

ORTHOPIX INTERNATIONAL N V
Form PREC14A
February 13, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

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T Preliminary Proxy Statement
 F Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
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ORTHOPIX INTERNATIONAL N.V.
(Name of Registrant as Specified In Its Charter)

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Orthofix International N.V.

NOTICE OF SPECIAL GENERAL MEETING OF SHAREHOLDERS

AND

PROXY STATEMENT

Meeting Date:
April 7, 2009
at [12:00 noon] (local time)

Meeting Place:
Orthofix International N.V.
[7 Abraham de Veerstraat]
Curaçao, Netherlands Antilles

Dear Shareholders:

A Special General Meeting of Shareholders (the “Special General Meeting”) of Orthofix International N.V., a Netherlands Antilles corporation, (“Orthofix” or the “Company”) will be held on April 7, 2009, at [12:00 noon] (local time) at Orthofix’s offices, located at [7 Abraham de Veerstraat], Curaçao, Netherlands Antilles. The Special General Meeting is being called by resolution of the Board of Directors of Orthofix (the “Board of Directors” or the “Board”) as a result of the delivery to the Company by Ramius Value and Opportunity Master Fund Ltd. (collectively with its affiliates, “Ramius”), of written requests to call a special general meeting of shareholders of the Company.

The purpose of the Special General Meeting is to consider the proposals that are described in Ramius’ Solicitation Statement to Request a Special General Meeting of Shareholders, dated January 7, 2009 and supplemented on January 22, 2009. The proposals are more fully addressed in the Company’s notice and proxy statement accompanying this letter. We encourage you to read the Company’s materials carefully, and then vote the enclosed BLUE proxy card.

The Ramius proposals seek to, among other things, remove four members of Orthofix’s Board of Directors and replace them with four nominees of Ramius. The Board of Directors and management of Orthofix oppose each of Ramius’ proposals to be voted upon at the Special General Meeting. Approval of Ramius’ proposals would allow Ramius and its managing members, who own 5.3% of the outstanding shares of Orthofix common stock, to control nearly half of the Board of Directors by removing four of the members of the Board of Directors, each of whom was carefully vetted and selected by the Board’s Nominating and Governance Committee, and replacing them with four of Ramius’ own nominees.

The Board of Directors is deeply committed to Orthofix, its shareholders and the enhancement of shareholder value. In the Board’s opinion, Ramius’ proposals are not in the best interests of all shareholders of Orthofix. If Ramius and its

managing members, who own only 5.3% of Orthofix's shares of common stock, all of which were acquired within the past six months, were to succeed, then their nominees would control four out of the ten seats on the Board. For the reasons described in the attached proxy statement, the Board of Directors is soliciting proxies against the Ramius proposals. We urge you to join the Board of Directors in opposing the Ramius proposals.

AS MORE FULLY DESCRIBED WITHIN THE ATTACHED PROXY STATEMENT, THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" PROPOSALS 1 AND 2, AND TO "WITHHOLD" YOUR VOTE WITH RESPECT TO PROPOSAL 3, ON THE ENCLOSED BLUE PROXY CARD TODAY.

Your vote is important regardless of the number of shares you own. The Board of Directors urges you to show your support for Orthofix by signing, dating and delivering the enclosed BLUE proxy card by mail (using the enclosed postage-paid envelope), as promptly as possible or by voting electronically or by telephone as described in the attached proxy statement. If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, Georgeson, Inc., toll-free at (800) 323-4133.

I can assure you that your Board of Directors and Orthofix's management will continue to act in the best interests of ALL Orthofix shareholders. We appreciate your continued support.

Sincerely,

Alan W. Milinazzo
President and Chief Executive Officer and
Director

February 5, 2009

NOTICE AND PROXY STATEMENT
for Shareholders of

ORTHOFIX INTERNATIONAL N.V.
7 Abraham de Veerstraat
Curaçao, Netherlands Antilles

for

SPECIAL GENERAL MEETING OF SHAREHOLDERS

to be held on April 5, 2009

This notice and the accompanying proxy statement are being furnished to the shareholders of Orthofix International N.V., a Netherlands Antilles corporation (“Orthofix” or the “Company”), in connection with the upcoming Special General Meeting of Shareholders (the “Special General Meeting”) and the related solicitation of proxies by the Board of Directors of Orthofix (the “Board of Directors” or the “Board”) from holders of outstanding shares of common stock, par value \$0.10 per share, of Orthofix for use at the Special General Meeting and at any adjournment thereof. In this notice and the accompanying proxy statement, all references to “we,” “our” and “us” refer to the Company, except as otherwise provided.

