdiction . This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of California without regard to any provision of that State's rules on the conflicts of law that might make applicable the law of a jurisdiction other than that of the State of California. Except as otherwise provided in Section 7.2, all actions or proceedings arising out of this Agreement shall exclusively be heard and determined in state or federal courts in the State of California having appropriate jurisdiction. The parties expressly consent to the exclusive jurisdiction of such courts in any such action or proceeding and waive any objection to venue laid therein or any claim for forum nonconveniens.

7.9 Successors . This Agreement shall be binding upon and inure to the benefit of, and shall be enforceable by the Executive, the Company, and their respective heirs, executors, administrators, legal representatives, successors, and assigns. In the event of a Company Business Combination (as defined in clause (ii) of Change of Control), the provisions of this Agreement shall be binding upon and inure to the benefit of the entity resulting from such Company Business Combination or to which the assets shall be sold or transferred, which entity from and after the date of such Company Business Combination shall be deemed to be the Company for purposes of this Agreement. In the event of any other assignment of this Agreement by the Company, the Company shall remain primarily liable for its obligations hereunder. The Executive expressly acknowledges that Parent and the other Affiliate Companies (and their successors and assigns) are third party beneficiaries of this Agreement and may enforce this Agreement on behalf of themselves or the Company. Both parties agree that there are no third party beneficiaries to this Agreement other than as expressly set forth in this Section 7.9.

7.10 Nonassignability . Neither this Agreement nor any right or interest hereunder shall be assignable by the Executive, his beneficiaries, dependents or legal representatives without the Company's prior written consent; provided , however , that nothing in this Section 7.10 shall preclude (a) the Executive from designating a beneficiary to receive any benefit payable hereunder upon his death or (b) the executors, administrators or other legal representatives of the Executive or his estate from assigning any rights hereunder to the Person(s) entitled thereto.

7.11 No Attachment . Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge or hypothecation in favor of any third party, or to execution, attachment, levy or similar process or assignment by operation of law in favor of any third party, and any attempt, voluntary or involuntary, to effect any such action shall be null, void and of no effect.

7.12 Waiver . No term or condition of this Agreement shall be deemed to have been waived, nor there be any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

7.13 Construction . The headings of articles or sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement. References to days found herein shall be actual calendar days and not business days unless expressly provided otherwise.

7.14 Counterparts . This Agreement may be executed by any of the parties hereto in counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

7.15 Effectiveness . This Agreement shall be effective as of the Effective Date when signed by the Executive and the Company.

7.16 Code Section 409A .

(a) It is the intent of the parties that payments and benefits under this Agreement comply with Section 409A and, accordingly, to interpret, to the maximum extent permitted, this Agreement to be in compliance therewith. If the Executive notifies the Company in writing (with specificity as to the reason therefore) that the Executive believes that any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the parties shall, in good faith, reform such provision to try to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified by the parties to try to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent of the applicable provision without violating the provisions of Code Section 409A. Notwithstanding the foregoing, the Company shall not be required to assume any economic burden in connection therewith.

(b) If the Executive is deemed on the date of "separation from service" to be a "specified employee" within the meaning of that term under Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is specified as subject to this Section, such payment or benefit shall be made or provided at the date which is the earlier of (A) the expiration of the six (6)-month period measured from the date of such "separation from service" of the Executive, and (B) the date of the Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 7.16 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. If a payment is to be made promptly after a date, it shall be made within sixty (60) days thereafter.

(c) Any expense reimbursement under this Agreement shall be made promptly upon Executive's presentation to the Company of evidence of the fees and expenses incurred by the Executive and in all events on or before the last day of the taxable year following the taxable year in which such expense was incurred by the Executive, and no such reimbursement or the amount of expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year, except for (i) the limit on the amount of outplacement costs and expenses reimbursable pursuant to Section 5.1(c) and (ii) any limit on the amount of expenses that may be reimbursed under an arrangement described in Code Section 105(b).

7.17 Survival . As provided in Section 1.3 with respect to expiration of the Term, Articles VI and VII and specified parts of Articles IV and V shall survive the termination or expiration of this Agreement for any reason.

IN WITNESS WHEREOF , the parties have executed this Agreement as of the Effective Date.

BREG, INC.	**EXECUTIVE**
/s/ Alan W. Milinazzo	/s/ Brad Lee
Name: Alan W. Milinazzo	Brad Lee, an individual
Title: Chief Executive Officer	

EXHIBIT A

Definitions

For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

" Affiliate Companies " shall mean, unless otherwise specified, all past and present direct and indirect subsidiaries and parents of the Company.

" Base Amount " shall mean an amount equal to the sum of:

(i) the Executive's annual base salary at the highest annual rate in effect at any time during the Term; and

(ii) the lower of (i) the Executive's target bonus under Section 2.3 in effect during the fiscal year in which termination of employment occurs, or (ii) the average of the Incentive Compensation (as defined in Section 2.3) actually earned by the Executive (A) with respect to the two consecutive annual Incentive Compensation periods ending immediately prior to the year in which termination of the Executive's employment with the Company occurs or, (B) if greater, with respect to the two consecutive annual Incentive Compensation periods ending immediately prior to the Change of Control Date or the Potential Change of Control Date; provided , however , that if the Executive was not eligible for Incentive Compensation for such two consecutive Incentive Compensation periods, the amount included pursuant to this clause (ii) shall be the Incentive Compensation paid to the Executive for the most recent annual Incentive Compensation Period. In the event the Incentive Compensation paid to the Executive for any such prior Incentive Compensation period represented a pro rated full-year amount because the Executive was not employed by the Company for the entire Incentive Compensation period, the Incentive Compensation paid to the Executive for such period for purposes of this clause (ii) shall be an amount equal to such pro-rated full-year amount.

" Board " shall mean the Board of Directors of the Company or a committee thereof.

" Cause " shall mean termination of the Executive's employment because of the Executive's: (i) involvement in fraud, misappropriation or embezzlement related to the business or property of the Company; (ii) conviction for, or guilty plea to, or plea of nolo contendere to, a felony or crime of similar gravity in the jurisdiction in which such conviction or guilty plea occurs; (iii) intentional wrongful disclosure of Confidential Information or other intentional wrongful violation of Article VI; (iv) willful and continued failure by the Executive to follow the reasonable instructions of the Board or the Chief Executive Officer of the Company (or, so long as the Company is a direct or indirect subsidiary of Parent, the Parent Board or the Chief Executive Officer of the Parent); (v) willful commission by the Executive of acts that are dishonest and demonstrably and materially injurious to the Company or any then-current Affiliate Company, monetarily or otherwise; (vi) willful or material violation of, or willful or material noncompliance with, any securities law, rule or regulation or stock exchange listing rule adversely affecting the Company or any then-current Affiliate Company including without limitation (a) if the Executive has undertaken to provide any certification or related back-up material required for the chief and principal executive and financial officers of the Company or any then-current Affiliate Company to provide a certification required under the Sarbanes-Oxley Act of 2002, including the rules and regulations promulgated thereunder (the " Sarbanes-Oxley Act "), and he willfully or materially fails to take reasonable and appropriate steps to determine whether or not the certificate or related back-up material was accurate or otherwise in compliance with the requirements of the Sarbanes-Oxley Act or (b) the Executive's willful or material failure to establish and administer effective systems and controls applicable to his area of responsibility necessary for the Company or any then-current Affiliate Company to timely and accurately file reports pursuant to Section 13 or 15(d) of the Exchange Act. No act or omission shall be deemed willful or material for purposes of this definition if taken or omitted to be taken by Executive in a good faith belief that such act or omission to act was in the best interests of the Company and its then-current Affiliate Companies or if done at the express direction of the Board (or, so long as the Company is a direct or indirect subsidiary of Parent, the Parent Board).

" Change of Control " shall occur upon any of the following events:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), in any individual transaction or series of related transactions, of 50% or more of either (A) the then outstanding shares of common stock of the Company (the " Outstanding Company Common Stock ") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the " Outstanding Company Voting Securities "); excluding , however , the following: (1) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company; (2) any acquisition by the Company, Parent or any direct or indirect subsidiary of the Company or Parent; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or Parent or any entity controlled by the Company or Parent; or (4) any acquisition pursuant to a transaction which complies with clauses (A) and (B) of subsection (ii) of this definition of Change of Control;

(ii) consummation of a reorganization, merger, consolidation or other business combination or the sale or other disposition of all or substantially all of the assets of the Company (any such transaction, a " Company Business Combination "); expressly excluding , however , any such Company Business Combination pursuant to which (A) the Company remains a direct or indirect subsidiary of Parent after such Company Business Combination or (B) all of the following conditions are met: (1) all or substantially all of the Person(s) who are the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively, immediately prior to such Company Business Combination will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Company Business Combination (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Company Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (2) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such entity resulting from such Company Business Combination) will beneficially own, directly or indirectly, 50% or more of, respectively, the outstanding shares of common stock of the entity resulting from such Company Business Combination or the combined voting power of the outstanding voting securities of such entity entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Company Business Combination;

(iii) the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company;

(iv) any other transaction or series of related transactions occur that have substantially the effect of the transactions specified in any of the preceding clauses in this definition; or

(v) a Parent Change of Control occurs during any time when the Company is a direct or indirect subsidiary of Parent.

Notwithstanding the above definition of Change of Control, the Board, in its sole discretion, may determine that a Change of Control has occurred for purposes of this Agreement, even if the events giving rise to such Change of Control are not expressly described in the above definition.

" Change of Control Date " shall mean the date on which a Change of Control occurs.

" Change of Control Period " shall mean the 24 month period commencing on the Change of Control Date; provided , however , if the Company terminates the Executive's employment with the Company prior to the Change of Control Date but on or after a Potential Change of Control Date, and it is reasonably demonstrated that the Executive's (i) employment was terminated at the request of an unaffiliated third party who has taken steps reasonably calculated to effect a Change of Control or (ii) termination of employment otherwise arose in connection with or in anticipation of the Change of Control, then the " Change of Control Period " shall mean the 24 month period beginning on the date immediately prior to the date of the Executive's termination of employment with the Company.

" Code " shall mean the Internal Revenue Code of 1986, as amended.

" Competing Business " means any business or activity that (i) competes with the Company or any then-current Affiliate Company for which the Executive performed services or the Executive was involved in for purposes of making strategic or other material business decisions and involves (ii) (A) the same or substantially similar types of products or services (individually or collectively) manufactured, marketed or sold by the Company or any then-current Affiliate Company during Term or (B) products or services so similar in nature to that of the Company or any then-current Affiliate Company during Term (or that the Company or any then-current Affiliate Company will soon thereafter offer) that they would be reasonably likely to displace substantial business opportunities or customers of the Company or any then-current Affiliate Company.

"Confidential Information" shall include Trade Secrets and includes information acquired by the Executive in the course and scope of his activities under this Agreement, including information acquired from third parties, that (i) is not generally known or disseminated outside the Company or its Affiliate Companies (such as non-public information), (ii) is designated or marked by the Company or an Affiliate Company as "confidential" or reasonably should be considered confidential or proprietary, or (iii) the Company or an Affiliate Company indicates through its policies, procedures, or other instructions should not be disclosed to anyone outside the Company or the Affiliate Companies. Without limiting the foregoing definitions, some examples of Confidential Information under this Agreement include (a) matters of a technical nature, such as scientific, trade or engineering secrets, "know-how", formulae, secret processes, inventions, and research and development plans or projects regarding existing and prospective customers and products or services, (b) information about costs, profits, markets, sales, customer lists, customer needs, customer preferences and customer purchasing histories, supplier lists, internal financial data, personnel evaluations, non-public information about medical devices or products of the Company or an Affiliate Company (including future plans about them), information and material provided by third parties in confidence and/or with nondisclosure restrictions, computer access passwords, and internal market studies or surveys and (c) and any other information or matters of a similar nature.

"Disability" as used in this Agreement shall have the meaning given that term by any disability insurance the Company carries at the time of termination that would apply to the Executive. Otherwise, the term " Disability " shall mean the inability of the Executive to perform his duties and responsibilities under this Agreement as a result of a physical or mental illness, disease or personal injury he has incurred. Any dispute as to whether or not the Executive has a " Disability " for purposes of this Agreement shall be resolved by a physician reasonably satisfactory to the Board and the Executive (or his legal representative, if applicable). If the Board and the Executive (or his legal representative, if applicable) are unable to agree on a physician, then each shall select one physician and those two physicians shall pick a third physician and the determination of such third physician shall be binding on the parties.

" Exchange Act " shall mean the Securities Exchange Act of 1934, as amended.

" Good Reason " shall mean the occurrence of any of the following without the written consent of the Executive: (i) any duties, functions or responsibilities are assigned to the Executive that are materially inconsistent with the Executive's duties, functions or responsibilities with the Company as contemplated or permitted by Section 1.1 or Executive's duties, functions or responsibilities with the Company are materially diminished from those existing as of the date of this Agreement; (ii) any action by the Company that results in a material adverse change in the nature or scope of the position, power, duties, functions, responsibilities or authorities of the Executive with the Company from those contemplated or permitted by Section 1.1; (iii) the base salary of the Executive is materially reduced; (iv) there is, other than as a result of or in connection with the Company ceasing to be a direct or indirect subsidiary of Parent, a material adverse change or termination of the Executive's right to participate, on a basis substantially consistent with practices applicable to senior executives of the Company generally, in any bonus, incentive, profit-sharing, stock option, stock purchase, stock appreciation, restricted stock, discretionary pay or similar policy, plan, program or arrangement of the Company, (v) there is any material adverse failure to provide the compensation and benefits contemplated by Sections 2.3, 2.4 and Article III, except where necessary to avoid the imposition of any additional tax under Section 409A of the Code; (vi) there is a material termination or denial of the Executive's right, on a basis substantially consistent with practices applicable generally to senior executives of the Company, to participate in and receive service credit for benefits as provided under, all life, accident, medical payment, health and disability insurance, retirement, pension, salary continuation, expense reimbursement and other employee and perquisite policies, plans, programs and arrangements that generally are made available to senior executives of the Company, except for any arrangements that the Board adopts for select senior executives to compensate them for special or extenuating circumstances or as needed to comply with applicable law or as necessary to avoid the imposition of any additional tax under Section 409A, (vii) any material breach by the Company of its representations under Section 7.7(b), or (viii) without the express written consent of Executive, the permanent relocation by the Company of Executive to a location more than 25 miles from San Diego, California.

" Parent " shall mean Orthofix International N.V., an entity organized under the laws of the Netherlands Antilles.

" Parent Board " shall mean the Board of Directors of Parent or a committee thereof.

" Parent Change of Control " shall occur upon any of the following events:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act), in any individual transaction or series of related transactions, of 50% or more of either (A) the then outstanding shares of common stock of Parent (the " Outstanding Parent Common Stock ") or (B) the combined voting power of the then outstanding voting securities of Parent entitled to vote generally in the election of directors (the " Outstanding Parent Voting Securities "); excluding , however , the following: (1) any acquisition directly from Parent, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Parent; (2) any acquisition by Parent; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Parent or any entity controlled by Parent; or (4) any acquisition pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) of this definition of Parent Change of Control;

(ii) a change in the composition of the Parent Board such that the individuals who as of the Effective Date constitute the Parent Board (the " Incumbent Parent Board ") cease for any reason to constitute at least a majority of the Parent Board; provided , however , for purposes of this paragraph, that any individual who becomes a member of the Parent Board subsequent to the Effective Date, whose appointment, election, or nomination for election by Parent's shareholders was approved by a vote of at least a majority of those individuals who are members of the Parent Board and who were also members of the Incumbent Parent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Parent Board; but provided further that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Parent Board shall not be so considered as a member of the Incumbent Parent Board;

(iii) consummation of a reorganization, merger, consolidation or other business combination or the sale or other disposition of all or substantially all of the assets of Parent (including assets that are shares held by Parent in its subsidiaries) (any such transaction, a " Parent Business Combination "); expressly excluding , however , any such Parent Business Combination pursuant to which all of the following conditions are met: (A) all or substantially all of the Person(s) who are the beneficial owners of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, respectively, immediately prior to such Parent Business Combination will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Parent Business Combination (including, without limitation, an entity which as a result of such transaction owns Parent or all or substantially all of Parent's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Parent Business Combination, of the Outstanding Parent Common Stock and Outstanding Parent Voting Securities, as the case may be, (B) no Person (other than Parent, any employee benefit plan (or related trust) of Parent or such entity resulting from such Parent Business Combination) will beneficially own, directly or indirectly, 50% or more of, respectively, the outstanding shares of common stock of the entity resulting from such Parent Business Combination or the combined voting power of the outstanding voting securities of such entity entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Parent Business Combination, and (C) individuals who were members of the Incumbent Parent Board will constitute at least a majority of the members of the board of directors of the entity resulting from such Parent Business Combination;

(iv) the approval by the shareholders of Parent of a complete liquidation or dissolution of Parent;

(v) the Parent shall sell or dispose of, in a single transaction or series of related transactions, business operations that generated two-thirds of the consolidated revenues of the Parent and its subsidiaries (determined on the basis of Parent's four most recently completed fiscal quarters for which reports have been filed under the Exchange Act) and such disposal shall not be exempted pursuant to clause (iii) of this definition of Parent Change of Control;

(vi) Parent files a report or proxy statement with the Securities and Exchange Commission pursuant to the Exchange Act disclosing in response to Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) that a change of control of Parent has or may have occurred or will or may occur in the future pursuant to any then-existing agreement or transaction; notwithstanding the foregoing, unless determined in a specific case by a majority vote of the Parent Board, a "Parent Change of Control" shall not be deemed to have occurred solely because: (A) an entity in which Parent directly or indirectly beneficially owns 50% or more of the voting securities, or any Parent-sponsored employee stock ownership plan, or any other employee plan of Parent or the Company, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by form or report or item therein, disclosing beneficial ownership by it of shares of stock of Parent, or because Parent reports that a change of control of Parent has or may have occurred or will or may occur in the future by reason of such beneficial ownership or (B) any Parent-sponsored employee stock ownership plan, or any other employee plan of Parent or the Company, either files or becomes obligated to file a report or a proxy statement under or in response to Schedule 13D, Schedule 14D-1, Form 8-K or Schedule 14A (or any successor schedule, form or report or item therein) under the Exchange Act, disclosing beneficial ownership by form or report or item therein, disclosing beneficial ownership by it of shares of stock of Parent, or because Parent reports that a change of control of Parent has or may have occurred or will or may occur in the future by reason of such beneficial ownership; or

(vii) any other transaction or series of related transactions occur that have substantially the effect of the transactions specified in any of the preceding clauses in this definition.

" Person " shall include individuals or entities such as corporations, partnerships, companies, firms, business organizations or enterprises, and governmental or quasi-governmental bodies.

" Potential Change of Control " shall mean the earliest to occur of: (i) the date on which the Company (or an applicable Affiliate Company) executes an agreement or letter of intent, the consummation of the transactions described in which would result in the occurrence of a Change of Control or (ii) the date on which the Board approves a transaction or series of transactions, the consummation of which would result in a Change of Control, and ending when, in the opinion of the Board, the Company or the respective third party has abandoned or terminated any Potential Change of Control.

" Potential Change of Control Date " shall mean the date on which a Potential Change of Control occurs; provided , however , such date shall become null and void when, in the opinion of the Board, the Company or the respective third party has abandoned or terminated any Potential Change of Control.

" Prohibited Area " means North America, South America and the European Union, which Prohibited Area the parties have agreed to as a result of the fact that those are the geographic areas in which the Company conducts a preponderance of its business and in which the Executive provides substantive services to the benefit of the Company.

" Section 409A " shall mean Section 409A of the Code and regulations promulgated thereunder (and any similar or successor federal or state statute or regulations).

" Trade Secrets " are information of special value, not generally known to the public that the Company or any Affiliate Company has taken steps to maintain as secret from Persons other than those selected by the Company or any Affiliate Company.