Time, Date and Place of Special General Meeting

Notice is hereby given that the Special General Meeting will be held on April 5, 2009 at [12:00 noon], local time, at Orthofix’s offices, located at [7 Abraham de Veerstraat], Curaçao, Netherlands Antilles.

Purpose of the Special General Meeting

1. Removal of Directors. Shareholders will be asked to consider a proposal by Ramius Value and Opportunity Master Fund Ltd. (collectively with its affiliates, “Ramius”), to remove, without cause, the following four directors of the Company: James F. Gero, Peter J. Hewett, Thomas J. Kester and Walter P. von Wartburg (“Proposal 1”). The Board of Directors recommends that shareholders vote “AGAINST” Proposal 1.
2. Removal of Directors Appointed by the Board of Directors. Shareholders will be asked to consider a proposal by Ramius to remove, without cause, any director appointed by the Company’s Board of Directors without shareholder approval from December 10, 2008 through and including the date of the Special General Meeting (“Proposal 2”). The Board of Directors recommends that shareholders vote “AGAINST” Proposal 2.
3. Election of Ramius Nominees. Shareholders will be asked to consider, in the event Proposal 1 is approved, the election of the Ramius slate of director nominees: J. Michael Egan, Peter A. Feld, Steven J. Lee and Charles T. Orsatti, (collectively, the “Ramius Nominees”) to fill the resulting vacancies on the Board of Directors (“Proposal 3”). The Board of Directors recommends that shareholders “WITHHOLD” their vote with respect to any individual who may be nominated by Ramius pursuant to Proposal 3. Proposal 3 is conditioned on the success of Proposal 1 because if none of our existing members of the Board of Directors are removed as provided in Proposal 1, there will be no vacancies to fill, and none of the Ramius Nominees can be elected pursuant to Proposal 3.

Please read a detailed description of Proposals 1, 2 and 3 stated above beginning on page 5 of the proxy statement.

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The Special General Meeting is extremely important for all Orthofix shareholders in light of the attempt by Ramius and its managing members to effect changes that would result in their control of four of the seats on the Board of Directors. Your vote is critical. Whether or not you plan to attend the Special General Meeting, and regardless of the number of shares of common stock you own, we urge you to vote “AGAINST” Proposals 1 and 2, and to “WITHHOLD” your vote with respect to Proposal 3, by signing, dating and delivering the enclosed BLUE proxy card, by mail (using the enclosed postage-paid envelope) as promptly as possible or by voting electronically or telephonically as described in the attached proxy statement.

The Board of Directors urges you not to sign or return any gold proxy card that may be sent to you by Ramius, even as a protest vote against them. If you previously voted a gold proxy card provided by Ramius, you have every legal right to change your vote. You can do so simply by using the enclosed BLUE proxy card to vote today (or by voting electronically or telephonically). Only your latest dated proxy will count.

Shareholders Entitled to Vote

All record holders of shares of Orthofix common stock at the close of business on February 5, 2009 have been sent this notice and will be entitled to vote at the Special General Meeting. Each record holder on such date is entitled to cast one vote per share of common stock.

If you have any questions or need assistance in voting your shares, please contact our proxy solicitor, Georgeson, Inc., toll-free at (800) 323-4133.

By Order of the Board of Directors

Raymond C. Kolls
Corporate Secretary

February 5, 2009

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PROXY STATEMENT FOR THE ORTHOFIX INTERNATIONAL N.V.
SPECIAL GENERAL MEETING OF SHAREHOLDERS

THIS PROXY STATEMENT AND THE ENCLOSED BLUE PROXY CARD ARE BEING MAILED TO SHAREHOLDERS ON OR ABOUT FEBRUARY 5, 2009

ABOUT THE SPECIAL GENERAL MEETING

Date, Time and Place of the Special General Meeting

We are sending you this proxy statement as part of a solicitation of proxies by the Board of Directors of Orthofix International N.V. (“Orthofix” or the “Company”) for use at the Company’s upcoming Special General Meeting of shareholders and at any adjournment, postponement, continuation or rescheduling thereof (the “Special General Meeting”). We anticipate that this Proxy Statement and the accompanying BLUE proxy card will first be mailed to the holders of our common stock on or about February 5, 2009.

The Special General Meeting of Orthofix’s shareholders will be held on April 5, 2009 at [12:00 noon], local time, at Orthofix’s offices, located at [7 Abraham de Veerstraat], Curaçao, Netherlands Antilles. The Special General Meeting is being called as a result of the delivery to the Company by Ramius Value and Opportunity Master Fund Ltd. (collectively with its affiliates, “Ramius”), of written requests to call a special meeting of shareholders pursuant to the Netherlands Antilles Civil Code.

Purpose of the Special General Meeting

The purpose of the Special General Meeting is to consider the proposals that are described in Ramius’ Solicitation Statement to Request a Special General Meeting of Shareholders, dated January 7, 2009 and supplemented on January 22, 2009, and more fully discussed below.

At the Special General Meeting, shareholders will be asked to consider the following proposals:

1. Removal of Directors. Shareholders will be asked to consider a proposal by Ramius, to remove, without cause, the following four directors of the Company: James F. Gero, Peter J. Hewett, Thomas J. Kester and Walter P. von Wartburg (“Proposal 1”). The Board of Directors recommends that shareholders vote “AGAINST” Proposal 1.
2. Removal of Directors appointed by the Board of Directors. Shareholders will be asked to consider a proposal by Ramius to remove, without cause, any director appointed by the Company’s Board of Directors without shareholder approval from December 10, 2008 through and including the date of the Special General Meeting (“Proposal 2”). The Board of Directors recommends that shareholders vote “AGAINST” Proposal 2.
3. Election of Ramius Nominees. Shareholders will be asked to consider, in the event Proposal 1 is approved, the election of the Ramius slate of director nominees: J. Michael Egan, Peter A. Feld, Steven J. Lee and Charles T. Orsatti, (collectively, the “Ramius Nominees”) to fill the resulting vacancies on the Board of Directors (“Proposal 3”). The Board of Directors recommends that shareholders “WITHHOLD” their vote with respect to the Ramius Nominees. Proposal 3 is conditioned on the success of Proposal 1 because if none of our existing members of the Board of Directors are removed as provided in Proposal 1, there will be no vacancies to fill and none of the Ramius Nominees can be elected pursuant to Proposal 3.

In soliciting support from Orthofix shareholders for the Ramius Proposals, Ramius expresses concerns regarding the performance and financial stability of Orthofix, particularly in light of our 2006 acquisition of Blackstone Medical

Inc. (“Blackstone”). Ramius’ arguments fail to take into account a number of actions and initiatives that the Company has already taken or publicly announced. The Board and management believe that the medium and long-term growth and profitability prospects for Orthofix lie in the execution of our current strategy, which the Board unanimously endorsed at a recent meeting on December 9, 2008 after being notified by Ramius of its proposed solicitation to enable Ramius to request the calling of a special meeting. In the Board of Directors’ opinion, Ramius’ proposals are not in the best interests of ALL shareholders of Orthofix, but rather are being made in furtherance of the interests of Ramius and its managing members.

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Orthofix's Board of Directors seeks your support at the Special General Meeting. After careful consideration, the Board of Directors unanimously recommends that you reject all of the Ramius proposals and urges you to vote "AGAINST" Proposals 1 and 2, and to "WITHHOLD" your vote with respect to Proposal 3.

Please disregard any gold proxy card sent to you by Ramius. Please vote Orthofix's BLUE proxy card TODAY by signing, dating and delivering the enclosed BLUE proxy card, by mail (using the enclosed postage-paid envelope) or by voting by telephone or through the Internet. If you have previously returned a gold proxy card provided by Ramius, you have the right to change your vote by using the enclosed BLUE proxy card (by voting by telephone or through the Internet). Only your latest dated proxy will count.

If you have any questions about the Special General Meeting, voting or your ownership of Orthofix common stock, please contact Georgeson at (212) 440-9800 (banks and brokers) or toll free at (800) 323-4133.