Exhibit 10.50

January 29, 2010

Mr. Ray Kolls
13809 Tributary Court,
Davidson, NC 28036

Dear Ray:

Reference is made to your Amended and Restated Employment Agreement with Orthofix Inc. (the "Company"), dated December 6, 2007 (the "Agreement"). As you and the Company previously agreed and determined on November 3, 2009, you will cease to serve as an officer and employee of the Company as of the close of business on March 31, 2010 (the "Separation Date"). This letter serves to memorialize the terms that you and the Company have previously agreed regarding your cessation of employment on the Separation Date. All terms described herein are subject to you continuing to work for the Company until the Separation Date. In the event that you voluntarily leave the employ of the Company prior to the Separation Date, the agreements described in this letter shall be null and void and your resignation from the Company shall be treated in accordance with the terms of the Agreement.

As agreed, your cessation of employment on the Separation Date shall be treated as a termination without "Cause" pursuant to Section 4.5 of the Agreement, and this letter shall serve as a "Notice of Termination" by the Company as defined under Section 4.8 of the Agreement. Until the Separation Date, you will be paid your regular salary, the Agreement will remain in effect, and you will continue to serve as an employee of the Company (as well as in your capacity as Senior Vice President, General Counsel and Corporate Secretary of the Company and Orthofix International N.V.), all as required by and set forth in the Agreement.

As provided in your Agreement, this termination on the Separation Date entitles you to the following on or after the Separation Date:

- A cash severance payment in an amount equal to the "Base Amount" as defined in the Agreement, as set forth in Section 5.1(b) of the Agreement (the "Severance Payment");

- The ability to continue certain welfare benefit plans until the earlier of the date that is twelve (12) months following the Separation Date (the "One Year Anniversary Date") or the date that you secure coverage from new employment (the "New Coverage Date"), as set forth in Section 5.1(d) of the Agreement; and

- Accelerated vesting of your stock options and an extended post-termination exercise period as set forth in Section 5.1(c) of the Agreement.

In addition, you and the Company agree that notwithstanding anything to the contrary in the Agreement, and in consideration of the mutual agreements being made pursuant to this letter, (i) prior to the Separation Date, you will receive your bonus for the 2009 calendar year (which we expect to be approximately $145,000), payable in the ordinary course at the same time bonuses are paid to other executives of the Company, (ii) "Base Amount" for purposes of calculating the Severance Amount described above shall equal $435,000, (iii) you will not be entitled to a pro rata bonus payment for the 2010 calendar year, and (iv) your right to receive reimbursement of outplacement services, as set forth in Section 5.1 (e) of the Agreement, shall be reduced from $25,000 to $13,000.

Notwithstanding the foregoing and the terms of Section 5.1(d) of the Agreement, the Company hereby agrees that, to the extent you have not secured health coverage from new employment by the One Year Anniversary Date, the Company will permit you to continue to receive, and shall pay the cost of, COBRA health coverage under the Company's health plan following the One Year Anniversary Date until the earlier of (a) the date that is eighteen (18) months following the Separation Date (the "Eighteen Month Anniversary Date") or (b) the New Coverage Date, provided, however, that you and your eligible dependents must continue to make any required co-payments, deductibles, premium sharing or other cost-splitting arrangements you were otherwise paying immediately prior to the Separation Date and nothing herein shall require the Company to be responsible for such items. In addition, notwithstanding the terms of Section 5.1(d) of the Agreement, the Company hereby agrees that, to the extent you have not secured health coverage from new employment by the Eighteen Month Anniversary Date (at which time you will no longer be eligible to receive COBRA health coverage under the Company's health plan), the Company shall, until the earlier of the New Coverage Date or the date that is two (2) years following the Separation Date, reimburse you for the lesser of (x) your out-of-pocket monthly cost to obtain substantially similar health coverage from a third party provider or (y) $2,000 per month.

In consideration for the additional consideration and benefits being provided to you by the Company as described in this letter (including in the preceding paragraph), you, the Company, and Orthofix International N.V. each hereby agree that, if you continue to work for the Company until the Separation Date, then notwithstanding the terms of Section 5.1(c) of the Agreement and the terms of your stock option award agreements, each of your Orthofix International N.V. stock options (which in such event will become vested in full on March 31, 2010 to the extent not already vested) shall expire, and shall no longer be exercisable, on the earlier of (i) March 31, 2015 or (ii) the date that such stock option would otherwise have expired by its original terms had your employment not terminated.

Following your Separation Date, upon the Company's reasonable request and your future willingness to provide such services, you may provide consulting services to the Company to advise on certain litigation-related matters. The Company will reimburse you at the rate of $300 per hour for such consulting services, plus any reasonable and documented travel-related or other out-of-pocket expenses (which shall not exceed $1,500 without the prior written consent of the Company) you incur. In addition, the Company shall agree to indemnify you in connection with the rendering of such consulting services pursuant to a customary indemnification agreement in a form acceptable to you and the Company.

We understand you desire to avoid the imposition of tax under Section 409A of the Internal Revenue Code, as amended (the "Code"). As such, you are required to wait six months and one day from the Separation Date (the "Payment Date") to receive the Severance Payment. In addition, as required by Section 5.1(e) of the Agreement, if you desire to continue welfare coverage in any plan other than medical or dental, you must pay the full cost of continuation of such benefits until the Payment Date, at which time the Company will reimburse you for the difference between the full cost and the costs you were paying for such coverage prior to the Separation Date. You also understand that your receipt of the Severance Payment and other benefits under the Agreement are contingent on your signing (and not revoking) a release in the form attached hereto as Exhibit A on or after the Separation Date (the "Release"). We will pay you the Severance Payment on the Payment Date only if prior to the Payment Date you have signed and returned to the Company the Release and the applicable revocation period has expired. We will have no obligation to pay you the Severance Payment or provide you the other benefits if you do not sign the Release by the Payment Date and if the applicable revocation period has not expired by the Payment Date. The payments described in this letter (the "Payments") are intended by you and the Company to comply with Section 409A of the Code, and the guidance and Treasury Regulations issued thereunder to the extent applicable thereto, and this letter will be interpreted and construed consistent with this intent. Notwithstanding the foregoing, the Company will not be required to assume any increased economic burden in connection with the Payments. The Company does not represent or warrant that the Payments will comply with Section 409A of the Code or any other provision of federal, state, or local law. Neither the Company, nor any parent or affiliate, nor its or their respective directors, officers, employees or advisers (collectively, the "Parent Group") will be liable to you (or to any other individual claiming a benefit through you) for any tax, interest, or penalties you might owe as a result of the Payments, and no member of the Parent Group shall have any obligation to indemnify or otherwise protect you from the obligation to pay any taxes pursuant to Section 409A of the Code.

At this time, we also would remind you of your non-competition, non-solicitation, confidentiality and other obligations under the Agreement. For the avoidance of doubt, nothing in this letter limits or alters your post-termination obligations to the Company and its affiliates under Section 6 of the Agreement or otherwise, all of which will remain in effect in accordance with the Agreement following the date hereof and the Separation Date.

The Company hereby agrees that it will pay up to $10,000 (which amount includes bills already reimbursed by the Company and/or Orthofix International N.V. on this matter) in reasonable, documented legal fees and expenses of your counsel in connection with your review of this letter (including the consulting arrangement contemplated above and any related ancillary agreements).

Please indicate your agreement and acknowledgment to the above by signing where indicated below and returning a copy to me. Your signature below will also constitute resignation by you, as of the Separation Date, from all officer and director positions with the Company or any of its parents or affiliates, as required by the Agreement.

Sincerely,

ORTHOFIX INC.

/s/ Alan W. Milinazzo
Alan W. Milinazzo
President and Chief Executive Officer

Acknowledged and Accepted:

/s/ Raymond C. Kolls
Raymond C. Kolls
Dated: January 29, 2010

cc: Thomas P. Desmond at Vedder, Price, Kaufman & Kammholz, P.C.

EXHIBIT A

RELEASE

In exchange for the consideration set forth in the Amended and Restated Employment Agreement, dated as of December 6, 2007, by and among Orthofix Inc. (the " Company ") and myself (the " Employment Agreement "), as amended and supplemented by that certain letter agreement between the Company and myself dated January 29, 2010 (the " Letter Agreement "), the respective terms of which are incorporated herein by reference, I, Raymond C. Kolls, am entering into this Release Agreement (this " Release ") for good and valuable consideration as required by the Employment Agreement, and agree as follows:

1. GENERAL RELEASE.

(a) On behalf of myself, my heirs, executors, successors and assigns, I irrevocably and unconditionally release, waive and forever discharge the Company, its members, divisions, subsidiaries, affiliates and related companies, including the Company Group (as defined below), or any member of the Company Group, and their present and former agents, employees, officers, directors, attorneys, stockholders, plan fiduciaries, successors and assigns (collectively, the " Releasees "), from any and all claims, demands, actions, causes of action, costs, fees and all liability whatsoever, whether known or unknown, fixed or contingent, suspected or unsuspected (collectively, " Claims "), which I had, have, or may have against Releasees relating to or arising out of my employment by or separation from the Company and its direct and indirect subsidiaries and parents (collectively, the "Company Group"), up to and including the date of execution of this Release, other than my right to receive the Severance Payment and other benefits and consideration described in the Letter Agreement. This Release includes, without limitation: (i) claims at law or equity or sounding in contract (express or implied) or tort, including but not limited to claims under the Employment Agreement; (ii) claims arising under any federal, state or local laws of any jurisdiction that prohibit age, sex, race, national origin, color, disability, religion, veteran or military status, sexual orientation or any other form of discrimination, harassment or retaliation (including, without limitation, the Civil Rights Act of 1866, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, Title VII of the 1964 Civil Rights Act, the Civil Rights Act of 1991, the Rehabilitation Act, the Family and Medical Leave Act, the Sarbanes-Oxley Act, the Employee Polygraph Protection Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Unruh Civil Rights Act, or any other federal, state or local laws, regulations and ordinances governing discrimination, harassment or retaliation in employment; and the right to bring demands, complaints, causes of action, and claims under any other federal, state, local or common law, statute, regulation or decision); (iii) claims arising under the Employee Retirement Income Security Act; or (iv) any other statutory or common law claims related to my employment with the Company or my separation from the Company. I further covenant not to sue any of the Releasees with respect to any matters released hereby.

(b) This Release does not include a release of any rights and claims to any benefits to which I might be entitled under the terms of any employee benefit plan maintained by the Company, or any member of the Company Group, in which I am a participant. This release also does not include a release or waiver of any rights or claims I have, or might subsequently have (i) under the Indemnity Agreement between Orthofix International, N.V. and me or (ii) in my capacity as a stockholder of Orthofix International N.V. In addition, this Release shall not release the Company from its continuing obligation to honor the terms of the Employment Agreement and the Letter Agreement. However, this Release shall remain in full force and effect regardless of any claim by me that the Company failed to honor the terms of the Employment Agreement or the Letter Agreement. In the event of any such dispute, my sole remedy against the Company shall be to enforce the terms of the Employment Agreement and the Letter Agreement. I am also not waiving, and nothing in this Release is intended to waive, any right to coverage under any directors and officers insurance coverage, if any, or any employed lawyers insurance coverage provided by the Company, the Company Group, or any member of the Company Group, to which I might be entitled. I am also not waiving, and nothing in this Release is intended to waive any claims I may have for unemployment insurance or workers' compensation benefits, state disability compensation, claims for any vested benefits under any Company-sponsored benefit plan, or any claims that, as a matter of law, may not be released by private agreement. I am also not waiving, and nothing in this Release is intended to waive, any claims relating to the validity or enforceability of this Release; or any non-waivable right to file a charge with the United States Equal Employment Opportunity Commission (the "EEOC") or the National Labor Relations Board ("NLRB"); provided, however, that I shall not be entitled to recover any monetary damages or to non-monetary relief if the EEOC or NLRB were to pursue any claims relating to my employment with the Company.

EXCEPT AS OUTLINED ABOVE, THIS MEANS THAT, BY SIGNING THIS AGREEMENT, I WILL WAIVE ANY RIGHT I MAY HAVE HAD TO PURSUE OR BRING A LAWSUIT OR MAKE ANY LEGAL CLAIM AGAINST THE COMPANY OR THE RELEASEES THAT IN ANY WAY ARISES FROM OR RELATES TO MY EMPLOYMENT OR THE TERMINATION OF THAT EMPLOYMENT, UP TO AND INCLUDING THE DATE OF THE EXECUTION OF THIS AGREEMENT.

(c) I acknowledge that different or additional facts may be discovered in addition to what I now know or believe to be true with respect to the matters herein released, and I agree that this Release shall be and remain in effect in all respects as a complete and final release of the matters released, notwithstanding any such different or additional facts. I represent and warrant that I have not previously filed or joined in any claims against the Company or any of the Releasees, that I have not given or sold any portion of any claims released herein to anyone else, and that I will indemnify and hold harmless the Releasees from all liabilities, claims, demands, costs, expenses and/or attorneys' fees incurred as a result of any such assignment or transfer.

(d) I acknowledge that I have been given an opportunity of twenty-one (21) days to consider this Release, but I may voluntarily waive that period by signing it earlier, and I acknowledge that I am being advised herein to consult with legal counsel of my own choosing prior to executing this Release. I understand that for a period ending at the end of the seventh calendar day following my execution of this Release ("Revocation Period"), I shall have the right to revoke this Release by delivering a written notice of revocation to Robert S. Vaters, Orthofix Inc., Chief Financial Officer, 800 Boylston Street, 15th Floor, The PRU Tower, Boston, MA 02199 no later than the end of the seventh calendar day after I sign this Agreement. I understand and agree that this Release will not be effective and enforceable until after the Revocation Period expires without revocation, and if I elect to exercise this revocation right, this Release shall be voided in its entirety, and the Company shall be relieved of all obligations under this Release and certain or all obligations under the Employment Agreement and the Letter Agreement as provided respectively therein. This Release shall be effective on the eighth calendar day after it is executed by me ("Effective Date") provided it has not been previously revoked as provided herein.

2. I agree to keep this Release and its terms completely confidential; however, I may disclose the terms of this Release to my spouse, accountants, tax advisors, attorneys, or as otherwise required by law. I agree not to disclose, publish or use any confidential information of the Company Group, except as the Company directs or authorizes unless required by law to do so. I also agree that I will take all reasonable measures to protect the secrecy of and avoid disclosure and unauthorized use of confidential information of the Company Group, and I will immediately notify the Company in the event of any unauthorized use or disclosure of the Company Group's confidential information of which I become aware. I agree that the obligations set forth in this paragraph do not supersede, but are in addition to, any previous confidentiality obligations, including those under the Employment Agreement. The confidentiality provisions set forth in this Release and the Employment Agreement are contractual and their terms are material to this Release.

3. I agree that I have not made and shall not make, publicly or privately, any critical or negative comments to the media or any significant critical or negative comments to any other person (including future or prospective employees) regarding any of the Releasees.

4. I understand it is my choice whether or not to enter into this Release and that my decision to do so is voluntary and is made knowingly.

5. I represent and acknowledge that in executing this Release, I do not rely, and have not relied, on any communications, statements, inducements or representations, oral or written, by any of the Releasees, except as expressly contained in this Release.

6. I also represent and warrant that, as of the date hereof, I have delivered to the Company all documents and materials in my possession or control that are required to be returned to the Company under Section 6.5 of the Employment Agreement.

7. The Company and I agree that this Release shall be binding on us and our heirs, administrators, representatives, executors, successors and assigns, and shall inure to the benefit of our heirs, administrators, representatives, executors, successors and assigns.

8. This Release shall be interpreted under and governed by the laws of the State of North Carolina. The Company and I agree that the language of this Release shall in all cases be construed as a whole, according to its fair meaning, and not strictly for or against either party.

9 The Company and I agree that should that any provision of this Release be determined to be illegal or invalid, the validity of the remaining provisions will not be affected and any illegal or invalid provision will be deemed not to be a part of this Release.

10. The Company and I agree that this Release may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument.

(*Remainder of this page intentionally left blank*)

Please read carefully as this document includes a General Release of claims.

As evidenced by my signature below, I certify that I have read the above Release and agree to its terms.

/s/ Raymond C. Kolls
Raymond C. Kolls

Date: January 29, 2010

Accepted and Acknowledged:
ORTHOFIX INC.
By: /s/ Alan W. Milinazzo

Title: President and Chief Executive Officer

Date: January 29, 2010

SIGNATURE PAGE TO KOLLS RELEASE AGREEMENT

Exhibit 10.51

CONFIDENTIAL TREATMENT HAS BEEN REQUESTED FOR PORTIONS OF THIS DOCUMENT. THE CONFIDENTIAL PORTIONS HAVE BEEN REDACTED AND ARE DENOTED BY AN ASTERIK IN BRACKETS [*]. THE CONFIDENTIAL PORTIONS HAVE BEEN SEPARATELY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION.

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT

by and between

MUSCULOSKELETAL TRANSPLANT FOUNDATION, INC.

("MTF")

and

ORTHOFIX HOLDINGS, INC.

("ORTHOFIX")

[*] Certain confidential information contained in this document, marked with an asterisk in brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT

THIS MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT (this " Agreement ") is dated as of July 24, 2008 and effective as of the Effective Date (as defined herein), by and between Musculoskeletal Transplant Foundation, Inc., a non-profit corporation formed under the laws of the District of Columbia, and having a principal place of business at 125 May Street, Suite 300, Edison, New Jersey 08837 (" MTF "), and Orthofix Holdings, Inc., a corporation organized under the laws of the State of Delaware, and having a principal place of business at 10115 Kincey Avenue, Suite 250, Huntersville, North Carolina 28078 (" Orthofix ") (each individually a " Party " and collectively the " Parties ").

W I T N E S S E T H :

WHEREAS , the Parties desire to collaborate with respect to the development and commercialization of an allogeneic cancellous bone matrix containing viable mesenchymal stem cells and/or osteoprogenitor cells and conforming to the Specifications (as defined herein) (the " Matrix ");

WHEREAS, neither Party currently makes the Matrix commercially available, and the Parties believe that they can develop and commercialize the Matrix more effectively and efficiently together than on their own;

WHEREAS , in furtherance of the foregoing, simultaneously on the date hereof, Orthofix and MTF have entered into that certain Matrix Development Collaboration Agreement dated as of the date hereof (the " Development Agreement "), pursuant to which the Parties will collaborate on research and development of the Matrix and further modification of the Specifications (as defined therein and, for purposes hereof, as the same are revised or supplemented from time to time during the Term in accordance with Section 10.4 , the " Specifications ");

WHEREAS , pursuant to the Development Agreement, (a) each of MTF and Orthofix will retain ownership of all right, title and interest in and to all of the Existing MTF Technology (as defined herein) and the Existing Orthofix Technology (as defined herein), respectively, and (b) each of MTF and Orthofix will assign to the other Party an undivided joint ownership interest in and to all right, title and interest in all Developed Technology (as defined herein);

WHEREAS , the Parties wish, subject to the terms and conditions hereof, to collaborate on the commercialization of the Matrix and, to effectuate that collaboration, wish to give exclusive responsibility to (a) MTF to Process (as defined herein) quantities of the Matrix using human tissue procured by MTF and fulfill orders for the Matrix submitted to MTF and (b) Orthofix to market the Matrix;

WHEREAS , in furtherance of the foregoing, the Parties wish, subject to the terms and conditions hereof, to specify which of them will be responsible financially and otherwise for each type of activity related to the commercialization of the Matrix during the Term (as defined herein) and the manner in which the Parties will allocate the Service Fees (as defined herein) resulting from transfers of the Matrix during the Term;

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[*] Certain confidential information contained in this document, marked with an asterisk in brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

WHEREAS , subject to the terms and conditions hereof (a) MTF wishes to grant to Orthofix certain rights with respect to the Existing MTF Technology and with respect to MTF's joint ownership interest in the Developed Technology, and (b) Orthofix wishes to grant to MTF certain rights with respect to the Existing Orthofix Technology and with respect to Orthofix's joint ownership interest in the Developed Technology; and

WHEREAS , this Agreement will become effective on the Effective Date.

NOW, THEREFORE , in consideration of the foregoing premises and mutual covenants and promises set forth herein, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Capitalized terms used herein which are not otherwise defined in the text of this Agreement will have the respective meanings assigned thereto in Addendum I attached hereto and incorporated herein by reference, for all purposes of this Agreement (such definitions to be equally applicable to both the singular and the plural forms of the terms defined). Whenever the context may require, any pronoun will include the corresponding masculine, feminine and neuter forms.