ABOUT VOTING

Who can vote

All record holders of shares of Orthofix common stock at the close of business on February 5, 2009 (the "Record Date") have been sent this notice and will be entitled to vote at the Special General Meeting. Each record holder on such date is entitled to cast one vote per share of common stock. As of the Record Date, there were 5 shares of Orthofix common stock outstanding.

Quorum, vote required

The presence, in person or by proxy, of the holders of fifty percent (50%) of the shares of Orthofix common stock outstanding on the Record Date is required to constitute a quorum at the Special General Meeting. An absolute majority of the votes cast at the Special General Meeting will be required in order to approve the proposals before the Special General Meeting, except that directors will be elected by a plurality of the votes cast. Abstentions and "broker non-votes" are counted as shares that are present and entitled to vote on the proposals for purposes of determining the presence of a quorum, but abstentions and broker non-votes will not have any effect on the outcome of voting on the proposals. A broker "non-vote" occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Proxies

This proxy statement is being furnished to holders of shares of Orthofix common stock in connection with the solicitation of proxies by and on behalf of the Board of Directors for use at the Special General Meeting.

A shareholder of record on the Record Date may submit their proxy:

- By mail, by marking, signing and dating the enclosed BLUE proxy card and returning it in the postage paid envelope provided;
- Through the Internet, by visiting the website established for that purpose and following the instructions set forth on the enclosed BLUE proxy card; or
- By telephone, by calling the toll-free number listed on the enclosed BLUE proxy card on a touch-tone phone and following the recorded instructions.

All shares of Orthofix common stock that are represented at the Special General Meeting by properly executed BLUE proxies (and proxies received pursuant to telephonic and Internet voting) received prior to or at the Special General

Meeting and which are not validly revoked, will be voted at the Special General Meeting in accordance with the instructions indicated on such proxies. If no instructions are indicated on a properly executed BLUE proxy (and proxies received pursuant to telephonic and Internet voting), such proxy will be voted "AGAINST" Proposals 1 and 2 and to "WITHHOLD" their vote on Proposal 3. The Board of Directors does not know of any other matters that are to be presented for consideration at the Special General Meeting.

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Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before it is voted. Proxies may be revoked by (1) filing with Georgeson, at or before the taking of the vote at the Special General Meeting, a written notice of revocation bearing a later date than the proxy, (2) duly executing a subsequent proxy relating to the same shares of Orthofix common stock and delivering it to Georgeson before the Special General Meeting, (3) voting at a later time by telephone or through the Internet before the Special General Meeting or (4) if you are a holder of record, attending the Special General Meeting and voting in person. Attending the Special General Meeting will not in and of itself constitute the revocation of a proxy. Any written notice of revocation or subsequent proxy should be sent so as to be delivered to: Georgeson Inc., Wall Street Station, P.O. Box 9, New York, NY 10269-0646, at or before the taking of the vote at the Special General Meeting.

Voting is confidential

We maintain a policy of keeping all the proxies, ballots and voting tabulations confidential.

The costs of soliciting these proxies and who will pay them

BLUE proxy cards are being solicited by and on behalf of the Company. All expenses of the proxy solicitation, including the cost of preparing and mailing this proxy statement and BLUE proxy card and the establishment of telephone and Internet voting, will be borne by the Company. The Company will also request those holding shares for the benefit of others to send the proxy statement and proxy card to, and to obtain BLUE proxy cards from, the beneficial owners and will reimburse such holders for their reasonable expenses in doing so. In addition to solicitation by use of the mails, proxies may be solicited by directors, certain officers, and employees of the Company in person or by telephone, advertisement, courier service, e-mail or facsimile. The Company will also place its solicitation materials on its website at www.orthofix.com. Such directors, officers and employees will not be additionally compensated, but may be reimbursed for out-of-pocket expenses in connection with such solicitation.

In addition, the Company has retained Georgeson Inc. to assist in the solicitation of proxies. It is anticipated that Georgeson will employ approximately [X] persons to solicit the Company's shareholders. The Company has agreed that Georgeson will be paid a fee of up to \$100,000, plus reimbursement for their reasonable out-of-pocket expenses. The Company has also agreed to indemnify Georgeson against certain liabilities and expenses, including certain liabilities and expenses under the federal securities laws. The Company estimates that the total cost of the solicitation of proxies to be approximately [X]. The Company estimates that through the date hereof its expenses in connection with this solicitation are approximately [X].