ARTICLE II
SUPPLY OF MATRIX; APPOINTMENT; FORECASTS; ORDERS; ETC.

2.1 Supply of Matrix.

(a) Supply and Distribution of Matrix . Subject to the provisions of this Agreement and during the Term hereof, Orthofix agrees to use Reasonable Commercial Efforts to market the Matrix and achieve maximum orders therefor, and will have the right to solicit and place with MTF orders for the Matrix (such orders conforming to the provisions of this Agreement, together with any orders placed directly with MTF by Customers and accepted by MTF, collectively referred to herein as the " Authorized Orders "); and, subject to the provisions of this Agreement and during the Term hereof, MTF agrees to use Reasonable Commercial Efforts to Process, supply and distribute the Matrix. In exchange for MTF's supply and distribution of the Matrix pursuant to and in accordance with Authorized Orders, MTF will be entitled to the Service Fee established in accordance with Section 4.1 for each delivery of the Matrix and to retain the Service Fee it collects for each transaction less the Marketing Fee payable to Orthofix.

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(b) Obligation to Supply . Each calendar quarter, MTF will use Reasonable Commercial Efforts to Process, supply and distribute to the recipients identified in the Authorized Orders (the " Customers ") such quantities of the Matrix for which Orthofix solicits orders pursuant to the provisions of this Agreement up to the quantity forecasted for such calendar quarter in the most recent Forecast. MTF will use good faith efforts to Process, supply and distribute to the Customers any quantities of the Matrix for which Orthofix solicits orders pursuant to the provisions of this Agreement, to the extent that such quantities cause total quantities of orders solicited by Orthofix during a calendar quarter to exceed the quantity forecasted for such calendar quarter in the most recent Forecast. Notwithstanding any provision to the contrary contained in this Agreement, the Parties acknowledge that Orthofix will not be construed as a Customer hereunder and will not purchase Matrix for its own account or for redelivery. If MTF determines that it is reasonably likely to default in any material respect in its obligation above to deliver such quantities of Matrix in accordance with the terms of this Agreement as called for in any Authorized Order for any calendar quarter, (i) MTF will give Orthofix prompt written notice describing such circumstances, together with a proposed course of action to remedy such failure, including if applicable, any actions described in the Contingency Plan, and (ii) the Steering Committee will determine the priority in which MTF will fulfill Authorized Orders, subject to MTF's obligations under its agreements with Third Parties.

(c) Exclusive Arrangement . During the Term (i) MTF may not Process, supply or distribute the Matrix to or on behalf of any Third Party, other than a Customer, (ii) Orthofix may not market or solicit orders for the Matrix except in accordance with ARTICLE V , and (iii) Orthofix may not Process, supply or distribute the Matrix, or procure the Processing, supply or distribution of the Matrix, except pursuant to the provisions of this Agreement with respect to the Collaboration.

(d) Supply . Beginning on the Effective Date and at the beginning of each calendar quarter thereafter through the end of the Term, MTF will use Reasonable Commercial Efforts: (x) to maintain in inventory a commercially-saleable quantity of the Matrix that is sufficient to satisfy [*] percent ([*]%) of [*] ([*]) days of Orthofix's requirements for the Matrix for such calendar quarter as identified in the Forecast submitted by Orthofix for such calendar quarter; and (y) throughout each calendar quarter during the Term, to Process, on a daily basis, sufficient commercially-saleable quantities of the Matrix to enable timely fulfillment of Orthofix's requirements for the Matrix for the remaining periods covered by such Forecast.

(e) Failure to Supply . If at any time MTF is unable, as a result of the circumstances contemplated by the Contingency Plan, in any material respect to fulfill Authorized Orders for the Matrix solicited by Orthofix in accordance with the provisions of this Agreement which do not cause the total quantities of the Matrix for which Orthofix solicits orders pursuant to the provisions of this Agreement during a calendar quarter to exceed the Forecast for such calendar quarter, MTF will be obligated to implement the Contingency Plan to remedy such failure. If MTF is unable to fulfill Authorized Orders for the Matrix solicited by Orthofix in accordance with the provisions of this Agreement sufficient to meet the Forecast for a period of two (2) consecutive calendar quarters, then Orthofix may elect, by written notice to MTF, to have all Authorized Orders for the Matrix solicited by Orthofix fulfilled by an alternative source of supply pursuant to those standards contained in this Agreement relevant to the Processing and supply of the Matrix, applied mutatis mutandis ; provided, however, that upon MTF's demonstration to Orthofix that it is in compliance with Section 2.1(d) and is able to fulfill Authorized Orders in the amount of Orthofix's Forecast for the then-current calendar quarter, Orthofix will use Reasonable Commercial Efforts to transition fulfillment of Authorized Orders to MTF as promptly as practicable after such demonstration.

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2.2 Forecasts. The Parties acknowledge and agree that the collection of Donor Tissue involves significant procurement lead times and the Parties will cooperate in a mutual effort to predict demand for the Matrix in order to maintain high levels of fulfillment to Customers. Orthofix will submit to MTF no later than the fifteenth (15 th) day of the month preceding the start of every calendar quarter (i.e., December 15, March 15, June 15, and September 15) during the Term, a rolling forecast (a " Forecast ") setting forth orders that Orthofix reasonably believes will be solicited by Orthofix during the four (4) calendar quarters commencing with the beginning of the subsequent calendar quarter. Each Forecast will amend the prior forecasts for periods covered by the new Forecast. Orthofix will make all Forecasts in good faith given market and other information available to Orthofix; provided , however , under no circumstances whatsoever will any Forecasts made hereunder be deemed to be an order for the production of the Matrix or otherwise binding on Orthofix or its Affiliates. The Forecast (and each modification thereof) will be subject to approval by the Steering Committee.

2.3 Orders; Fulfillment. Each order solicited by Orthofix shall be subject to acceptance in accordance with the MTF's customary order acceptance procedures with respect to the Matrix, which as currently in effect are set forth in Exhibit A attached hereto and incorporated herein by reference and are subject to change from time to time by MTF; it being acknowledged and agreed that MTF may reject any order in the event of reasonable concerns regarding the creditworthiness of the proposed Customer and the ability of the proposed Customer to pay the Service Fee related to such order. Any and all orders subject to MTF's standard terms and conditions, including, without limitation, its standard warranty, with respect to the Matrix. MTF will use Reasonable Commercial Efforts to supply and deliver the Matrix in accordance with Section 2.1(b) on the delivery dates specified in such Authorized Order, subject to a minimum lead-time of 45 days to fill such Authorized Order assuming donor availability, unless otherwise mutually agreed in writing by MTF and such Customer. MTF will use good faith efforts to meet any request of Customers for delivery of Matrix in inventory in less than 7 days, and further, MTF will attempt to accommodate any changes requested by any Customer in delivery schedules for the Matrix following MTF's receipt of Authorized Orders from such Customer. MTF will provide to Orthofix copies of any Authorized Orders sent directly to MTF by Customers, promptly after the receipt thereof by MTF. MTF will not be entitled to accept any orders for the Matrix other than Authorized Orders.

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2.4 Packaging, Delivery and Shipping Terms. MTF will use Reasonable Commercial Efforts to package and label all Matrix for shipment as determined by Orthofix subject to the immediately succeeding sentence. Orthofix will determine all trademarks, branding, marketing, packaging and labeling to be used in connection with the Matrix; provided , however , that MTF will have the right to consent to all packaging and labeling, which consent will not be unreasonably withheld, conditioned or delayed so long as such packaging and labeling is in compliance with applicable Laws and the Specifications and includes a prominent reference in form approved by MTF and reasonably acceptable to Orthofix that the Matrix is supplied by MTF. Each Party will provide the other Party with at least thirty (30) days prior written notice of any packaging or labeling changes (including brand names) for approval as aforesaid, and MTF will be entitled to recover, and Orthofix will be responsible to pay to MTF, all reasonable out-of-pocket costs that MTF incurs associated with any packaging and labeling change requested by Orthofix; provided , further , that, after receipt of any change notice from Orthofix, MTF will use Reasonable Commercial Efforts to minimize such costs. Each shipment of the Matrix will have a unique identification number that identifies the Lot.

2.5 Materials and Components. MTF will use Reasonable Commercial Efforts to provide, at its cost and expense, all materials, including Donor Tissue, equipment, machinery, facilities, components, and other resources required in connection with Processing of the Matrix hereunder. MTF agrees that it will conduct audits of its suppliers of materials, including Donor Tissue, and components of the Matrix hereunder on such basis as MTF may reasonably determine to monitor whether such suppliers are producing the materials and components in accordance with all applicable Laws and to determine whether such suppliers will continue to be able to supply a sufficient quantity and quality of such materials and components.

2.6 Billing and Collection. MTF will submit invoices in its customary form for each shipment of the Matrix to the Customer simultaneously with shipment. Customers will be required to remit the total amount of Service Fees identified in such invoice within thirty (30) days of the invoice date. In the event any such Customer fails to pay the Service Fee in accordance with this Section 2.6 , MTF may, in addition to any other remedies available to it, assess interest on all unpaid amounts. MTF will use Reasonable Commercial Efforts to timely collect all Service Fees.

2.7 Customer Support. MTF will be primarily responsible for providing prompt pre- and post-distribution service for the Matrix. MTF will use Reasonable Commercial Efforts timely to respond to general questions from Customers, recipients of the Matrix pursuant to Authorized Orders and any physician user or similar clinical personnel user of the Matrix concerning the Matrix, and assist such Persons in the diagnosis and correction of problems encountered in connection with the Matrix. Each of the Parties will: (a) conduct the Collaboration in a manner that reflects favorably at all times on the Matrix and the good name, good will and reputation of each of MTF and Orthofix; (b) avoid deceptive, misleading or unethical practices that are or might be detrimental to Orthofix, MTF, the Matrix or the public; (c) make no false or misleading representations with regard to Orthofix, MTF or the Matrix; (d) make no representations, warranties or guarantees to Customers or recipients of the Matrix pursuant to Authorized Orders with respect to the Specifications, features or capabilities of the Matrix that are inconsistent with the mutually agreed-upon literature and other marketing materials distributed by Orthofix or that are otherwise prohibited by this Agreement; and (e) not enter into any contract or engage in any practice detrimental to the interests of Orthofix, MTF or the Matrix.

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2.8 Marketing Support. MTF will provide such support of Orthofix's marketing activities during the Term as Orthofix may reasonably request from time to time. MTF will use Reasonable Commercial Efforts to answer promptly queries concerning the Matrix or use of the Matrix which Orthofix may submit to MTF in connection with Orthofix's marketing activities under this Agreement.

2.9 Subcontracting . Each Party has the right, exercisable in its sole discretion, to subcontract or delegate any of its responsibilities under this Agreement without the prior written consent of the other Party. Each Party's subcontractors will be subject to confidentiality obligations at least as stringent as provided in this Agreement. All Improvements discovered, made or conceived by each subcontractor in the course of performance of such activities will be assigned to the Subcontracting Party and will be deemed to be Developed Technology for purposes of this Agreement. Notwithstanding any subcontract hereunder, each Party will be responsible, and will remain liable, for the performance of all of its obligations under this Agreement and for any breach thereof by any of its subcontractors and by any further subcontractor of any of its subcontractors.

ARTICLE III
STEERING COMMITTEE

3.1 Membership. Contemporaneously with the execution and delivery of this Agreement, the Parties will establish, and will maintain throughout the Term, a Steering Committee consisting of an even number of members agreed upon by the Parties, an equal number of whom will be designated by each Party and act as its representatives, to supervise and manage the activities of the Parties under this Agreement and the Collaboration, subject to the provisions of this Agreement. Steering Committee representatives of each Party will, individually or collectively, have expertise and/or responsibility to such Party in business and/or tissue development. Subject to the obligation to use good-faith efforts to preserve the continuity of Steering Committee membership, each Party may replace any or all of its representatives on the Steering Committee at any time upon written notice to the other Party, and any member of the Steering Committee may designate a substitute to attend and perform the functions of that member at any meeting of the Steering Committee. The initial members of the Steering Committee are identified in Exhibit B attached hereto. With the prior written consent of the Steering Committee in each case, a representative of a Party on the Steering Committee may invite one or more non-members (subject to the confidentiality provisions set forth in ARTICLE XVI) as deemed necessary to help explore and consider matters before the Steering Committee.

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3.2 **Meetings.** The Steering Committee will meet on a monthly basis, in person, or via telephone or video conference, and more frequently as the Steering Committee deems appropriate, on such dates, and at such places and times, as the Steering Committee determines. Meetings of the Steering Committee that are held in person will alternate between the offices of the Parties, or such other place as the Steering Committee may determine. The members of the Steering Committee also may convene or be polled or consulted from time to time by means of telecommunications, videoconferences, electronic mail or other correspondence, as deemed necessary or appropriate and as the Steering Committee may determine.

3.3 **Authority.** The Steering Committee is authorized to take the following actions:

(a) facilitate the Parties' exchange of information to be provided under this Agreement concerning the overall strategy and progress of the Collaboration;

(b) ensure open communication between the Parties as related to the Collaboration and as provided under this Agreement;

(c) approve the Forecasts and any changes thereto;

(d) determine any priorities in fulfilling Authorized Orders in the circumstances described under the last sentence of Section 2.1(b) hereof; and

(e) subject to the terms and provisions of this Agreement, resolve any other issues and questions that may arise under this Agreement that are expressly assigned to the Steering Committee by the terms hereof or by the mutual agreement of the Parties.

For avoidance of doubt, the Steering Committee will not have the power to amend or waive compliance with this Agreement.

3.4 **Actions.** The Steering Committee will operate by consensus, and the representatives of each Party will have a single collective vote. If the Steering Committee cannot reach consensus on any matter by the end of the meeting immediately following the meeting during which the Steering Committee first attempted to reach consensus on such matter, the matter will be escalated promptly to the Chief Executive Officer of MTF and the Chief Executive Officer of Orthofix for resolution pursuant to the dispute resolution procedure set forth in ARTICLE XIX .

3.5 Expenses. Each Party will be responsible for all travel and related costs and expenses for its members and approved invitees to attend meetings of, and otherwise participate on, the Steering Committee.

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ARTICLE IV
SERVICE FEE; AUDIT

4.1 Service Fee.

(a) Service Fee . Orthofix will, in compliance with all applicable Laws, propose the service fees for Processing, marketing and sale of the Matrix pursuant to an Authorized Order (a " Service Fee ") at least annually at the beginning of each calendar year or as market conditions warrant, which shall in each instance be subject to concurrence by MTF in its reasonable discretion. Notwithstanding anything in this Agreement to the contrary, MTF will be entitled to retain, after payment of applicable Marketing Fees to Orthofix pursuant to Section 5.2 , the remainder of the Service Fee which in no event will (unless otherwise agreed upon by the Parties) equate to less than $[*] per cc of the Matrix (the " Minimum Service Fee "); provided , however , that such Minimum Service Fee will, unless otherwise agreed upon by the Parties, be increased annually by a percentage equal to the percentage increase in the CPI over the measurement period, and provided , further , that in the event of an increase in actual costs of Processing, supplying and distributing the Matrix demonstrated by MTF or a change in market conditions demonstrated by Orthofix such that continued Processing and Commercialization of the Matrix at the Service Fee and the Marketing Fee, as the same are calculated in accordance with this ARTICLE IV , is no longer commercially reasonable, the Parties will meet promptly to negotiate in good faith for purposes of adjusting the Service Fee and the Marketing Fee in order to maintain the commercial viability of the Matrix. Any adjustment of the Service Fee will become effective as of the first day of calendar year, if applicable, or as otherwise agreed upon by the Parties.

(b) Statements . Within fifteen (15) days after the end of each calendar month, MTF will provide to Orthofix a written statement (the " Monthly Statement ") which sets forth (i) all Service Fees invoiced for such month pursuant to Authorized Orders, (ii) all Service Fees received by MTF during such month for the supply and distribution of the Matrix pursuant to Authorized Orders, (iii) the Marketing Fee payable to Orthofix for such month calculated in accordance with Section 5.2 , (iv) all Service Fees that have been invoiced and not timely paid as of the end of such month and (v) a list of all Authorized Orders received during such month, including the name of the Customer identified in each such Authorized Order and the quantity of the Matrix ordered pursuant to each such Authorized Order.

4.2 Service Fee Audit.

(a) Performance of Service Fee Audits . MTF will maintain complete and accurate books and records of all Service Fees as a result of Authorized Orders in accordance with generally accepted accounting principles consistently applied during the Term and for at least two (2) years thereafter. Orthofix will have the right, not more frequently than one (1) time in any calendar year, during normal business hours upon not less than five (5) days' prior written notice to MTF, to examine and copy such books and records for the purpose of verifying MTF's compliance with the terms and conditions of Section 5.2 . The expenses of such Audits will be borne by Orthofix; provided , however , that MTF will be charged for the reasonable expense of any such Audit that establishes an underpayment by five percent (5%) or more of the amounts owed to Orthofix during the audited period. Within thirty (30) days of completing the results of any Audit hereunder, Orthofix will submit to MTF a written report outlining its findings and/or observations from any such Audit. Orthofix will provide MTF a written notice identifying any claimed underpayment of Marketing Fees (the " Underpayment Notice ") to Orthofix as a result of such Audit.

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(b) Audit Feedback Dispute . If MTF objects in good faith to any allegation of underpayment of the Marketing Fees identified in an Underpayment Notice, MTF will provide Orthofix with written notice of such dispute (the " Dispute Notice ") within thirty (30) days after MTF's receipt of the Underpayment Notice. The Dispute Notice will set forth in reasonable detail the basis for such disagreement described therein. Thereafter, Orthofix and MTF will attempt in good faith to resolve any such dispute as promptly as practicable in accordance with the provisions of ARTICLE XIX . Upon expiration of the thirty (30) day period after delivery of the Underpayment Notice, if no Dispute Notice will have been delivered, or within ten (10) days after the resolution of any disputed items in any Dispute Notice, as the case may be, any payment required by MTF pursuant to this Section 4.2 will be made by wire transfer of immediately available funds to an account designated by Orthofix. Orthofix may assess interest at a rate of one percent (1%) per month on all unpaid amounts required under this Section 4.2 .

(c) Acknowledgement . Orthofix's and/or Orthofix's representatives' exercise of the Audit and inspection rights hereunder will in no way waive, modify or diminish MTF's obligations under this Agreement or limit any other remedy Orthofix has under this Agreement.

ARTICLE V
MARKETING OBLIGATIONS; MARKETING FEE

5.1 Marketing Obligations. Subject to the terms and conditions of this Agreement, during the Term Orthofix will serve as an exclusive marketing representative with authority to market and solicit orders for the Matrix in the Territory. Subject to the terms and conditions of this Agreement, all marketing activities for the Matrix during the Term will be the sole responsibility of Orthofix. Orthofix will prepare and submit to MTF an annual marketing plan for the Matrix (the " Marketing Plan "), consistent with the provisions hereof, for review and approval by MTF (which approval MTF will not unreasonably withhold, condition or delay). Orthofix will also submit to MTF for review and approval (which approval MTF will not unreasonably withhold, condition or delay) all marketing and promotional materials, consistent with the provisions hereof, that Orthofix intends to utilize for its marketing activities related to the Matrix. Orthofix will not deviate from or provide information inconsistent with any of the marketing and promotional materials to any Customers or potential Customers or otherwise make representations to such Persons not previously approved by MTF. Orthofix will use Commercially Reasonable Efforts to market the Matrix in accordance with the Marketing Plan; provided , however , that Orthofix will be entitled to amend the terms of the Marketing Plan from time to time, consistent with the provisions hereof, subject to MTF's approval which approval MTF will not unreasonably withhold, condition or delay. All Authorized Orders for the Matrix solicited by Orthofix or its permitted designees will be placed in accordance with MTF's customary procedures with respect to the Matrix.

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5.2 Marketing Fee. As compensation for services performed hereunder, Orthofix will be entitled to receive a monthly fee (a " Marketing Fee ") equal to [*] percent ([*]%) of the total amount of Service Fees received by MTF during the previous calendar month pursuant to Authorized Orders, subject in each case to MTF's right to receive the Minimum Service Fee. The Marketing Fee for each month will be payable together with the delivery of the Monthly Statement for that month. In the event that MTF fails to pay the Marketing Fee shown on any Monthly Statement in accordance with this Section 5.2 , Orthofix may, in addition to any other remedies available to it, assess interest at a rate of one percent (1%) per month on all such unpaid amounts. All payments due hereunder to Orthofix will be made in arrears in United States Dollars by wire transfer of immediately available funds to an account designated by Orthofix in writing to MTF.

ARTICLE VI
FUTURE INITIATIVES

6.1 Future Development. From time to time during the Term, the Parties will, without limiting any other term or provision of this Agreement, endeavor to identify new development initiatives, including but not limited to line extensions, enhancements and improvements to the Matrix (other than changes to the Specifications that may be agreed upon by the Steering Committee for development under this Agreement), and if mutually agreed upon by the Parties, will negotiate in good faith for purposes of entering into development agreements with respect to any such initiatives.

6.2 Rights of First Offer and First Refusal.

(a) First Offer . If a concept for a [*] (a " Product Concept "), is developed by either Party, at any time during the Term, the Party developing such concept (the " Offering Party ") will communicate such concept to the other Party (the " Offeree Party ") in reasonable detail (the " First Offer Notice ") and will offer to the Offeree Party for a period of thirty (30) days from the date of the First Offer Notice a right-of-first offer to collaborate in the development and commercialization of such Product Concept in accordance with such terms as may be mutually agreed upon by the Parties. The Offeree Party will, within such thirty (30) days from receipt of the First Offer Notice, advise the Offering Party that it is not interested in the Product Concept or submit to the Offering Party its proposal for the development and commercialization of the Product Concept (the " Product Concept Proposal "). In the event that the Product Concept Proposal submitted is unacceptable, in whole or in part, to the Offering Party, the Parties will negotiate in good faith to resolve the outstanding issues. In the event that the Parties fail to reach a mutual agreement upon a definitive agreement regarding development and commercialization of the Product Concept within one hundred twenty (120) days from receipt of the First Offer Notice, the offer will be deemed to have been rejected, and the Offering Party will be entitled, free from the restrictions of this Section 6.2(a) and Section 16.2 hereof, to develop and commercialize the Product Concept independently or, subject to the provisions of Section 6.2(b) , with one or more Third Parties.

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(b) First Refusal . Prior to entering into one or more agreements with one or more Third Parties, at any time during the Term, for development and/or commercialization of a Product Concept of the type required to be submitted by it to the other Party pursuant to Section 6.2(a) , either Party (the " Proposing Party ") will communicate to the other Party (the " Receiving Party ") in writing the identity of the Third Party or Third Parties with which the Proposing Party proposes to enter into the agreement(s), any other relevant materials provided by the Third Party or Third Parties, and the terms of the proposed agreement(s) (a " First Refusal Notice ") and will grant to the Receiving Party for a period of thirty (30) days from the date of the First Refusal Notice a right-of-first refusal to develop and/or commercialize such Product Concept on terms which are substantially the same as those terms in the proposed agreement(s). The Receiving Party will, within such thirty (30) days from receipt of the First Refusal Notice from the Proposing Party, advise the Proposing Party that it is not interested in the Product Concept or submit to the Proposing Party notice of its exercise of the right-of-first refusal and confirm the terms thereof consistent with the foregoing. In the event that the Receiving Party does not accept the offer in writing within the prescribed thirty (30) day period, the Proposing Party will be entitled, for a period expiring one hundred twenty (120) days after the termination of such thirty-day period, free from the restrictions of this ARTICLE VI and Section 16.2 hereof, to enter into the proposed agreement(s) with the proposed Third Party or Third Parties. In the event of any material change(s) to the terms of the proposed agreement(s) or any change in the identity of the Third Party or Third Parties with which the Proposing Party proposes to enter into the proposed agreement(s), or in the event that the Proposing Party and the identified Third Party or Third Parties have not entered into the proposed agreement(s) prior to the expiration of the one hundred twenty (120) day period as aforesaid, the Receiving Party will, if during the Term, again have a right-of-first refusal with respect to such Product Concept in accordance with the terms of this Section 6.2(b) .

(c) No Waiver . Either Party's failure to exercise the right-of-first offer under Section 6.2(a) will not result in a waiver of such Party's right-of-first refusal under Section 6.2(b) and either Party's failure to exercise the rights-of-first offer and -first refusal contained in this Section 6.2 for any Product Concept will not result in a waiver of either right with respect to any other Product Concept.

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ARTICLE VII
INTELLECTUAL PROPERTY

7.1 Existing Technology.

(a) Existing MTF Technology . MTF will retain sole and exclusive ownership of all right, title and interest in and to: (x) all of the Existing MTF Technology (subject only to its express license to Orthofix set forth hereunder); and (y) if and to the extent not otherwise provided under this Agreement or the Development Agreement, any and all improvements, enhancements, modifications, purifications, optimizations or further development of or to the Existing MTF Technology. MTF hereby grants to Orthofix (i) a non-exclusive, worldwide, royalty-free license, together with the right to sublicense, during the Term, under such Existing MTF Technology, to exercise any of Orthofix's privileges and to perform any of Orthofix's obligations under this Agreement in connection with the Collaboration, and to perform any of MTF's obligations under this Agreement in the event that MTF fails to fulfill its obligations under this Agreement, and (ii) a non-exclusive, perpetual, irrevocable, worldwide, royalty-free license, together with the right to sublicense, under such Existing MTF Technology, solely insofar as is necessary to apply the Developed Technology to make, use, sell, offer to sell and import bone-growth allograft products containing viable allogeneic stem cells derived from cadavers, which grant will be exercised by Orthofix only on and after any expiration of this Agreement or any termination of this Agreement (x) pursuant to Section 13.4 or (y) by Orthofix pursuant to Section 13.2 and a determination in a final non-appealable decision by a court of competent jurisdiction that MTF has committed, and failed to cure within the permitted cure period, a material breach or material default under this Agreement.

(b) Existing Orthofix Technology . Orthofix will retain sole and exclusive ownership of all right, title and interest in and to: (x) all of the Existing Orthofix Technology (subject only to its express license to MTF set forth hereunder); and (y) if and to the extent not otherwise provided under this Agreement or the Development Agreement, to any and all improvements, enhancements, modifications, optimizations or further developments of or to the Existing Orthofix Technology. Orthofix hereby grants to MTF (i) a non-exclusive, worldwide, royalty-free license, together with the right to sublicense, during the Term, under such Existing Orthofix Technology, to exercise any of MTF's privileges and perform any of MTF's obligations under this Agreement in connection with the Collaboration, and (ii) a non-exclusive, perpetual, irrevocable, worldwide, royalty-free license, together with the right to sublicense, under such Existing Orthofix Technology, solely insofar as in necessary to apply the Developed Technology to make, use, sell, offer to sell and import bone-growth allograft products containing viable allogeneic stem cells derived from cadavers, which grant will be exercised by MTF only on and after any expiration of this Agreement or any termination of this Agreement (x) pursuant to Section 13.4 or (y) by MTF pursuant to Section 13.2 and a determination in a final non-appealable decision by a court of competent jurisdiction that Orthofix has committed, and failed to cure within the permitted cure period, a material breach or material default under this Agreement.

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7.2 Developed Technology.

(a) Developed Technology . Orthofix and MTF will jointly own any and all Developed Technology. In furtherance of the foregoing, each Party hereby assigns and agrees to assign to the other Party an undivided joint ownership interest in and to all right, title and interest in all Developed Technology, including all intellectual property rights therein, whether developed solely by such Party or its employees, agents or subcontractors, or whether developed jointly by the Parties, their employees, agents or subcontractors under this Agreement. Each Party will, upon request by the other Party, execute specific assignments and take any action necessary to enable the other Party to secure its joint ownership interest in the Developed Technology or any component thereof. By virtue of their joint ownership, MTF and Orthofix will each enjoy, without limitation, the right to apply the Developed Technology to offer to sell the Matrix and perform services related to the Matrix in accordance with this Agreement, and the right to license such right, during the Term. By virtue of its joint ownership interest, MTF will enjoy, without limitation, the right to apply the Developed Technology to make, use, sell and import the Matrix and perform services related to the Matrix in accordance with this Agreement, and the right to license such right, during the Term. Except for purposes of exercising its privileges and performing its obligations under this Agreement in connection with the Collaboration, Orthofix will not exercise or license its right to apply the Developed Technology for purposes of making, using, selling or importing the Matrix during the Term. For the avoidance of doubt, the Parties acknowledge and agree that all right, title and interest in and to any improvements, enhancements, modifications, purifications, optimizations or further developments of or to the Developed Technology not constituting Improvements hereunder will be owned solely and exclusively by the Party responsible for the discovery, creation or conception thereof.

(b) Conditional Exclusive License Grants .

(i) MTF hereby grants to Orthofix, which grant will be exercised by Orthofix only in the event of any termination of this Agreement by Orthofix pursuant to Section 13.2 and a determination in a final, non-appealable decision by a court of competent jurisdiction that MTF has committed, and failed to cure within the permitted cure period, a material breach or material default under this Agreement, an exclusive, perpetual, irrevocable, worldwide, royalty-free license, with the right to sublicense, under MTF's undivided joint ownership interest in the Developed Technology to make, use, sell, offer to sell and import the Matrix.

(ii) Orthofix hereby grants to MTF, which grant will be exercised by MTF only in the event of any termination of this Agreement by MTF pursuant to Section 13.2 and a determination in a final, non-appealable decision by a court of competent jurisdiction that Orthofix has committed, and failed to cure within the permitted cure period, a material breach or material default under this Agreement, an exclusive, perpetual, irrevocable, worldwide, royalty-free license, with the right to sublicense, under Orthofix's undivided joint ownership interest in the Developed Technology to make, use, sell, offer to sell and import the Matrix.

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[*] Certain confidential information contained in this document, marked with an asterisk in brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(c) Disclosures of Developed Technology . Each Party will make a complete and prompt written disclosure to the other Party hereto specifically detailing the features and concepts of any and all ideas, designs, discoveries, inventions, improvements, and, in general, all things encompassed within the Developed Technology that are conceived of, reduced to practice, or otherwise developed, solely or jointly by such Party and/or Persons working under such Party's direction and/or Persons employed or engaged by such Party during the Term and in performance of the activities under this Agreement. Each Party will require each Person employed or engaged by such Party in connection with the performance of the activities under this Agreement to enter into a written agreement pursuant to which such Person (i) agrees to disclose to such Party promptly in writing all such ideas, designs, discoveries, inventions, improvements, and, in general, all things encompassed within the Developed Technology, and (ii) assigns to such Party all such ideas, designs, discoveries, inventions, improvements and all intellectual property rights therein, and, in general, all things encompassed within the Developed Technology.

7.3 Trademark Licenses.

(a) MTF Marks . MTF hereby grants to Orthofix, during the Term, a non-exclusive, worldwide license, to use and apply the trademark "MTF" and any and all other related trademarks, logos, service marks, slogans and taglines designated by MTF in writing from time to time (the " MTF Marks ") in connection with Orthofix's promotion and marketing of the Matrix in the Territory, in accordance with the terms of this Agreement. Any such use in or on labels, packages, advertisements, pamphlets or other graphic or aural materials or otherwise hereunder will require prior written approval from MTF, and will in each instance indicate that the MTF Mark belongs to MTF. Orthofix will regularly provide to MTF samples of all intended uses of the MTF Marks. Orthofix will comply with all notice and marking requirements, and all additional standards of quality control, as required by MTF for the protection and enforcement of the MTF Marks and the registrations thereof and will not use the MTF Marks in any manner which might dilute or tarnish the MTF Marks or reflect adversely on MTF or any of its Affiliates. All goodwill associated with the use of the MTF Marks by Orthofix will inure to the benefit of MTF. MTF shall have no obligation to maintain any MTF Mark and, upon notice by MTF to Orthofix to such effect, Orthofix shall cease further use thereof. Orthofix shall not have the right to sublicense its rights under this Section 7.3(a) except as otherwise provided under Section 2.9 .

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(b) Orthofix Marks . Orthofix hereby grants to MTF, during the Term, a non-exclusive, worldwide license, to use and apply the trademark "Orthofix" and any and all other related trademarks, logos, service marks, slogans and taglines designated by Orthofix in writing from time to time (the " Orthofix Marks ") in connection with packaging, supply and distribution of the Matrix in the Territory, in accordance with the terms of this Agreement. Any such use in or on labels, packages, advertisements, pamphlets or other graphic or aural materials or otherwise hereunder will require prior written approval from Orthofix, and will in each instance indicate that the Orthofix Mark belongs to Orthofix. MTF will regularly provide to Orthofix samples of all intended uses of the Orthofix Marks. MTF will comply with all notice and marking requirements, and all additional standards of quality control, as required by Orthofix for the protection and enforcement of the Orthofix Marks and the registrations thereof and will not use the Orthofix Marks in any manner which might dilute or tarnish the Orthofix Marks or reflect adversely on Orthofix or any of its Affiliates. All goodwill associated with the use of the Orthofix Marks by MTF will inure to the benefit of Orthofix. Orthofix shall have no obligation to maintain any Orthofix Mark and, upon notice by Orthofix to MTF to such effect, MTF shall cease further use thereof. MTF shall not have the rights to sublicense its rights under this Section 7.3(b) except as provided under Section 2.9 .

7.4 Prosecution of Intellectual Property.

(a) Existing Orthofix Technology . Subject to Section 7.4(d) , Orthofix will have the sole right to file, prosecute and maintain patent applications and other registrations with respect to the Existing Orthofix Technology. All costs and expenses associated with the filing, prosecution and maintenance of patent applications and other registrations with respect to the Existing Orthofix Technology will be the responsibility of Orthofix; provided , however , that if MTF exercises its right to file, prosecute and maintain a patent application or other registration with respect to the Existing Orthofix Technology as it relates to the Matrix pursuant to Section 6.4(d) , the costs of filing, prosecuting and maintaining such patent application or other registration will be the responsibility of MTF.

(b) Existing MTF Technology . Subject to Section 7.4(d) , MTF will have the sole right to file, prosecute and maintain patent applications and other registrations with respect to the Existing MTF Technology. All costs and expenses associated with the filing, prosecution and maintenance of patent applications and other registrations with respect to the Existing MTF Technology will be the responsibility of MTF; provided , however , that if Orthofix exercises its right to file, prosecute and maintain a patent application or other registration with respect to the Existing MTF Technology as it relates to the Matrix pursuant Section 7.4(d) , the costs of filing, prosecuting and maintaining such patent application or other registration will be the responsibility of Orthofix.

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(c) Developed Technology . Subject to Section 7.4(d) , Orthofix will have the sole right to file, prosecute and maintain patent applications and other registrations with respect to the Developed Technology. All costs and expenses associated with the filing, prosecution and maintenance of patent applications and other registrations with respect to the Developed Technology will be the responsibility of Orthofix; provided , however , that if MTF exercises its right to file, prosecute or maintain patent applications or other registrations with respect to the Developed Technology pursuant to Section 7.4(d) , the costs of filing, prosecuting and maintaining such patent application or other registration will be the responsibility of MTF.

(d) Election Not to File, Prosecute or Maintain . In the event that a Party elects not to file, prosecute or maintain a patent application or other registration with respect to the Existing Orthofix Technology as it relates to the Matrix or the Existing MTF Technology as it relates to the Matrix or with respect to the Developed Technology (as applicable), the other Party will be entitled to provide written notice to such Party of the other Party's intent to file, prosecute or maintain such patent application or other registration, and if such Party fails to notify the other Party within thirty (30) days after such written notice that it has commenced filing, prosecuting or maintaining such patent application or other registration, as the case may be, the other Party will be entitled to file, prosecute and maintain such patent application or other registration in the owning Party's name.

(e) Cooperation . Without limiting any obligation under Section 11.1 , each Party will cooperate with, and provide all reasonable aid and technical assistance to, the other Party in obtaining any patent or other intellectual property protection or right as it relates to the Matrix as permitted under this Section 7.4 , and will keep all books and records, including notebooks, data, opinions, searches, reports, notes, summaries and the like, irrespective of the form, and execute (and require its employees, agents, consultants and contractors to execute) all documents reasonably necessary for purposes of procuring, maintaining, enforcing and defending such intellectual property rights. In furtherance of the foregoing, each Party shall, during the Term, inform the other Party at reasonable regular intervals, or at such other Party's reasonable request, about the status of any patent application, patent or other registration as it relates to the Matrix.

7.5 Enforcement of Intellectual Property.

(a) Notification of Third-Party Infringement . Each Party will notify the other Party promptly in writing in the event that any information is brought to its attention regarding any potential infringement by a Third Party of (i) the Existing MTF Technology or the Existing Orthofix Technology, in each case, insofar as relating to the uses licensed hereunder, (ii) the MTF Marks or the Orthofix Marks, in each case, insofar as relating to the uses licensed hereunder, and/or (iii) the Developed Technology.

(b) Existing Orthofix Technology; Orthofix Marks . Subject to Section 7.5(e) , Orthofix will have the sole power and discretion to enforce and exploit Existing Orthofix Technology and Orthofix Marks against Third Parties by civil lawsuit or licensing, and will control any enforcement action brought by it with respect to any alleged infringement of the Existing Orthofix Technology and Orthofix Marks. Orthofix will bear the costs and retain any amounts received in connection with such enforcement and exploitation actions.

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(c) Existing MTF Technology; MTF Marks . Subject to Sections 7.5(d) and (e) , MTF will have the sole power and discretion to enforce and exploit Existing MTF Technology and MTF Marks against Third Parties by civil lawsuit or (subject to the rights licensed hereunder) licensing, and will control any enforcement action brought by it with respect to any alleged infringement of the Existing MTF Technology and MTF Marks. MTF will bear the costs and retain any amounts received in connection with such enforcement and exploitation actions.

(d) Developed Technology .

(i) Subject to the additional provisions of this Section 7.5(d) and Section 7.5(e) , during the Term Orthofix will have the sole power and discretion to enforce and exploit, against Third Parties that offer a product or service that competes with the Matrix, by civil lawsuit or licensing, and will control any enforcement action brought by it against such Third Party with respect to any alleged infringement of, the Developed Technology or the Developed Technology in combination with the Existing MTF Technology licensed hereunder. Orthofix will pay all costs and fees associated with instituting any such action and will have control over selection of counsel and all strategic decisions relating to the action; provided, however, that any settlement proposed by Orthofix to be entered into will be subject to MTF's prior written approval (which approval MTF will not unreasonably withhold, condition or delay). Any amounts received in connection with such enforcement and exploitation actions will be applied as follows:

(A) first, to Orthofix in the amount of its costs and fees associated with instituting and maintaining such action and,

(B) next, to Orthofix in the amount of all costs incurred by Orthofix for filing, prosecution and maintenance of patent applications and other registrations with respect to the Developed Technology, and

(C) next, to MTF in the amount of all costs incurred by MTF for filing, prosecution and maintenance of patent applications and other registrations with respect to the Developed Technology, and

(D) then, [*] percent ([*]%) of any remaining amount to Orthofix and [*] ([*]%) of any remaining amount to MTF.

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(ii) Subject to the additional provisions of this Section 7.4(d) and Section 7.4(e) , during the Term, MTF will have the sole power and discretion to enforce and exploit, against Third Parties that offer a product or service that does not compete with the Matrix, by civil lawsuit or licensing, and will control any enforcement action brought by it against any such Third Party with respect to any alleged infringement of, the Developed Technology or the Developed Technology in combination with any Existing Orthofix Technology licensed hereunder. MTF will pay all costs and fees associated with instituting any such action and will have control over selection of counsel and all strategic decisions relating to the action; provided, however, that any settlement proposed by MTF to be entered into will be subject to Orthofix's prior written approval (which approval Orthofix will not unreasonably withhold, condition or delay). Any amounts received in connection with such enforcement and exploitation actions will be applied as follows:

(A) first, to MTF in the amount of its costs and fees associated with instituting and maintaining such action, and

(B) next, to MTF in the amount of all costs incurred by MTF for filing, prosecution and maintenance of patent applications and other registrations with respect to the Developed Technology, and

(C) next, to Orthofix in the amount of all costs incurred by Orthofix for filing, prosecution and maintenance of patent applications and other registrations with respect to the Developed Technology, and

(D) then, any remaining amount to be allocated between the Parties in accordance with their respective damages suffered as a result of the circumstances at issue in such action.