The voting results

The Company has retained an independent inspector of elections in connection with Orthofix's solicitation. Orthofix intends to notify shareholders of the results of the solicitation for the Special General Meeting by issuing a press release, which it will also file with the SEC as an exhibit to a Current Report on Form 8-K.

QUESTIONS AND ANSWERS ABOUT THIS PROXY SOLICITATION

Q: Who is making this solicitation?

A: Your Board of Directors.

Q: What is the Company asking you to do?

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A: You are being asked to send the BLUE proxy card and revoke any proxy (that is reflected on the gold proxy card) that you may have delivered in favor of the proposals by Ramius and, by doing so, preserve the composition of the current Board, which will continue to act in your best interests.

Q: If I have already delivered a proxy card (that is reflected on the gold proxy card), is it too late for me to change my mind?

A: No. You may revoke your proxy at any time before it is voted at the Special General Meeting.

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Q: What is the effect of delivering a BLUE proxy card after previously delivering a gold proxy card?

A: By completing the enclosed BLUE proxy card and signing, dating and mailing the card in the postage-paid envelope provided, you will revoke as described above any earlier dated gold proxy card that you may have delivered to Ramius.

Q: What is the Board's position with respect to the Ramius proposals?

A: The Board has unanimously determined that Proposals 1, 2 and 3 are not in the best interests of the Company's shareholders. The Board's reasons and recommendations are set forth below.

Q: What does your Board of Directors recommend?

A: The Board strongly believes that the Ramius proposals are not in the best interests of the Company's shareholders. The Board therefore unanimously recommends that you vote "AGAINST" Proposals 1 and 2 and to "WITHHOLD" your vote from the Ramius Nominees named in Proposal 3.

Q: What do I need to do now?

A: Please read and consider the information contained in this proxy statement and vote your shares in any of the ways provided in this proxy statement.

Q: What should I do with any gold proxy card I may receive from Ramius?

A: The Board of Directors recommends that you do nothing with any gold proxy card sent to you by Ramius. Instead, the Board of Directors recommends that you sign, date and deliver the enclosed BLUE proxy card, as promptly as possible, by mail (using the enclosed postage-paid envelope) or by voting by telephone or through the Internet. If you have already returned a gold proxy card to Ramius, you can revoke it by voting the enclosed BLUE proxy card or by voting by telephone or through the Internet. Only your latest dated proxy will count.

Q: How can I vote my shares?

A: If your shares are registered directly in your name with our transfer agent, you are a shareholder of record with respect to those shares, and you may vote in person at the Special General Meeting, by signing, dating and returning the BLUE proxy card in the envelope provided, through the Internet or by telephone. Whether or not you plan to attend the Special General Meeting in person, you should submit your BLUE proxy card (or vote telephonically or through the Internet) as soon as possible.

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If your shares of common stock are held in “street name” through a broker, bank or other nominee, you must instruct them to vote on your behalf, otherwise your shares cannot be voted at the Special General Meeting. You should follow the directions provided by your broker, bank or other nominee regarding how to instruct such party to vote. Without such specific voting instructions, the shares held by you in “street name” will not be voted with respect to any of the proposals to be considered at the Special General Meeting. We urge you to confirm in writing your instructions to the person responsible for your account, and to provide a copy of such instructions to our proxy solicitor, Georgeson, at the address indicated below so that it can attempt to ensure that your instructions are followed.

Q: Can I change my vote?

A: You may revoke a proxy at any time prior to its exercise by (1) filing with Georgeson, at or before the taking of the vote at the Special General Meeting, a written notice of revocation bearing a later date than the proxy, (2) duly executing a subsequent proxy relating to the same shares of Orthofix common stock and delivering it to Georgeson before the Special General Meeting, (3) voting at a later time by telephone or through the Internet or (4) if you are a holder of record, attending the Special General Meeting and voting in person. The mere presence of a shareholder at the Special General Meeting will not automatically revoke any proxy previously given by such shareholder. Written notices of revoked proxies may be directed to Georgeson Inc., Wall Street Station, P.O. Box 9, New York, NY 10269-0646.