(iii) If either Party declines to approve a settlement of an action brought by the other Party to enforce rights in the Developed Technology, the Party that declines to approve the proposed settlement will be fully responsible for, all reasonable costs and fees incurred for maintaining the enforcement action and subsequent settlement efforts relating to the period after the date on which approval of the proposed settlement was declined.

(e) Election Not to Enforce . Each Party may, from time to time, request that the other Party take action to enforce and exploit the Existing MTF Technology or the Existing Orthofix Technology as it relates to the Matrix or the rights licensed hereunder or the Developed Technology (as applicable). If the Party with the right to enforce and exploit the Existing MTF Technology or the Existing Orthofix Technology as it relates to the Matrix or the rights licensed hereunder or the Developed Technology (as applicable) elects not to enforce or exploit the applicable Existing Orthofix Technology, Existing MTF Technology, or Developed Technology, the other Party will be entitled to provide written notice to such Party of its intent to enforce and exploit such Existing Orthofix Technology, Existing MTF Technology, or Developed Technology, as applicable and, if such Party fails to notify the other Party within thirty (30) days after such written notice that it has commenced to enforce and exploit the same, the other Party will be entitled to enforce and exploit such Existing Orthofix Technology, Existing MTF Technology, or Developed Technology, as applicable, at its own expense and to retain amounts received in connection with such enforcement and exploitation actions.

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(f) Cooperation . The Parties will at all times cooperate with each other, share material notices and filings in a timely manner and be kept informed of the status of any proceeding under Sections 7.4(b) , (c) , (d) or (e) with respect to the Matrix or any rights licensed hereunder by the Party undertaking such enforcement. Without limiting the generality of the foregoing, each Party will provide such reasonable cooperation and assistance as the other Party may reasonably request in any legal action to enforce any rights subject to Sections 7.5 (b) , (c) , (d) or (e) with respect to the Matrix or any rights licensed hereunder, including joining such action as a necessary party, at the enforcing Party's expense.

ARTICLE VIII
REPRESENTATIONS AND WARRANTIES OF MTF

Except for the representations and warranties in Section 8.7(a) , Section 8.7(b) , Section 8.7(c) and Section 8.8 , each of which will be given for the entire Term, MTF hereby represents and warrants to Orthofix as of the Effective Date as follows:

8.1 Organization, Good Standing and Authority. MTF is duly formed, validly existing and in good standing under the laws of the District of Columbia, and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required except to the extent that such failure to qualify or maintain good standing would not materially adversely affect its ability to perform its obligations under this Agreement. MTF has full corporate power and authority to own the assets owned by it and to lease the properties and assets held by it under lease, in each case insofar as to be applied hereunder, and to carry on and participate in the Collaboration.

8.2 Organizational and Governing Documents; Approval. This Agreement has been approved by all necessary corporate action of MTF and no other corporate proceedings on the part of MTF are necessary to authorize the execution and delivery of this Agreement, or the consummation of the transactions contemplated hereby, under the District of Columbia Nonprofit Corporation Act, MTF's organizational documents or otherwise.

8.3 Due Execution and Delivery. MTF has all necessary power and authority to execute, deliver and perform this Agreement. MTF has duly executed and delivered this Agreement and assuming the due authorization, execution and delivery of this Agreement by Orthofix, this Agreement constitutes the legal, valid and binding obligations of MTF enforceable against it in accordance with its terms, except that such enforcement (a) may be limited by bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally, and (b) is subject to the availability of equitable remedies, as determined in the discretion of the court before which such a proceeding may be brought.

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8.4 Consents; No Conflict. Except for the approval of MTF's Board of Directors which has been obtained prior to the date of this Agreement, no material consent, authorization, permit, waiver or approval of or from, or notice to, any Person or any governmental authority is required as a condition to the execution and delivery of this Agreement by MTF or the performance of MTF's obligations hereunder. The execution and delivery of this Agreement and the performance of MTF's obligations hereunder will not give rise to a right of termination of, contravene or constitute a default under, or be an event which with the giving of notice or passage of time or both will become a default under, or give to others any rights of termination or cancellation of, or give rise to a right of acceleration of the performance required by or maturity of, or result in the creation of any lien, charge or encumbrance, claim, cost, tax, losses or loss of any rights with respect to the Collaboration or the Matrix pursuant to any of the terms, conditions or provisions of or under any applicable Law, MTF's organizational documents or any material written or oral contract or agreement to which MTF is a party or by which its assets are bound.

8.5 Litigation and Claims. There is no claim, suit, proceeding or other investigation pending, or to MTF's Knowledge, threatened against MTF that would preclude MTF from entering into this Agreement or performing its obligations hereunder. MTF is not in default with respect to any order, writ, injunction or decree of any governmental entity known to or served upon MTF in any manner that would preclude MTF from entering into this Agreement or performing its obligations hereunder. There is no action or suit by MTF and relating to the Collaboration or the Matrix that is pending, threatened or contemplated against any other Person.

8.6 Compliance With Laws. To MTF's Knowledge, (a) MTF is not in material violation of or in material default under any Law applicable to MTF with respect to the Collaboration or the Matrix, including the PHSA and relevant sections of the FDCA, the NOTA and 21 C.F.R. Part 1271 , Human Cells, Tissues, and Cellular or Tissue-Based Products, in each case as currently applied by the FDA or other Regulatory Authority, (b) all material permits have been issued or granted to MTF (i) pursuant to which MTF currently operates or holds any interest in the property relating to the Collaboration or the Matrix, or (ii) which are required for its participation in the Collaboration as contemplated by this Agreement or the holding of any such interest, and (c) all such permits are in full force and effect and constitute all material permits required to permit MTF to participate in the Collaboration.

8.7 Authorizations; Regulatory Compliance.

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(a) HCT/P Status. T he Matrix, as marketed in accordance with, and within, labeling approved by MTF, will satisfy the FDA's definition of an HCT/P subject to regulation solely under Section 361 of the PHSA and the provisions of 21 C.F.R. Part 1271 as currently applied by the FDA, *i.e* ., the Matrix as so marketed, and in such context, will be a 361 HCT/P. The Matrix, as so marketed, and in such context, will be minimally manipulated, intended for homologous use, will not involve combination with another article (with certain limited exceptions), will not have a systemic effect and is not dependent upon the metabolic activity of living cells for its primary function in order to satisfy the FDA's requirements (as set forth in 21 C.F.R. 1271.10 and other provisions in 21 C.F.R. Part 1271 as currently applied by the FDA).

(b) Lot Compliance Specifications and all applicable Laws, including the FDA's requirements in 21 C.F.R. Part 1271 regarding Donor Eligibility (Subpart C), cGTP (Subpart D) and Labeling (21 C.F.R § 1271.370), in each case as currently applied by the FDA or other Regulatory Authority.

(c) Investigation and Reporting . MTF will investigate and report to the applicable Regulatory Authority adverse reaction reports and HCT/P deviations with respect to the Matrix in accordance with the requirements of 21 C.F.R. Part 1271 Subpart E.

(d) No Violation or Default . To MTF's Knowledge, MTF is not under investigation with respect to, has not been threatened to be charged with, nor has been given notice of, any material violation of or material default under any Law that could interfere with or delay the Processing and Commercialization of the Matrix pursuant to this Agreement.

(e) No Enforcement Actions . In the past twelve (12) months, MTF has not received from the FDA or any other governmental entity, any notice of adverse findings, Form 483s, FDA warning letters, regulatory letters, notices of violations, detentions or seizures of product, suits for injunctive relief or other enforcement actions against MTF that could interfere with or delay in any material respect the Processing of the Matrix pursuant to this Agreement.

8.8 Matrix Warranties. MTF warrants that all quantities of the Matrix supplied pursuant to any Authorized Orders (a) will conform with the Specifications, will be free from defects in materials or workmanship and will not be adulterated, misbranded, contaminated, tampered with or otherwise altered or mishandled while in the custody or control of MTF; (b) will have been Processed, supplied and distributed in accordance with the Specifications and in compliance in any material respect with all applicable Laws; and (c) will not be Processed, supplied, or distributed in violation of any agreement, judgment, order, or decree to which MTF is a party.

8.9 Intellectual Property. The Existing MTF Technology licensed under this Agreement is Controlled by MTF, and is free and clear of any liens, charges and encumbrances created by MTF. MTF is not aware of any infringement of a valid claim of an existing Patent, or any other intellectual property right in connection with the Existing MTF Technology licensed under this Agreement, and has disclosed to Orthofix all reasonably relevant information regarding the Existing MTF Technology licensed under this Agreement, including all patent opinions obtained by MTF related thereto. To MTF's Knowledge, no Patent included in the Existing MTF Technology licensed under this Agreement is invalid or unenforceable, in whole or in part.

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8.10 Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE VIII , MTF MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, IN FACT OR BY OPERATION OF LAW, AND MTF DISCLAIMS, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE IX
REPRESENTATIONS AND WARRANTIES OF ORTHOFIX

Orthofix hereby represents and warrants to MTF as of the Effective Date as follows:

9.1 Organization, Good Standing and Authority. Orthofix is duly formed, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required except to the extent that such failure to qualify or maintain good standing would not materially adversely affect its ability to perform its obligations under this Agreement. Orthofix has full corporate power and authority to own the assets owned by it and to lease the properties and assets held by it under lease, in each case insofar as to be applied hereunder, and to carry on and participate in the Collaboration.

9.2 Organizational and Governing Documents; Approval. This Agreement has been approved by all necessary corporate action of Orthofix and no other corporate proceedings on the part of Orthofix are necessary to authorize the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby under the Delaware General Corporation Law, Orthofix's organizational documents or otherwise.

9.3 Due Execution and Delivery. Orthofix has all necessary power and authority to execute, deliver and perform this Agreement. Orthofix has duly executed and delivered this Agreement and assuming the due authorization, execution and delivery of this Agreement by MTF, this Agreement constitutes the legal, valid and binding obligations of Orthofix enforceable against it in accordance with its terms, except that such enforcement (a) may be limited by bankruptcy, insolvency, moratorium or similar laws affecting creditors' rights generally, and (b) is subject to the availability of equitable remedies, as determined in the discretion of the court before which such a proceeding may be brought.

9.4 Consents; No Conflict. Except for the approval of Orthofix's Board of Directors which has been obtained prior to the date of this Agreement, no material consent, authorization, permit, waiver or approval of or from, or notice to, any Person or any governmental authority is required as a condition to the execution and delivery of this Agreement by Orthofix or the performance of Orthofix's obligations hereunder. The execution and delivery of this Agreement and the performance of Orthofix's obligations hereunder will not give rise to a right of termination of, contravene or constitute a default under, or be an event which with the giving of notice or passage of time or both will become a default under, or give to others any rights of termination or cancellation of, or give rise to a right of acceleration of the performance required by or maturity of, or result in the creation of any lien, charge or encumbrance, claim, cost, tax, losses or loss of any rights with respect to the Matrix pursuant to any of the terms, conditions or provisions of or under any applicable Law, Orthofix's organizational documents or any material written or oral contract or agreement to which Orthofix is a party or by which its assets are bound.

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9.5 Litigation and Claims. There is no claim, suit, proceeding or other investigation pending, or, to Orthofix's Knowledge, threatened against Orthofix that would preclude Orthofix from entering into this Agreement or performing its obligations hereunder. Orthofix is not in default with respect to any order, writ, injunction or decree of any governmental entity known to or served upon Orthofix in any manner that would preclude Orthofix from entering into this Agreement or performing its obligations hereunder. There is no action or suit by Orthofix and relating to the Collaboration or the Matrix that is pending, threatened or contemplated against any other Person.

9.6 Compliance With Laws. To Orthofix's Knowledge, (a) Orthofix is not in material violation of or in material default under any Law applicable to Orthofix with respect to the Collaboration or the Matrix, including the PHSA and relevant sections of the FDCA, the NOTA and 21 C.F.R. Part 1271, Human Cells, Tissues, and Cellular or Tissue-Based Products, in each case as currently applied by the FDA or other Regulatory Authority, (b) all material permits have been issued or granted to Orthofix (i) pursuant to which Orthofix currently operates or holds any interest in the property relating to the Collaboration or the Matrix, or (ii) which are required for its participation in the Collaboration as contemplated by this Agreement or the holding of any such interest, and (c) all such permits are in full force and effect and constitute all material permits required to permit MTF to participate in the Collaboration.

9.7 Intellectual Property. The Existing Orthofix Technology licensed under this Agreement is Controlled by Orthofix, and, except as set forth on Schedule 9.7 attached hereto, is free and clear of any liens, charges and encumbrances created by Orthofix. Orthofix is not aware of any infringement of a valid claim of an existing patent or any other intellectual property right in connection with the Existing Orthofix Technology licensed under this Agreement, and has disclosed to MTF all reasonably relevant information regarding the Existing Orthofix Technology licensed under this Agreement, including all patent opinions obtained by Orthofix related thereto. To Orthofix's Knowledge, no Patent included in the Existing Orthofix Technology licensed under this Agreement is invalid or unenforceable, in whole or in part.

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9.8 Disclaimer of Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS ARTICLE IX , ORTHOFIX MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS, IMPLIED OR STATUTORY, IN FACT OR BY OPERATION OF LAW, AND ORTHOFIX DISCLAIMS, WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE X
SPECIFICATIONS

10.1 General. The Parties agree that the Matrix will at all times conform to, comply with, and will be Processed, supplied and distributed in accordance with, the Specifications and applicable Law. Set forth in Exhibits C and D attached hereto and incorporated herein by reference are, respectively, the Specifications and the procedures established pursuant to the Development Agreement for verification that each Lot complies with the Specifications (the " Release Criteria ") which may be subsequently amended in accordance with the terms of the Development Agreement and the terms hereof.

10.2 Certificate of Analysis. Within fifteen (15) days after the end of each calendar month, MTF will deliver to Orthofix a COA with respect to each Lot from which any Authorized Order was fulfilled during the immediately preceding calendar month. Set forth in Exhibit E attached hereto and incorporated herein by reference is the form of COA.

10.3 Notice of Failure to Meet Specifications. MTF will notify Orthofix promptly, but in any event within seventy-two (72) hours, after its discovery that any Lot, which has previously been approved in accordance with procedures set forth herein, fails to comply in any material respect with the Specifications. MTF will notify Orthofix of such fact along with details concerning the nature of any such failure to meet the Specifications. MTF will make, at its expense, such further internal investigation of any failure to meet the Specifications that it deems appropriate under the circumstances, as required by Law, and otherwise consistent with its obligations hereunder. MTF will be solely responsible for all costs associated with failure by any Lot to meet the Specifications.

10.4 Changes to Specifications and Release Criteria. Either Party may request a change to the Specifications (including line extensions) or Release Criteria at any time by giving a written request to the other Party. Any change requested by MTF will describe the requested change and explain the anticipated impact of such change on MTF's performance of its obligations to Process, supply and distribute the Matrix in accordance with this Agreement; and in response to any change requested by MTF, Orthofix will advise MTF, as promptly as practicable, of the anticipated impact of such change on Orthofix's performance of its obligations under this Agreement. Any change requested by Orthofix will describe the requested change and explain the anticipated impact of such change on Orthofix's performance of its obligations under this Agreement; and in response to any change requested by Orthofix, MTF will advise Orthofix, as promptly as practicable, of the anticipated impact of such change on MTF's performance of its obligations to Process, supply and distribute the Matrix in accordance with this Agreement. No change to the Specifications or the Release Criteria will become effective unless and until approved by the Steering Committee.

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10.5 Compliance with Specifications and Release Criteria. MTF will conduct quality control testing of each Lot prior to shipment to verify that such Lot satisfies the Specifications and the Release Criteria and will retain records pertaining to such testing as required by applicable Laws. MTF will not ship any Lot hereunder which, as indicated by quality control testing as set forth above, does not satisfy any of the foregoing requirements.

ARTICLE XI
BOOKS AND RECORDS; COMPLIANCE AUDITS AND RELATED REGULATORY MATTERS

11.1 Books and Records; Compliance Audits.

(a) Books and Records . Each Party will maintain complete and accurate books, records and documentation related to its activities hereunder, including, without limitation, its Processing, supply, distribution and Commercialization (as applicable) of the Matrix hereunder for the longer of (i) five (5) years after shipment of any quantity of the Matrix, or (ii) the period of time required by applicable Laws; provided, however, that each Party will maintain during the Term and for six (6) years after issuance of the last of any Patent(s) issued to such Party for the Developed Technology, complete and accurate books, records, and documentation related to any such Patent(s) and related intellectual property, in sufficient detail and in good scientific manner appropriate for establishing and defending any such Patent(s) and related intellectual property, which will fully and properly reflect in all material respects all work done and results achieved by such Party in connection therewith. No records required by this Agreement will be discarded by either Party without specific prior written notification of such Party's intent to discard to the other Party. Those records (or copies of those records) that such Party is unwilling to retain will, at the request of the other Party, be transferred to the other Party for storage. Without limitation of the foregoing, MTF will maintain, in accordance with all applicable Laws, required records, including records relating to complaints, Donor Eligibility Requirements, cGTP, and reporting to the FDA under 21 C.F.R. Part 1271.

(b) Performance of Audit . Subject to the provisions of Section 4.2 (which shall apply, exclusively, to the subject matter thereof), each Party will be entitled, at its own expense and in connection with the Collaboration, to Audit any facility, quality systems, books, records and regulatory documentation of the other Party related to the other Party's activities hereunder, during the Term and, in the case of such books, records and documentation, thereafter for the respective time periods described in Section 11.1(a) . This right of Audit will also accrue to such Party's representatives designated to inspect on its behalf or in cooperation with such Party, provided that such representatives agree in writing to be bound by the same confidentiality requirements that apply to the auditing Party under this Agreement. Such Audits will be for the purpose of quality assurance and control and confirming the audited Party's compliance with applicable Laws and its obligations under this Agreement and exercising any privileges under this Agreement. Upon reasonable prior notice, each Party will provide the other Party and its designated representatives with reasonable access to such Party's facilities and documentation during normal business hours for the purpose of conducting such Audit.

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(c) Audit Feedback . Within thirty (30) days after completing the results of any Audit hereunder, an auditing Party will submit to the audited Party a written report outlining its findings and/or observations from any such Audit. If deficiencies are discovered during an Audit that could, in the auditing Party's reasonable opinion, prevent the audited Party from satisfying its obligations under this Agreement, then, provided that the audited Party agrees with the auditing Party's opinion, the audited Party will promptly correct such deficiencies at its own expense and prior to filling new or outstanding Authorized Orders, and will notify the auditing Party in writing when such deficiencies are corrected. If the audited Party does not agree with the auditing Party's opinion, the Parties will direct the dispute to the Steering Committee.

(d) Acknowledgement . A Party's or its representative's exercise of its Audit rights hereunder will in no way waive, modify or diminish the other Party's obligations under this Agreement.

11.2 Regulatory Matters.

(a) Compliance . Each Party will, during the Term, comply in all material respects with all Laws applicable to the Matrix and to the activities, including Processing and Commercialization (as applicable), undertaken by such Party pursuant to this Agreement. MTF will Process, supply and distribute the Matrix in compliance in all material respects with the quality control procedures approved under the Development Agreement.

(b) AATB Standards . MTF will maintain membership in the AATB during the Term, unless MTF notifies Orthofix to the contrary in writing, and whether or not MTF maintains such membership, MTF will comply in all material respects with the most current voluntary standards adopted by the AATB applicable to its activities undertaken pursuant to this Agreement.

(c) Regulatory Filings; Related Data . MTF will prepare and submit all regulatory filings, submissions and payments necessary to permit the Processing and Commercialization of the Matrix as contemplated under the Marketing Plan, and will gather and maintain data and records in connection therewith (including for potential submissions or reporting to the FDA and other Regulatory Authorities). Notwithstanding MTF's responsibility for regulatory and legal compliance, all material regulatory submissions will be subject to review and approval by the Steering Committee which approval will not be unreasonably withheld, conditioned or delayed.

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11.3 Complaints.

(a) Records; Notification . Each of Orthofix and MTF will keep written records of all customer complaints that it receives and promptly advise the other Party in writing or by electronic mail of all such complaints, and will notify the other Party by telephone of all potential adverse reactions involving communicable disease within twenty-four (24) hours of knowledge thereof and in writing or by electronic mail within two (2) business days of receipt of the preliminary details thereof.

(b) Complaint Handling . MTF will be responsible for complaint handling, investigations and reports to the FDA and other governmental authorities as required by Law, including the provisions of 21 C.F.R. Part 1271. Each Party will cooperate fully with the other Party in dealing with customer complaints concerning the Matrix and will take such action to promptly resolve such complaints as may be reasonably requested by the other Party. Orthofix will reasonably cooperate with MTF to enable MTF to fulfill all applicable governmental investigation and reporting requirements arising from complaints or adverse events or reactions.

11.4 Regulatory Correspondence. During the Term, MTF will notify Orthofix promptly (but in any event within seventy-two (72 hours)) of (a) any establishment inspection observations (including any FDA Form 483), letter, citation, indictment, claim, lawsuit, or enforcement proceeding threatened, issued or instituted by any governmental authority to or against MTF relating to the Processing of the Matrix hereunder, (b) any notice, order, correspondence, or other form of communication threatening or proposing to revoke or suspend or of any communication that revokes any license, registration, authorization, approval, exemption, allowance, or permit held or maintained by MTF relating to the Processing of the Matrix hereunder, or (c) any charge brought against MTF or, to MTF's Knowledge, any director, officer, employee or consultant of MTF under any Law for any act or omission relating to the development of the Matrix or otherwise relating to regulation of the Matrix under any applicable Law. During the Term, Orthofix will notify MTF promptly (but in any event within seventy-two (72) hours) of any charge brought against Orthofix or, to Orthofix's Knowledge, against any director, officer, employee or consultant of Orthofix under any Law for any act or omission relating to the development of the Matrix or otherwise relating to regulation of the Matrix under any applicable Law.

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11.5 Regulatory Inspections. If MTF or a subcontractor is inspected by any agent of any Regulatory Authority (a " Regulatory Inspection ") in connection with its processing of the Matrix hereunder, MTF will promptly notify Orthofix of the results (and, in any event, will do so within seventy-two (72) hours of completion of the inspection), including any establishment inspection observations (including any FDA Form 483), letter, citation, significant oral comments or observations, written comments or notices received from the AATB or any applicable Regulatory Authority, which relate to the development or Processing of the Matrix hereunder, if applicable. With respect to the forgoing, each Party will, during the Term, provide to the other Party, promptly upon such other Party's request, copies of any notice or correspondence from or to any Regulatory Authority that directly relates to the Matrix. Such notices and correspondence are considered Confidential Information in accordance with this Agreement. The Parties will cooperate in the development and review of responses that are required to be submitted to any Regulatory Authority relating to the development or Processing of the Matrix hereunder prior to submission to the Regulatory Authority. MTF hereby further agrees to advise Orthofix promptly (and, in any event, within seventy-two (72) hours) of learning of any announced or scheduled Regulatory Inspection of any Facility, or any facility of a subcontractor of MTF, where such Regulatory Inspection is anticipated to be specifically related to the Matrix or its Processing hereunder. In such cases, MTF agrees to permit, to the extent reasonably practical, one or more representative(s) of Orthofix to be present if requested by Orthofix.

ARTICLE XII
RECALLS

Either Party who becomes aware of any defect, problem or adverse condition in the Matrix will promptly notify the other Party of such defect, problem or adverse condition. MTF will have responsibility for determining whether to initiate, and for initiating and conducting, any recall, market withdrawal, field action, removal, correction or field notice (a " Recall ") related to the Matrix. Orthofix will cooperate with MTF in the conduct of any Recall. MTF will bear the costs and expenses of any Recall related to the Matrix, including reasonable costs incurred by Orthofix. Orthofix will have the right to initiate at its own expense any patient testing with respect to the Matrix other than that which is required by Law, and Orthofix's election to initiate such testing will not affect MTF's indemnification obligations hereunder. Nothing contained herein will be construed as restricting the right of either Party to make a timely report of such matters to any Regulatory Authority or take other action that it deems to be appropriate or required by applicable Laws.

ARTICLE XIII
TERM; TERMINATION

13.1 Term . Unless sooner terminated pursuant to the terms herein, this Agreement will commence on the Effective Date and will continue until the tenth (10 th) anniversary of the Effective Date (the " Initial Term "). Six months prior to the date of expiration of the Initial Term, and six (6) months prior to the expiration of any renewal term, as applicable, the Parties will begin negotiating in good faith for purposes of renewing this Agreement for an additional two (2) year term to begin immediately upon the expiration of the then-current term. In the event that the Parties are unable to reach agreement on renewal by the date of expiration of the then-current term, each Party will reduce to writing its final proposal with respect to renewal, this Agreement shall expire by its terms on such date, and for a period of two (2) years after such date neither Party will enter into an agreement for Commercialization of the Matrix with any Third Party on terms less favorable to it than those which were offered by the other Party and set forth in such writing.

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13.2 Termination for Default . Either Party may terminate this Agreement in the event of the material breach or material default by the other Party of the material terms and conditions hereof which is not cured as set forth in this Section 13.2 . In the event of such a material breach or material default, the terminating Party will first give to the defaulting Party written notice of the proposed termination of this Agreement, specifying the grounds therefor. Upon receipt of such notice, the defaulting Party will have sixty (60) days to cure such material breach or material default. If the defaulting Party does not cure such breach or default within such period, then this Agreement will terminate automatically on the sixtieth (60 th) day after receipt by the defaulting Party of the termination notice. Termination of this Agreement pursuant to this Section 13.2 will not affect any other rights or remedies which may be available to the non-defaulting Party.

13.3 Termination for Bankruptcy, Insolvency . A Party may terminate this Agreement upon the occurrence of either of the following:

(a) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the other Party in an involuntary case under the United States Bankruptcy Code, as now constituted or hereafter amended (the " Bankruptcy Code "), or any other applicable federal or state insolvency or other similar Law and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or

(b) the filing by the other Party of a petition for relief under the Bankruptcy Code or any other applicable federal or state insolvency or other similar Law.

All licenses granted by each Party to the other Party in this Agreement are, and will otherwise be deemed to be, for the purpose of Section 365(n) of the Bankruptcy Code, the licenses of rights to "intellectual property" as defined under Section 101 of the Bankruptcy Code. Each Party, as a licensee of intellectual property rights under this Agreement, will retain and may fully exercise all of its rights and elections under the Bankruptcy Code. The Parties hereto further agree that, in the event that any proceeding will be instituted by or against either Party seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any Law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking an entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or any substantial part of its property or it will take any action to authorize any of the foregoing actions, the other Party will have the right to retain and enforce its rights in and to such Party's intellectual property under this Agreement in accordance with Section 365(n) of the Bankruptcy Code.

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13.4 Other Termination Rights. Either Party may terminate this Agreement upon written notice to the other Party (a) if a court or Regulatory Authority that regulates the Matrix takes any action the result of which would prohibit or significantly restrict the sale, marketing, use, or manufacture of the Matrix, (b) if, prior to the Effective Date of this Agreement, the Development Agreement is terminated for any reason, or (c) pursuant to Section 17.3 . Orthofix may further terminate this Agreement upon written notice to MTF: (x) in the event of an Infringement Claim or a reasonable determination by Orthofix that an Infringement Claim is likely to be initiated, if after written notice by Orthofix to MTF to cease Processing, supplying and distributing the Matrix, MTF continues to Process, supply or distribute the Matrix during the Cessation Period or (y) if Orthofix enters into any settlement with the consent of MTF of an Infringement Claim pursuant to which Orthofix agrees not to Process or Commercialize the Matrix.

13.5 Expiration; Termination; Consequences.

(a) Survival . The following provisions, in accordance with their respective terms, will survive termination or expiration of this Agreement for any reason: Section 4.2 (Service Fee Audit), ARTICLE VII (Intellectual Property), Section 8.10 (Disclaimer of Warranties), Section 9.8 (Disclaimer of Warranties), Section 11.1 (Books and Records; Compliance Audits), Section 13.3 (Termination for Bankruptcy, Insolvency), Section 13.5 (Expiration; Termination; Consequences), ARTICLE XIV (Indemnification; Insurance), ARTICLE XV (Disclaimer of Indirect Damages), ARTICLE XVI (Confidentiality; Restrictive Covenants; Publications), ARTICLE XVIII (Press Releases; Use of Names), ARTICLE IX (Dispute Resolution) and ARTICLE XX (Miscellaneous).

(b) Return of Confidential Information . Upon termination or expiration of this Agreement, each Party will immediately deliver to the other (and cause its employees, agents, representatives and subcontractors to so deliver), at such Party's expense, all Confidential Information of the other Party, including any and all copies, duplications, summaries and/or notes thereof or derived therefrom, regardless of the format; provided , however , that each Party will, upon reasonable notice to such Party and during such Party's normal business hours, provide the other Party with access to Confidential Information as is reasonably necessary for purposes of the requesting Party's compliance with applicable Laws or in connection with such Party's defense of any Third-Party claims related thereto.

(c) Accrued Obligations . Expiration or termination of this Agreement will not relieve the Parties of any obligation accruing prior to the effective date of such expiration or termination, including, with respect to MTF, (i) the fulfillment of any outstanding Authorized Orders received prior to the effective date of expiration or termination of this Agreement and (ii) payment to Orthofix of any Marketing Fees due and payable as a result of Authorized Orders received prior to the effective date of expiration or termination of this Agreement.

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ARTICLE XIV
INDEMNIFICATION; INSURANCE

14.1 Indemnification by Orthofix . Orthofix hereby agrees to indemnify, defend, and hold harmless MTF, its Affiliates and their respective directors, officers, employees, agents, successors and permitted assigns (the " MTF Indemnitees ") from and against any and all damages, losses, liabilities, claims, actions, proceedings, and expenses (including reasonable attorneys' fees and expenses) (collectively, " Damages ") resulting from or arising out of (a) any unauthorized claim made by Orthofix with respect to the Matrix that is inconsistent with the Specifications, with the labeling or materials approved by MTF, (b) Orthofix's breach of any of its representations, warranties or covenants hereunder, (c) Orthofix's gross negligence or willful misconduct or the grossly negligent actions or willful misconduct of any of Orthofix's Affiliates, employees, directors or agents in connection with this Agreement, including, without limitation, any product liability and other claims for personal injury or death caused by the Matrix if resulting form such actions, and (d) any Third-Party claim that the Processing, distribution or supply under this Agreement and for purposes of the Collaboration of the Matrix in accordance with the Specifications and for which Orthofix is paid a Marketing Fee (or which is delivered in furtherance of Orthofix's marketing efforts or as a result of Orthofix's introduction regardless of whether a Marketing Fee is paid) violates the intellectual property rights of a Third Party and/or infringes the valid claim of an existing Patent of a Third Party (an " Infringement Claim "), it being understood that a Third-Party Claim regarding the development or Processing of the Matrix independent of the Collaboration shall not be within the definition of "Infringement Claim;" provided , however , that

(i) in the event of an Infringement Claim or a reasonable determination by Orthofix that an Infringement Claim is likely to be initiated, Orthofix will have the right to direct MTF, by written notice, to cease Processing, supplying and distributing the Matrix during the period beginning upon MTF's receipt of such notice and continuing until MTF's receipt of written notice from Orthofix that the Infringement Claim has been satisfactorily resolved in Orthofix's reasonable determination or is no longer expected to be initiated (the " Cessation Period "), and Orthofix will have no obligation to indemnify or hold harmless MTF or the MTF Indemnitees from or against any Damages attributable to any Processing, supply or distribution of the Matrix during the Cessation Period; and

(ii) Orthofix will not be required to indemnify, defend and hold harmless the MTF Indemnitees from or against any counter-claim or other claim against an enforcement action filed by MTF (in exercising its step-in rights pursuant to Section 6.5(e)) with respect to any alleged infringement of the Existing Orthofix Technology or the Developed Technology.

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In the event that Orthofix directs MTF, by written notice, to cease development and Processing of the Matrix based on a reasonable determination that an Infringement Claim is likely to be initiated and MTF complies therewith, Orthofix shall reimburse MTF for fifty percent (50%) of MTF's actual, documented cost for processing the quantity of the Matrix in MTF's inventory on the date of such notice and fifty percent (50%) of MTF's actual documented cost for all Matrix work in process on such date.

14.2 Indemnification by MTF. MTF hereby agrees to indemnify, defend, and hold harmless Orthofix, its Affiliates and their respective directors, officers, employees, agents, successors and permitted assigns from and against any and all Damages, resulting from or arising out of (a) MTF's breach of any of its representations, warranties, or covenants hereunder, (b) MTF's gross negligence or willful misconduct or the grossly negligent actions or willful misconduct of any of MTF's Affiliates, employees, officers, directors or agents in connection with this Agreement and (c) product liability and other claims for personal injury or death caused by the Matrix insofar as Processed and supplied by MTF.

14.3 Third-Party Claims Procedure.

(a) Notice of Claims . Each Party indemnified under the provisions of this Agreement, upon receipt of written notice of any claim, or the service of a summons or other initial legal process upon it in any action instituted against it by a Third Party, in respect of any claim for which such Party is entitled to indemnification in accordance with this Agreement, will promptly give written notice of such claim, or the commencement of such action, or threat thereof to the Party from whom indemnity will be sought hereunder; provided , however , the failure to provide such notice will not relieve the indemnifying Party of any of its obligations hereunder except to the extent the indemnifying Party is materially prejudiced by such failure. The indemnifying Party will be entitled at its own expense to participate in the defense of such claim or action, or, if it will elect, to assume control of such defense, in which event such defense will be conducted by counsel chosen by such indemnifying Party, which counsel may be any counsel reasonably satisfactory to the indemnified Party against whom such claim is asserted, and the indemnified Party will bear all fees and expenses of any additional counsel retained by it. Notwithstanding the immediately preceding sentence, if the named parties in such action (including impleaded parties) include the indemnified and the indemnifying Parties, and the indemnified Party will have been advised by counsel that there may be a conflict between the positions of the indemnifying Party and the indemnified Party in conducting the defense of such action or that there are legal defenses available to such indemnified Party different from or in addition to those available to the indemnifying Party, then counsel for the indemnified Party will be entitled, if the indemnified Party so elects, to conduct the defense to the extent reasonably determined by such counsel to be necessary to protect the interests of the indemnified Party, at the expense of the indemnifying Party, if it is determined by agreement of the indemnifying Party and the indemnified Party or by a court of competent jurisdiction that the indemnified Party is entitled to indemnification hereunder for the Damages giving rise to such action. If the indemnifying Party elects not to assume the defense of such claim or action, then such indemnifying Party will reimburse such indemnified Party for the reasonable fees and expenses of any counsel retained by it, and will be bound by the results obtained by the indemnified Party in respect of such claim or action if it is determined by agreement of the indemnifying Party and the indemnified Party or by a court of competent jurisdiction that the indemnified Party is entitled to indemnification hereunder for the Damages giving rise to such action; provided , however , that no such claim or action will be settled without the written consent of the indemnifying Party, which consent will not be unreasonably withheld, conditioned or delayed and provided , further , that an indemnified Party that declines to consent to a proposed settlement will not be entitled to be indemnified against, and will be fully responsible for, (i) the amount, if any, by which any subsequent settlement amount or damages award exceeds the amount of the proposed settlement that was declined, and (ii) all reasonable costs of defense and settlement relating to the period after the date on which consent to the proposed the proposed settlement was declined.

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(b) Payment Terms . All amounts payable under this ARTICLE XIV will be paid promptly after receipt by the indemnifying Party of written notice from the indemnified Party stating that such Damages have been incurred, the amount thereof and of the related indemnity payment and substantiation of such amount and such indemnity payment; provided , however , any disputed amounts will be due and payable promptly after such amounts are finally determined by a court of competent jurisdiction or by mutual agreement of the Parties to be owing by the indemnifying Party to the indemnified Party.

14.4 Insurance. Each Party will procure and maintain comprehensive general liability and product liability insurance (or, in the case of MTF, professional liability insurance), in amounts of not less than $2,000,000 per incident and $10,000,000 in the aggregate annually. Each Party will maintain such insurance during the Term and for a period of ten (10) years following the end of the Term. Each Party will cause the other Party to be named as an additional insured under such insurance and will provide the other Party proof of such insurance upon request. Each Party will give the other Party at least thirty (30) days notice of any cancellation, termination or change in such insurance.

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ARTICLE XV
DISCLAIMER OF INDIRECT DAMAGES; LIMITATIONS ON LIABILITY

Notwithstanding any other provision contained in this Agreement:

15.1 Indirect Damages. In no event will either Party be liable to the other Party for incidental, special, consequential or other indirect damages, including any claims for damages based upon lost profits (it being acknowledged and agreed that amounts paid or incurred by a Party to any Third Parties, whether or not constituting indirect damages to such Third Parties, shall not be construed as indirect damages to such Party).

15.2 Maximum Aggregate Liability. The maximum aggregate liability of MTF hereunder for any and all causes whatsoever, and Orthofix's remedies, and whether or not MTF is notified of the possibility of Damages to Orthofix, will be limited to the amount of the Service Fees retained by MTF hereunder. The maximum aggregate liability of Orthofix hereunder for any and all causes whatsoever, and MTF's remedies, and whether or not Orthofix is notified of the possibility of Damages to MTF, will be limited to the amount of Marketing Fees paid to Orthofix hereunder.

15.3 Exceptions. The disclaimer and limitations set forth in this ARTICLE XV will not apply to any liability of either Party arising under Section 6.2 (Rights of First Offer and First Refusal), ARTICLE XIV (Indemnification and Insurance), other than under Section 14.1(a) , Section 14.1(b) , Section 14.2(a) thereof, and ARTICLE XVI (Confidentiality; Restrictive Covenants; Publication).

ARTICLE XVI
CONFIDENTIALITY; RESTRICTIVE COVENANTS; PUBLICATION

16.1 Treatment of Confidential Information.

(a) Obligation; Exceptions . All Confidential Information disclosed by one Party to the other Party hereunder will be maintained in confidence by the receiving Party and will not be disclosed to any Third Party or used for any purpose except as set forth herein without the prior written consent of the disclosing Party, for a period of ten (10) years from disclosure of such Confidential Information, except to the extent that such Confidential Information:

(i) is known by receiving Party at the time of its receipt, and not through a prior disclosure by the disclosing Party, as documented by the receiving Party's business records;

(ii) is or becomes part of the public domain through no fault of the receiving Party;

(iii) is subsequently disclosed to the receiving Party by a Third Party who may lawfully do so and is not under an obligation of confidentiality to the disclosing Party;

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(iv) is developed by the receiving Party independently of Confidential Information received from the disclosing Party, as documented by the receiving Party's business records;

(v) is disclosed to a governmental agency (A) in order to obtain Patents with respect to the Matrix, but such disclosure may be made only to the extent reasonably necessary to obtain such Patents, or (B) as part of or in connection with any mandatory filing with a governmental agency; and/or

(vi) is deemed necessary by either Party to be disclosed to its Affiliates, agents, consultants, and/or other Third Parties for the Processing and/or Commercialization of the Matrix and/or in connection with a permitted licensing transaction and/or a permitted assignment under this Agreement, and/or loan, financing or investment and/or acquisition, merger, consolidation or similar transaction (or for such entities to determine their interest in performing such activities) in each case on the condition that any Third Parties to whom such disclosures are made agree to be bound by the confidentiality and non-use obligations contained in this Agreement; provided , however , that the term of confidentiality for such Third Parties will be no less than ten (10) years.

(b) Aggregated Information . Any combination of features or disclosures will not be deemed to fall within the foregoing exclusions merely because individual features are published or available to the general public or in the rightful possession of the receiving Party unless the combination itself falls within the applicable exclusion.

(c) Required Disclosures . If a Party is required by judicial or administrative process to disclose Confidential Information that is subject to the non-disclosure provisions of this ARTICLE XVI such Party will promptly inform the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Confidential Information that is disclosed by judicial or administrative process will remain otherwise subject to the confidentiality and non-use provisions of this ARTICLE XVI , and the Party disclosing Confidential Information pursuant to law or court order will take all steps reasonably necessary, including without limitation obtaining an order of confidentiality, to ensure the continued confidential treatment of such Confidential Information.