If your shares of common stock are held in “street name” through a broker, bank or other nominee, you may submit new voting instructions by contacting your broker, bank or other nominee. You may also vote in person at the Special General Meeting but only if you obtain a legal proxy from your record owner.

You are urged not to sign any gold proxy cards sent to you by Ramius. Even if you have previously signed a gold proxy card sent by Ramius, you can revoke it by voting in the manner described above.

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

A: If your shares of common stock are registered differently and are held in more than one account, then you will receive more than one proxy statement and BLUE proxy card. Please be sure to vote all of your accounts so that all of your shares are represented at the Special General Meeting.

Whom to call if you have any questions

If you have any questions about the Special General Meeting, voting or your ownership of Orthofix common stock, please contact Georgeson at (212) 440-9800 (banks and brokers) or toll free at (800) 323-4133. For directions to the meeting please consult the Company’s website at www.orthofix.com/investors/annuals.asp.

PARTICIPANTS IN THE PROXY SOLICITATION

Under applicable regulations of the Securities and Exchange Commission, each person who is a member of the Board and each person who is an executive officer of the Company listed below under “Orthofix’s Board of Directors and Certain Executive Officers” in Annex A is a “participant” in the proxy solicitation. Information relating to the participants in our solicitation is contained in Annex A and Annex B attached hereto. In addition, please refer to the section entitled “Security Ownership of Management and Principal Shareholders” for more information about the participants in the proxy solicitation.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on April •, 2009.

- The Proxy Statement is available at <http://www.orthofix.com/investors/default.asp>.

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PROPOSAL NO. 1 — REMOVAL OF FOUR MEMBERS OF THE BOARD OF DIRECTORS

Ramius has made the following proposal to be voted upon at the Special General Meeting:

To remove, without cause, four directors of the current Board of Directors of Orthofix, James F. Gero, Peter J. Hewett, Thomas J. Kester, and Walter P. von Wartburg.

Statement of Orthofix's Board of Directors Opposing Proposal No. 1

The Board of Directors unanimously recommends that you vote "AGAINST" Proposal 1. The Board of Directors does not believe Proposal 1 will promote the best interests of the Company or its shareholders.

We believe that Ramius makes several flawed and ill-informed arguments in its proxy statement as to why it wants you to remove, without cause, four qualified members of your Board of Directors. Before you vote, you should be aware of the following:

We believe that Ramius' analysis of Blackstone is misguided and ill-informed.

Ramius focuses much of its argument on Orthofix's Blackstone Medical subsidiary (Blackstone), stating that the Board did not do appropriate diligence prior to Orthofix's acquisition of Blackstone, and that the Company has mismanaged Blackstone. Ramius further proposes that Orthofix immediately engage a strategic advisor to explore a possible sale of Blackstone. We believe that Ramius' arguments are based on a short-sighted strategy that, if implemented, would damage the sound long-term strategy that the Company is currently and successfully implementing. We are concerned that Ramius, which only recently invested in the Company's stock, is focused on its own short-term financial interests rather than the long-term financial interests of all of our shareholders.

In its arguments, Ramius includes information that we believe distorts the current situation at Blackstone. Ramius' criticisms of the Blackstone business focus largely on Blackstone's 2008 third quarter performance, even though the Company was engaged in a restructuring effort at Blackstone during this period, that we believe makes these results an anomaly. For example, the Company expects the size of the 2008 operating loss and negative operating cash flow to decrease substantially in 2009. In addition, the Company made substantial cash investments in 2008 related to the purchase of Trinity® and the Musculoskeletal Transplant Foundation and Intelligent Implant Systems strategic product acquisitions that the Company does not expect to recur in 2009. Finally, as previously disclosed, the Company has multiple initiatives planned or in progress, including our previously-announced spine reorganization and consolidation plan, that we believe are reducing operating loss and negative cash flow at Blackstone. As a result, the Company expects Blackstone will generate a quarterly operating profit by the fourth quarter of 2009.