16.2 Non-Compete. Subject to the provisions of Section 6.2(a) and Section 6.2(b) , during the Term and for one (1) year thereafter, neither Party will, and will not permit any of its Affiliates to, except as provided in this Agreement, directly or indirectly, as a principal, agent, owner, joint venturer, investor, manager, operator or consultant, engage in the Processing, development, manufacture, sale, marketing, use, import, export, supply, distribution or other Commercialization in the Territory of bone-growth allograft products containing viable allogeneic stem cells derived from cadavers; provided, however, that the Parties acknowledge and agree that (a) Orthofix is a party to the Osiris Agreement under which Orthofix distributes a bone allograft product, under the trademark "Trinity"™, that contains viable allogeneic stem cells derived from cadavers, (b) as of the date hereof, Orthofix has an existing inventory of the Trinity product, (c) Orthofix shall be entitled to exhaust such inventory of the Trinity product, but in no event subsequent to the later of (i) six (6) months after the Effective Date or (ii) October 1, 2009, before placing orders with MTF for the Matrix, (d) Orthofix may fill orders for all or any portion of the quantities set forth in any Forecast from such inventory of the Trinity product before placing orders with MTF for the Matrix, but in no event later than the period described under clause (c) immediately preceding, and (e) proceeding as set forth herein will not be deemed to be a violation by Orthofix of Section 6 , this Section 16.2 or any other provision of this Agreement. Each Party acknowledges and agrees that the covenants and agreements set forth in this Section 16.2 have been specifically negotiated and are essential and material terms and conditions of this Agreement and a material part of the transactions contemplated by this Agreement and the Development Agreement.

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16.3 Non-Solicitation. During the Term and, for a period of one (1) year thereafter, neither Party will directly or indirectly solicit, engage or hire any employee or contractor of the other Party or its Affiliates; provided , however , that nothing herein will prohibit either Party, directly or indirectly (for such Party's own account or for the account of any other Person), from soliciting for employment, hiring or employing (a) any Person who responds to a general solicitation or advertisement in a newspaper, on the internet, or in some similar medium that is not directed at any individual employee or group of employees of the other Party; (b) any Person whose employment has been terminated without cause by the other Party; or (c) any Person referred by a recruiter, as long as such recruiter is directed to not target or solicit employees of the other Party.

16.4 Publications. Each of Orthofix and MTF will have the right to publish, during the Term or after its expiration or termination, the results of research related to the Matrix that is conducted during the Term, subject in each instance to the prior written approval of the other Party, which approval will not be unreasonably withheld, conditioned or delayed. The Party seeking to publish any such results will submit the proposed publication to the other Party for review a minimum of sixty (60) days prior to the contemplated publication and the non-publishing Party will have a reasonable opportunity to recommend any changes that it reasonably believes are necessary. If the non-publishing Party does not object to such publication or recommend any changes in writing within such sixty (60) day period such approval will be deemed granted.

ARTICLE XVII
FORCE MAJEURE

17.1 Effects of Force Majeure . Neither Party will be held liable or responsible for failure or delay in fulfilling or performing any of its obligations under this Agreement to the extent that such failure or delay is caused or occasioned by acts of God, acts of the public enemy, fire, explosion, flood, drought, hurricane, weather conditions, war, riot, sabotage, embargo, strikes or other labor disputes (a " Force Majeure Event "); provided , however , that in the event of a Force Majeure Event affecting the Processing of the Matrix, MTF will use Reasonable Commercial Efforts to implement the Contingency Plan before it will be entitled to be excused from its obligations under this Agreement pursuant to this Section 17.1 . Such excuse will continue as long as the Force Majeure Event continues. Upon cessation of such Force Majeure Event, such Party will promptly resume performance hereunder.

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17.2 Notice of Force Majeure. Each Party agrees to give the other Party prompt written notice of the occurrence of any Force Majeure Event, the nature thereof, and the extent to which the affected Party will be unable fully to perform its obligations hereunder. Each Party further agrees to use Reasonable Commercial Efforts to correct the Force Majeure Event as quickly as possible and to give the other Party prompt written notice when it is again fully able to perform such obligations.

17.3 Termination . If a Force Majeure Event lasts for more than sixty (60) calendar days and during such period MTF cannot Process the Matrix (or arrange for the Processing of the Matrix pursuant to the Contingency Plan) as a result of the Force Majeure Event, Orthofix may use an alternative supplier of the Matrix to fulfill Authorized Orders for the shorter of (i) the duration of the Force Majeure Event or (ii) the period (not exceeding one-hundred eighty (180) days beyond the cessation of the Force Majeure Event) necessary to allow Orthofix to honor, on behalf of MTF, the Authorized Orders, if any, to any Customer in effect at the time of cessation. If, as a result of a Force Majeure Event, a Party is unable fully to perform its obligations hereunder for any consecutive period of one hundred eighty (180) days, the other Party will have the right to terminate this Agreement in its entirety, upon providing written notice to the non-performing Party, such termination to be effective thirty (30) days from the date of such notice.

ARTICLE XVIII
PRESS RELEASES; USE OF NAMES

18.1 Press Releases. Except as otherwise required by Law or any rule of the NASDAQ Stock Market, any announcement, press release, publicity, or other public statement related to this Agreement or either Party's performance hereunder prepared by one Party will be submitted to the other Party prior to release for approval, which approval will not be unreasonably withheld, conditioned or delayed by such other Party.

18.2 Use of Names. Except as otherwise required by Law or by the terms of this Agreement or as mutually agreed upon by the Parties, neither Party will make any use of the name of the other Party in any advertising or promotional material, or otherwise, without the prior written consent of the other Party, which consent will not be unreasonably withheld, conditioned or delayed by such other Party.

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ARTICLE XIX
DISPUTE RESOLUTION

19.1 Internal Escalation. The Parties recognize that a bona fide dispute as to certain matters may from time to time arise during the Term which relates to either Party's rights and/or obligations hereunder, including without limitation, the inability of the Steering Committee under Section 3.3 to reach a determination on any issue that the Steering Committee is authorized to consider. Except with respect to any right to injunctive relief for any claims arising from any section of ARTICLE XVI or Section 20.3 , in the event of the occurrence of such a dispute, either Party will be required, by written notice to the other Party, to have such dispute referred to the respective chief executive officers of the Parties, for attempted resolution by good faith negotiations within thirty (30) days after such notice is received.

19.2 Mediation. Except with respect to any right to injunctive relief for any claims arising from any section of ARTICLE XVI or Section 20.3 , in the event the Parties' respective chief executive officers are not able to resolve such dispute within the thirty (30) day period set forth in Section 19.1 , or such other period of time to which the Parties may mutually agree in writing, the Parties will endeavor in good faith to resolve the dispute through mediation under the CPR Mediation Procedure in effect on the date of this Agreement. Unless otherwise mutually agreed to in writing, the parties will select a mediator from the CPR Panels of Distinguished Neutrals.

19.3 Legal Process. In the event that the Parties are not able to resolve such dispute within forty five (45) days after initiation of the mediation procedure set forth in Section 18.2 , or such other period of time to which the Parties may mutually agree in writing, each Party will have the right to pursue any and all remedies available at law or in equity.

19.4 Venue. For any court proceeding initiated with respect to this Agreement (i) Orthofix hereby irrevocably and unconditionally consents to the submission to the non-exclusive jurisdiction of the United States District Court for the District of New Jersey, and the courts of the State of New Jersey located within that district, if such court proceeding is initiated by MTF and (ii) MTF hereby irrevocably and unconditionally consents to the submission to the non-exclusive jurisdiction of the United States District Court for the Western District of North Carolina, and the courts of the State of North Carolina located within that district, if such court proceeding is initiated by Orthofix. Each Party further irrevocably and unconditionally (i) agrees that service of any process, summons, notice or document by registered mail or as otherwise provided in this Agreement shall be effective service of process for any action, suit or proceeding brought against it in any court whose jurisdiction is accepted as aforesaid, (ii) waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement in such courts, and (iii) agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

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ARTICLE XX
MISCELLANEOUS

20.1 Independent Contractors. Although the Parties are engaged in a Collaboration to Process and Commercialize the Matrix and have made and will make contributions, financial and otherwise, to such Collaboration, the relationship between Orthofix and MTF is that of independent contractors and nothing herein will be deemed to constitute the relationship of partners, or principal and agent between Orthofix and MTF. Neither Party will have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement, or undertaking with any Third Party.

20.2 Assignment. Neither Party may assign this Agreement, in whole or in part, without the prior written consent of the other Party; provided , however , that either Party may assign this Agreement without the prior written consent of the other Party to an Affiliate of such Party or in connection with a merger or sale of all or substantially all of the stock or assets of such Party to a Third Party. Any permitted assignee will assume in writing all obligations of its assignor under this Agreement. No assignment will relieve either Party of its responsibility for the performance of its obligations hereunder. This Agreement will be binding upon and will inure to the benefit of the Parties and their respective permitted successors and assigns and nothing in this Agreement is intended to or shall confer any benefits, rights or remedies unto any Person other than the Parties and their respective permitted successors and assigns. Without limiting the generality of the foregoing, and notwithstanding any representation or warranty of MTF provided herein with respect to the Matrix or any other matter, Orthofix acknowledges and agrees that all such representations and warranties are for the exclusive benefit of Orthofix under this Agreement and will not be applicable or transferable to any Customer or any other Person.

20.3 Injunctive Relief; Specific Performance . Notwithstanding anything to the contrary in ARTICLE XIX , the Parties understand and agree that, in view of the uniqueness of the Matrix and the long term Process, supply and distribution of the Matrix contemplated hereunder, each Party will be entitled to specific performance and other forms of injunctive relief in the event that the other Party breaches its obligations hereunder (including, without limitation, under ARTICLE XVI), in addition to any other remedy to which it may entitled, at law or in equity.

20.4 Waiver. No failure or delay on the part of either Party hereto to exercise any right, power, or privilege hereunder or under any instrument executed pursuant hereto will operate as a waiver, nor will any single or partial exercise of any right, power, or privilege preclude any other or further exercise thereof or the exercise of any other right, power, or privilege.

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20.5 Severability. Both Parties expressly agree and contract that it is not the intention of either Party to violate any public policy, applicable Laws, treaties, or decisions of any government or agency thereof. If any provision or part thereof contained in this Agreement is declared invalid by any court of competent jurisdiction or a government agency having jurisdiction, such declaration will not affect the remainder of the provision or the other provisions and each will remain in full force and effect.

20.6 Headings. All headings in this Agreement are for convenience of reference only and will not affect the interpretation of this Agreement.

20.7 Interpretation. The words "include", "includes" and "including" and words of similar import will be deemed to be followed by the phrase "without limitation" or "but not limited to," as the context may warrant. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein); (b) any reference herein to any entity will be construed to include the entity's successors and assigns; (c) the words "herein", "hereof" and "hereunder", and words of similar import, will be construed to refer to this Agreement in its entirety and not to any particular provision hereof; and (d) all references herein to Articles, Sections, Addenda, Exhibits or Schedules will be construed to refer to Articles, Sections, Addenda, Exhibits and Schedules of this Agreement.

20.8 Notices. All notices and other communications required or permitted to be given under this Agreement will be in writing and will be delivered personally or sent by (a) registered or certified mail, return receipt requested; (b) a nationally-recognized courier service guaranteeing next-day delivery, charges prepaid; or (c) facsimile (with the original promptly sent by any of the foregoing manners). Any such notices will be addressed to the receiving Party at such Party's address set forth below, or at such other address as may from time to time be furnished by similar notice by either Party:

If to MTF:

Musculoskeletal Transplant Foundation, Inc.
125 May Street
Suite 300
Edison, New Jersey 08837
Attention: Bruce W. Stroever
Facsimile No.: (732) 661-2297

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With a copy (which will not constitute notice) to:

McCarter & English, LLP
Four Gateway Center
100 Mulberry Street
Newark, New Jersey 07102
Attention: Howard Kailes, Esq.
Facsimile No.: (973) 624-7070

If to Orthofix:

Orthofix Holdings, Inc. (c/o Orthofix International N.V.)
The Storrs Building
Suite 250
10115 Kincey Avenue
Huntersville Business Park
Huntersville, NC 28078
Attention: Chief Executive Officer and General Counsel
Facsimile No.: (704) 948-2690

With a copy (which will not constitute notice) to:

Hogan & Hartson LLP
8300 Greensboro Drive
Suite 1100
McLean, VA 22102
Attention: Philip D. Porter
Facsimile No.: (703) 610-6200

Any such notice or communication will be effective upon such personal delivery or delivery to such courier, upon transmission by facsimile (with acknowledgement of a complete transmission), or three (3) days after it is sent by such registered or certified mail, as the case may be. Copies will be sent in the same manner as originals.

20.9 Counterparts. This Agreement and any amendment or supplement hereto may be executed in counterparts, each of which will be deemed to be an original, and all of which taken together will constitute one and the same instrument.

20.10 Governing Law. All questions of inventorship, and all other Patent rights of the Parties, will be governed by the laws of jurisdiction from which the Patent in question issued or in which the Patent application was filed. In all other respects, the validity, interpretation, and performance of this Agreement will be governed and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of laws provisions thereof.

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20.11 Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement will be construed against the drafter will not apply.

20.12 Further Assurance. Each Party will duly execute and deliver, or cause to be duly executed and delivered, such further instruments, and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes, or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

20.13 Entire Agreement. This Agreement, including all addenda, exhibits and schedules referred to herein, constitute the full understanding of the Parties with respect to the subject matter hereof and a complete and exclusive statement of the terms of their agreement. This Agreement or any provision hereof cannot be amended, changed, supplemented, or waived except in a writing signed by each of the Parties hereto. No modification to this Agreement will be effected by the acknowledgment or acceptance of any purchase order or shipping instruction form or similar documents containing terms or conditions at variance with or in addition to those set forth herein. Any term or condition of any purchase order, sales acknowledgment, or document which is in addition to, different from, or contrary to the terms and conditions of this Agreement will be void.

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IN WITNESS WHEREOF, the Parties have caused this Matrix Commercialization Collaboration Agreement to be duly executed and delivered as of the date first written above.

MUSCULOSKELETAL TRANSPLANT FOUNDATION, INC.

By:	/s/ Bruce W. Stroever
Name:	Bruce W. Stroever
Title:	President and CEO

ORTHOFIX HOLDINGS, INC.

By:	/s/ Alan Milinazzo
Name:	Alan Milinazzo
Title:	Group President and CEO

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LIST OF ADDENDA AND EXHIBITS

Addendum 1 – Definitions

Exhibit A – MTF Order Acceptance Procedures

Exhibit B – Initial Steering Committee

Exhibit C – Specifications

Exhibit D – Release Criteria

Exhibit E – COA

Exhibit F – Contingency Plan

Exhibit G – MTF's Knowledge

Exhibit H – Orthofix's Knowledge

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Schedule 9.7 – Intellectual Property

The Existing Orthofix Technology is subject to certain liens pursuant to the Credit Agreement, dated as of September 22, 2006, among Orthofix Holdings, Inc., Orthofix International N.V., Colgate Medical Limited, Victory Medical Limited, Swiftsure Medical Limited, Orthofix UK LTD, certain subsidiaries of Orthofix International N.V. identified therein, the Lenders identified therein, and Wachovia Bank, National Association, as Administrative Agent, as amended (the "Credit Agreement"), and including the Security Documents, as defined in the Credit Agreement.

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Addendum 1 – Definitions

The following terms, whether used in the singular or plural, will have the meanings assigned to them below for purposes of this Agreement:

" AATB " means the American Association of Tissue Banks.

" Affiliate " means any corporation or non-corporate entity which controls, is controlled by, or is under common control with a Party. A corporation or non-corporate entity will be regarded as in control of another corporation if it owns or directly or indirectly controls at least fifty percent (50%) of the voting stock of the other corporation or (a) in the absence of the ownership of at least fifty percent (50%) of the voting stock of a corporation or (b) in the case of a non-corporate entity, the power to direct or cause the direction of the management and policies of such corporation or non-corporate entity, as applicable.

" Agreement " means this Matrix Commercialization Collaboration Agreement.

" Audit " means a reasonable review and/or inspection by either Party or its representatives of Service Fee records in accordance with Section 4.2 and/or facilities, processes, procedures, and documents (or of any subcontractor permitted pursuant to Section 2.9) as described in Section 10.1 of this Agreement.

" Authorized Orders " has the meaning set forth in Section 2.1(a) .

" Bankruptcy Code " has the meaning set forth in Section 13.3(a) .

" Certificate of Analysis " or " COA " means the certificate for each Lot delivered hereunder confirming compliance with the Specifications.

" Cessation Period " has the meaning set forth in Section 14.1 .

" cGTP " means current Good Tissue Practice requirements set forth in 21 C.F.R. Part 1271, Subpart D, as in effect and as may be amended or replaced by the FDA from time to time.

" Collaboration " means the Processing and Commercialization of the Matrix by the Parties pursuant to the terms and conditions of this Agreement.

" Commercialization " or " Commercialize " means activities directed to obtaining pricing and reimbursement approvals, marketing, promoting, distributing, importing, supplying or transferring the Matrix.

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" Confidential Information " means information which is disclosed by a Party (the " Disclosing Party ") to the other Party (the " Receiving Party ") in whatever media, and is marked, identified or otherwise acknowledged to be confidential at the time of disclosure.

" Contingency Plan " means the contingency plan for the Processing and fulfillment of Authorized Orders in the event of any interruption in MTF's Processing capability as a result of cessation of all or substantially all Processing operations with respect to the Matrix at MTF's facility located in Edison, New Jersey, set forth in Exhibit F and as it may be subsequently amended from time to time in accordance with the procedures set forth herein and in the Development Agreement.

" Control ," " Controls " or " Controlled by " means, with respect to any item of or right under Patents, Know-How, Technology or Inventions, the possession of (whether by ownership or license, other than pursuant to this Agreement) or the ability of a Party to grant access to, or a license or sublicense of, such items or right as provided for herein without violating the terms of any agreement or other arrangement with any Third Party existing at the time such Party would be required hereunder to grant the other Party such access or license or sublicense.

" CPI " means the "Price for Index for all Urban Consumers, U.S. city average, all items, for the then immediately preceding 12-month period" as published by the U.S. Government.

" Customers " has the meaning set forth in Section 2.1(b) .

" Damages " has the meaning set forth in Section 14.1 .

" Developed Technology " means the Developed Technology (as defined in the Development Agreement) in existence as of the Effective Date, and all Improvements during the Term with respect thereto, including, without limitation, all Patents relating to the foregoing.

" Development Agreement " has the meaning set forth in the Recitals.

" Dispute Notice " has the meaning set forth in Section 4.2(b) .

" Donor " means a human tissue donor.

" Donor Eligibility Requirements " means the requirements set forth in 21 C.F.R. Part 1271, subpart C, as in effect and as may be amended or replaced by the FDA from time to time.

" Donor Tissue " means human musculoskeletal tissue, including bone and connective tissue.

" Effective Date " means the date of completion of the last Development Milestone pursuant to the Development Plan (as those terms are defined in the Development Agreement).

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" Existing MTF Technology " means (a) for all purposes of this Agreement other than Section 7.1 (a)(ii) , such Technology, Inventions and Know-How Controlled by MTF in existence as of the date of this Agreement (including, without limitation, all Patents), in each case solely insofar as necessary or useful for making, using, selling, offering to sell and importing the Matrix, and (b) solely for purposes of Section 7.1 (a)(ii) , such Technology, Inventions and Know-How Controlled by MTF in existence as of the Effective Date (including, without limitation, all Patents), in each case solely insofar as necessary for making, using, selling, offering to sell and importing the Matrix.

" Existing Orthofix Technology " means (a) for all purposes of this Agreement other than Section 7.1 (b)(ii) ,such Technology, Inventions and Know-How Controlled by Orthofix in existence as of the date of this Agreement (including, without limitation, all Patents), in each case solely insofar as necessary or useful for making, using, selling, offering to sell and importing the Matrix, and (b) solely for purposes of Section 7.1 (b)(ii) , such Technology, Inventions and Know-How Controlled by Orthofix in existence as of the Effective Date (including, without limitation, all Patents), in each case solely insofar as necessary for making, using, selling, offering to sell and importing the Matrix.

" Facility " means MTF's facility located at 125 May Street, Suite 300, Edison, New Jersey or any other facility of MTF where it performs any of its obligations under this Agreement.

" FDA " means the United States Food and Drug Administration, or any successor entity.

" FDCA " means the United States Federal Food, Drug, and Cosmetic Act, as amended.

" First Offer Notice " has the meaning set forth in Section 6.2(a) .

" First Refusal Notice " has the meaning set forth in Section 6.2(b) .

" Force Majeure Event " has the meaning set forth in Section 17.1 .

" Forecast " has the meaning set forth in Section 2.2 .

" HCT/P " means a human cells, tissues, or cellular or tissue-based product that the FDA regulates solely under Section 361 of the PHSA and the provisions of 21 C.F.R. Part 1271.

" Improvement **"** means any enhancement, modification, purification, optimization, or further development made under and pursuant to this Agreement during the Term, whether or not patentable, that results from either (a) a change to the Specifications that is agreed upon by the Steering Committee for development under this Agreement, or (b) a new development initiative with respect to the Matrix that is the subject of a new development agreement mutually agreed upon by the Parties in accordance with Section 6.1 .

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" Infringement Claim " has the meaning set forth in Section 14.1 .

" Initial Term " has the meaning set forth in Section 13.1 .

" Invention " means any process, method, composition of matter, article of manufacture, discovery or finding.

" Know-How " means (a) any scientific or technical information, results and data of any type whatsoever, in any tangible or intangible form whatsoever, including databases, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data including pharmacological, medicinal chemistry, biological, chemical, biochemical, toxicological and clinical test data, analytical and quality control data, stability data, studies and procedures, and manufacturing process and development information, results and data and (b) any biological, chemical or physical materials.

" Laws " means all national, federal, state, provincial and local laws, statute, rules, regulations, ordinances, administrative order, court order, requirements and guidance of any governmental authority or instrumentality, domestic or otherwise, including the PHSA, the NOTA, 21 C.F.R. Parts 1270 and 1271, Human Cells, Tissues, and Cellular or Tissue-Based Products, cGTP, state tissue banking statutes and regulations, Donor Eligibility Requirements, and other rules, regulations, guidance or standards promulgated or issued by any Regulatory Authority or the AATB, as each may be amended from time to time.

" Lot " means a quantity of the Matrix, Processed in accordance with the Specifications, resulting from a single production run traceable to a single Donor.

" Marketing Fee " has the meaning set forth in Section 5.2 .

" Marketing Plan " has the meaning set forth in Section 5.1 .

" Matrix " has the meaning set forth in the Recitals.

" Minimum Service Fee " has the meaning set forth in Section 4.1(a) .

" Monthly Statement " has the meaning set forth in Section 4.1(b) .

" MTF " has the meaning set forth in the Preamble.

" MTF Indemnitees " has the meaning set forth in Section 14.1 .

" MTF Marks " has the meaning set forth in Section 7.3(a) .

" MTF's Knowledge " and phrases of similar import mean, the actual knowledge of a particular fact of the individuals identified on Exhibit G

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" NOTA " means the United States National Organ Transplant Act, 42 U.S.C. Section 274e.

" Offeree Party " has the meaning set forth in Section 6.2(a) .

" Offering Party " has the meaning set forth in Section 6.2(a) .

" Orthofix " has the meaning set forth in the Preamble.

" Orthofix Marks " has the meaning set forth in Section 7.3(b) .

" Orthofix's Knowledge " and phrases of similar import mean, the actual knowledge of a particular fact of the individuals identified on Exhibit H .

" Osiris Agreement " means the Distribution and Supply Agreement, dated November 10, 2005, between Osiris Therapeutics, Inc. and Orthofix.

" Party " has the meaning set forth in the Preamble.

" Patent(s) " means (a) all patents and patent applications in any country or supranational jurisdiction and (b) any provisionals, substitutions, divisions, continuations, continuations in part, reissues, renewals, registrations, confirmations, reexaminations, extensions, supplementary protection certificates and the like, of any such patents or patent applications.

" Person " means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

" PHSA " means the United States Public Health Service Act, 42 U.S.C. §201 *et seq.*

" Process " or " Processing " means any or all of the acts of manufacturing (including procuring materials, and determining suitability of Donor Tissue and Donors for manufacturing), handling, storing, releasing, analyzing, testing, packaging, labeling and preparing for shipment.

" Product Concept " has the meaning set forth in Section 6.2(a) .

" Product Concept Proposal " has the meaning set forth in Section 6.2(a) .

" Proposing Party " has the meaning set forth in Section 6.2(b) .

" Reasonable Commercial Efforts " means with respect to the efforts to be expended by a Party with respect to any objective, reasonable, good faith efforts to accomplish such objective as such Party would normally use to accomplish a similar objective under similar circumstances, it being understood and agreed that with respect to the Processing or Commercialization of the Matrix, such efforts will be similar to those efforts and resources commonly used by a Party for a similar human tissue product owned by it or to which it has rights, which product is at a similar stage in its development or product life and is of similar market potential taking into account efficacy, safety, labeling, the competitiveness of alternative products in the marketplace, the patent and other proprietary position of the product, the likelihood of regulatory approval given the regulatory structure involved, the commercial viability of the product, availability of alternative products and other relevant factors. Reasonable Commercial Efforts may change over time, reflecting changes in the status of the Matrix and the market needs.

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" Recall " has the meaning set forth in ARTICLE XII .

" Receiving Party " has the meaning set forth in Section 6.2(b) .

" Regulatory Authority " means any government regulatory authority, domestic or otherwise with jurisdiction over the activities of the Parties pursuant to this Agreement and over the development, Processing, marketing, reimbursement and/or pricing of the Matrix in the Territory, including, in the United States, the FDA.

" Regulatory Inspection " has the meaning set forth in Section 11.5 .

" Release Criteria " has the meaning set forth in Section 10.1 .

" Service Fee " has the meaning set forth in Section 4.1(a) .

" Specifications " has the meaning set forth in the Recitals.

" Steering Committee " means the Committee described in greater detail in ARTICLE III that has the authority set forth therein, the initial composition of which is set forth in Exhibit B .

" Subcontracting Party " means, with respect to any subcontractor, the Party that has engaged that subcontractor.

" Technology " means all intellectual property rights, including but not limited to such rights with respect to designs, prototypes, processes, drawings, descriptions, data, and inventions, whether patentable or not.

" Term " means the Initial Term as defined in Section 13.1 hereof, and any renewal or extension of this Agreement pursuant to Section 13.1 .

" Territory " means all of the countries in the world, and their territories and possessions.

" Third Party " means any party other than Orthofix, MTF, and their respective Affiliates.

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[*] Certain confidential information contained in this document, marked with an asterisk in brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

" Underpayment Notice " has the meaning set forth in Section 4.2 (a) .

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EXHIBIT A

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT
MTF Order Acceptance Procedures*

Orders; Service Fees

1. All orders for Matrix shall be subject to MTF's standard terms and conditions, including, without limitation, its standard warranty, and, subject to the foregoing, the terms set forth in this Exhibit A in effect on the date of this Agreement as from time to time revised by MTF.

2. All new customers must provide MTF with their complete bill to and ship to address, contact name and telephone number on company letterhead.

3. Unless otherwise agreed upon in writing, the Matrix will be billed at the service fees in effect at the time of shipment. Service fees are subject to change without notice unless a definite term of effectiveness is otherwise stipulated by MTF. Unless otherwise specifically indicated, all service fees and order acknowledgements are understood to be F.O.B. MTF's premises in Edison, New Jersey.

4. Service fees and conditions given in MTF's order acknowledgements are effective only for deliveries to be used in the country of the named customer.

5. Service fees on the specified tissue and products are exclusive of all taxes, including, without limitation, taxes on processing, sales, receipts, gross income, occupation, use and similar taxes. Whenever applicable, any tax or taxes will be added to the invoice as a separate charge to be paid by the customer.

6. Transportation and insurance of shipments shall be arranged by MTF on behalf of the customer at the customer's expense and risk.

7. Products or services not stipulated in any order will be charged separately.

Terms of Payment

1. Where, at MTF's option, credit is extended, payment is due within thirty days after the date of the invoice.

2. All orders paid by credit card must have credit card pre-approval prior to shipment.

3. Unless otherwise specifically stipulated, all payments are to be made in United States currency. Payment is considered made if and to the extent that the aforementioned funds are placed at the unrestricted disposal of MTF.

4. The customer shall comply with all required dates of payment notwithstanding any delay in transportation, delivery or acceptance of shipments for reasons beyond MTF's control.

Delivery

1. The delivery times indicated in MTF's order acknowledgements are based on MTF's ability to secure the necessary tissue and other materials and on processing conditions prevailing at that time. In the event of changes occurring in any of such circumstances, MTF reserves the right at any time to advise the customer of a revised time for delivery.

2. MTF will not recognize any claim for damages in respect of delay in delivery.

3. Shipment to transportation carrier's pick-up point will be done when necessary for facilitation of delivery.

4. MTF will only ship tissue and/or tissue classified as a medical device to hospitals, medical offices, dental offices, and other tissue banks for frozen tissue storage purposes.

absolute property of MTF provided that the customer may be given credit therefore, if applicable.

Return Policy

1. In order to maintain strict quality control protocols, there is a no-return policy for all frozen bone and frozen soft tissue.

2. Freeze dried tissue may be returned for credit under the following circumstances without a restocking fee: (i) the tissue does not conform to MTF's warranty (if such claims are reported to MTF within thirty days of the date of invoice); (ii) the tissue/packaging is damaged in shipment (if claims for damaged tissue packages are reported to MTF within five days of receipt of the shipment of tissue; or (iii) order discrepancies (if reported to MTF within five days of receipt of the shipment of tissue).

3. All other return requests must be made within thirty days of the original invoice date and will be subject to a restocking charge of twenty percent of the cost of the tissue. Freight charges will not be credited.

4. All returns must be accompanied by a Return Authorization Number (RA#). An RA# may be obtained by contacting MTF's Customer Service Advocate at 1-800-946-9008 extension 2307 (Customer Service hours are Monday through Friday 8:15 a.m. to 6:30 p.m. eastern time).

Warranties

1. MTF's standard warranty to the customer, extending to conformity of the Matrix to MTF's published specifications therefor, will constitute MTF's sole warranty to the customer. **MTF will make no other warranty or guarantee, express or implied or statutory, in fact or by operation of law, and MTF disclaims, without limitation, the implied warranties of merchantability and fitness for a particular purpose.**

2. In the event that any tissue does not meet MTF's warranty, MTF's liability and the customer's sole remedy, whether in contract, under any warranty, in tort (including negligence), in strict liability or otherwise, shall be limited, in all respects, to reimbursement or replacement of the non-conforming shipment and shall not exceed the return of the amount of the service fee paid by the customer.

3. MTF shall not in any event be liable for damages or indemnity for direct or incidental, consequential or other indirect damages, including any claims for damages based upon lost profits, or other liabilities in any way arising from or sustained as a result of an order and/or the processing, sale, distribution or delivery of the tissue.

Cancellation

1. If the customer ceases to conduct its operations in the normal course or if any proceeding under the bankruptcy or insolvency laws is brought by or against the customer or a receiver for the customer is appointed or applied for or an assignment is made by the customer for the benefit of creditors, MTF may terminate the order without liability and without prejudicing MTF's rights with respect to deliveries previously made.

2. In the event of non-compliance by the customer with the any of MTF's standard terms and conditions, MTF shall be at liberty to cancel any order or part thereof immediately and to demand immediate payment for shipment already delivered.

3. MTF may further at any time cancel an order for any other reason, including, without limitation, breach by the customer, with respect to tissue and materials not theretofore delivered.

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5. The use of and risk of loss to the tissue shall pass to the customer upon delivery of the tissue to the carrier for shipment. **6.** MTF will have the right, in addition to all other rights it may possess at any time, for credit reasons or because of the customer's default or defaults, to withhold shipments, in whole or in part, and to recall shipments in transit, retake shipments and repossess all tissue which is stored with MTF for the customer's account without the necessity of taking any other proceedings and the customer consents that all shipments so recalled, retaken or repossessed shall become the	**Other** **1.** MTF will not be required to accept any order which, unless waived by MTF, purports not to incorporate MTF's standard terms and conditions or which provides for any term or condition which is inconsistent with MTF's standard terms and conditions. **2.** MTF will not be responsible for delays caused by acts of God, official enactments, epidemics, mobilization, war, riots, breakdown of processing facility, strikes, lockouts, boycotts, or any labor issues directly or indirectly affecting MTF's processing or those of its suppliers or any other event beyond MTF's control. **3.** The rights and duties of the parties shall be determined by the laws of the State of New Jersey and the customer consents and submits to the jurisdiction of the courts of the State of New Jersey for all purposes in connection with controversy, claim, action or proceeding arising out of or relating to any order and final judgment in any such controversy, claim, action or proceeding shall be conclusive and may be enforced in any other jurisdiction within or outside the State of New Jersey.

*In the event of any inconsistency between any provision of this Exhibit A and any provision in the body of the Agreement, the provision in the body of the Agreement shall control.

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EXHIBIT B

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT
Initial Steering Committee

MTF designees

Joseph Yaccarino, Executive Vice President, Processing Operations
Michael Schuler, Vice President, New Business Development
Kim Fitzgerald, Vice President, Marketing

Orthofix designees

Michael Finegan, Vice President, Corporate Development
Nicole Esposito, Global Products Manager Biologics
Raymond Linovitz, Medical Director, Blackstone Medical

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EXHIBIT C

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT
Specifications for the Matrix

Allogeneic cancellous bone matrix containing viable mesenchymal stem cells and/or osteoprogenitor cells and conforming to the following: [*]

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EXHIBIT D

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT
Release Criteria for the Matrix

1. For each donor lot: [*]

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EXHIBIT E

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT
Certificate of Analysis

CERTIFICATE OF ANALYSIS

Donor Lot _____
Date_____

The above-referenced Donor Lot complies with the release criteria set forth below as indicated:

Criteria	Meets Standard	Deviates from Standard
[*]		
[*]		
[*]		
[*]		
[*]		

MUSCULOSKELETAL TRANSPLANT FOUNDATION, INC.

By _____
Name:
Title:

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EXHIBIT F

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT
Contingency Plan for the Matrix

The primary facility for processing the Matrix will be MTF's facility located in Edison, New Jersey where processing will take place in the rooms where all fresh tissue processing currently is performed, which include the appropriate clean rooms, equipment, and trained personnel.

In the event of a cessation of all or substantially all Processing operations with respect to the Matrix at MTF's Edison facility, MTF will use Reasonable Commercial Efforts to implement the following actions in order to continue to supply Matrix:

- processing will be transferred to MTF's facility located in Jessup, Pennsylvania (expected completion, 1/2009);
- any specialized equipment for Matrix processing will be duplicated in the Jessup facility;
- MTF's trained personnel from the Edison facility will work in the Jessup facility and train Jessup personnel until the Jessup facility's processing capabilities is operational and Jessup personnel are trained;
- usable work in process and finished goods inventory will be relocated to Jessup; and
- order fulfillment will be relocated to the Jessup facility.

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EXHIBIT G

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT
MTF's Knowledge

Arthur A. Gertzman, Executive Vice President, Research and Development and Chief Science Officer
Michael Schuler, Vice President, New Business Development

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EXHIBIT H

MATRIX COMMERCIALIZATION COLLABORATION AGREEMENT
Orthofix's Knowledge

Michael M. Finegan, Vice President of Corporate Development
Raymond Linovitz, Medical Director, Blackstone Medical
Raymond C. Kolls, Senior Vice President, General Counsel and Corporate Secretary

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Exhibit 21.1

The following is a list of our significant subsidiaries:

Company	Country of Incorporation
Orthofix Inc.	United States
Blackstone Medical, Inc.	United States
Breg, Inc.	United States
Orthofix Holdings, Inc.	United States
Orthofix US LLC	United States
Orthofix S.r.l	Italy
Novamedix Services Limited	U.K.
Orthosonics Limited	U.K.
Intavent Orthofix Limited	U.K.
Orthofix Limited	U.K.
Orthofix UK Limited	U.K.
Colgate Medical Limited	U.K.
Victory Medical Limited	U.K.
Swiftsure Medical Limited	U.K.
Novamedix Distribution Limited	Cyprus
Inter Medical Supplies Limited	Cyprus
Inter Medical Supplies Limited	Seychelles
Orthofix AG	Switzerland
Goldstone GmbH	Switzerland
Blackstone GmbH	Germany
Orthofix GmbH	Germany
Breg Deutschland GmbH	Germany
Orthofix International B.V.	Holland
Orthofix II B.V.	Holland
Orthofix do Brasil	Brazil
Orthofix S.A.	France
Promeca S.A. de C.V.	Mexico
Implantes Y Sistemas Medicos, Inc.	Puerto Rico

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Form S-8 No. 333-107537 pertaining to the Orthofix International N.V. Staff Share Option Plan and Orthofix Inc. Employee Stock Purchase Plan,
(2) Form S-8 Nos. 333-5932 and 333-68700 pertaining to the Orthofix International N.V. Staff Share Option Plan,
(3) Form S-8 Nos. 33-96172 and 33-50900 pertaining to the Orthofix International N.V. Staff Share Option Plan and Orthofix International N.V. Executive Share Option Plan,
(4) Form S-8 No. 33-96000 pertaining to the 1983 Incentive Stock Option Plan of Orthofix International N.V., the Orthofix International N.V. 1990 Incentive Plan and the Orthofix Inc. Employee Stock Purchase Plan,
(5) Form S-8 No. 333-136288 pertaining to the Performance Accelerated Stock Options Agreements with Certain Officers,
(6) Form S-8 No. 333-145661 pertaining to the Orthofix International N.V. Amended and Restated 2004 Long-Term Incentive Plan,
(7) Form S-8 No. 333-123353 pertaining to the Orthofix International N.V. 2004 Long-Term Incentive Plan,
(8) Form S-8 No. 333-153389 pertaining to the Orthofix International N.V. Amended and Restated 2004 Long-Term Incentive Plan and the Orthofix International N.V. Amended and Restated Stock Purchase Plan of Orthofix International N.V., and
(9) Form S-8 No. 333-155358 pertaining to the Stock Options Granted Pursuant to Inducement Grant Nonqualified Stock Option Agreement between Orthofix International N.V. and Robert S. Vaters, the Company's Executive Vice President and Chief Financial Officer

of our reports dated March 1, 2010, with respect to the consolidated financial statements and financial statement schedules of Orthofix International N.V. and the effectiveness of internal control over financial reporting of Orthofix International N.V., included in this Annual Report (Form 10-K) of Orthofix International N.V. for the year ended December 31, 2009.

/s/ Ernst & Young LLP

Boston, Massachusetts
March 1, 2010

Exhibit 31.1

CERTIFICATION

I, Alan W. Milinazzo, certify that:

1. I have reviewed this annual report on Form 10-K of Orthofix International N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has material affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2010

/s/ Alan W. Milinazzo
Name: Alan W. Milinazzo
Title: Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION

I, Robert S. Vaters, certify that:

1. I have reviewed this annual report on Form 10-K of Orthofix International N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has material affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2010

/s/ Robert S. Vaters
Name: Robert S. Vaters
Title: Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Orthofix International N.V. ("Orthofix") on Form 10-K for the period ended December 31, 2009 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Alan W. Milinazzo, Chief Executive Officer and President of Orthofix, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Orthofix.

Dated: March 1, 2010

/s/ Alan W. Milinazzo
Name: Alan W. Milinazzo
Title: Chief Executive Officer and President

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Orthofix International N.V. ("Orthofix") on Form 10-K for the period ended December 31, 2009 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Robert S. Vaters, Executive Vice President and Chief Financial Officer of Orthofix, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Orthofix.

Dated: March 1, 2010

/s/ Robert S. Vaters
Name: Robert S. Vaters
Title: Executive Vice President and Chief Financial Officer