Ramius also criticizes the Company's management and Board of Directors for allegedly failing to address critical risk factors during its diligence investigation of Blackstone when it was acquired. Once again, we believe these statements are baseless. In addition to internal diligence efforts undertaken as part of the Blackstone acquisition process, we supplemented our internal team with input from Ernst & Young, Hogan & Hartson LLP (our outside legal counsel) and Cowen & Co (our financial advisor). Ramius also points to the departure of the Lyons brothers and other members of Blackstone's senior management, and the termination of several distributors, at Blackstone as indications that the Company is mismanaging the subsidiary. Again, Ramius does not tell the full story. The Company initiated much of the executive turnover at Blackstone in order to strengthen Blackstone's operations and performance and improve the compliance program which has prepared Blackstone for long-term growth. Additionally, much of the distributor turnover was the result of Orthofix initiatives designed to upgrade the distribution network.

You should also be aware that to assist Ramius in understanding our business and our strategic initiatives at Blackstone, we offered to share with Ramius some material nonpublic information about Blackstone. In order to satisfy our obligations under the federal securities laws, we required that Ramius sign a confidentiality agreement before we could share such nonpublic material information. Ramius declined our invitation.

The Company remains, and expects to continue to remain, in compliance with its debt covenants.

Ramius also alleges that the Company is in a precarious position with respect to the term loan debt under its credit agreement, and that the Company is in danger of non-compliance with the covenants under such agreement, especially when the permitted maximum leverage ratio adjusts from 4.0 to 3.5 in the third quarter of 2009.

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Once again, we believe these allegations are baseless and ignore the reality of the Company's fiscal position. Since entering into the credit agreement in September 2006 at the time of the Blackstone acquisition, the Company has remained in compliance with the leverage ratio and other covenants under such agreement. For example, on December 31, 2008, the Company's leverage ratio was 3.4, well-below the current maximum leverage ratio required by the agreement and even below the maximum leverage ratio that will be allowed at the time of the step-down in September 2009. The Company has no reason to believe that it will not remain in compliance with the debt covenants in the future, including after the lower maximum leverage ratio requirements that take effect in the third quarter of 2009.

In fact, since the loan facility was established in September 2006, the Company has repaid approximately \$56 million of the term loan's outstanding principal. Moreover, the Company had enough excess cash flow to make \$48.8 million of principal payments ahead of scheduled maturities. Finally, shareholders should be aware that no significant principal payments are required until December 2012, demonstrating that Ramius' implication that the Company cannot repay the loan on time is without factual support. Contrary to Ramius' suggestions, the Company is not in a precarious situation with respect to this facility, which makes taking a disruptive corporate action, such as selling Blackstone, unnecessary and an imprudent decision at this time.

We believe that a sale of Blackstone would not produce long-term value for Orthofix's shareholders.

Ramius states that if the Ramius Nominees were elected to the Board, they would immediately engage a strategic advisor to explore and execute a sale or disposition of Blackstone. The Board has in fact been working with Morgan Stanley since June 2008, well before Ramius' initial letter to our shareholders. Morgan Stanley was engaged to advise the Company on a number of possible strategic options. The Board has been and will continue to work with Morgan Stanley on an ongoing basis to identify potential alternatives for creating additional shareholder value. In addition, we believe that forcing the Company to execute a sale of Blackstone at this time would be an ill-timed blunder as it is not likely that, during the current global financial crisis, the Company would receive a bid that would reflect the intrinsic value of Blackstone to the Company. Further, after discussion with Morgan Stanley, the Board believes that the current market makes this a particularly poor time to attempt to sell an asset of this type.

We believe that Ramius's proposal to attempt to sell Blackstone would not only be a distraction to management, but would potentially destroy shareholder value at precisely the time that Blackstone is prepared to launch a key stem cell based allograft product, a new pedicle screw product and benefit from the recently initiated consolidation and restructuring plan. The broader spine market that Blackstone serves is large and attractive, and we believe success in this market will bring greater value to shareholders than Orthofix could provide without Blackstone.

In addition, we believe that the implementation of our restructuring program at Blackstone is achieving the intended results. Since July 2008, our monthly sales at Blackstone have increased 29% from \$7.7 million to \$9.9 million in December 2008.

Contrary to Ramius' suggestions, the Blackstone acquisition has not created a bloated overhead structure.

In its argument, Ramius states the Company's corporate overhead has ballooned since the Blackstone acquisition. Ramius specifically alleges that overhead has doubled from \$10.2 million for the twelve-month period preceding the Blackstone acquisition to over \$20 million. Ramius' arguments are flawed and ill-informed.