ORTHOFIX INTERNATIONAL N V
Form DFRN14A
March 02, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant ¨

Filed by a Party other than the Registrant x

Check the appropriate box:

o Preliminary Proxy Statement

¨ Confidential, for Use of the Commission Only (as permitted by Rule14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

o Soliciting Material Under Rule 14a-12

ORTHOFIX INTERNATIONAL N.V.
(Name of Registrant as Specified in Its Charter)

RAMIUS VALUE AND OPPORTUNITY MASTER FUND LTD
RAMIUS ENTERPRISE MASTER FUND LTD
RAMIUS ADVISORS, LLC
RCG STARBOARD ADVISORS, LLC
RAMIUS LLC
C4S & CO., L.L.C.
PETER A. COHEN
MORGAN B. STARK
THOMAS W. STRAUSS
JEFFREY M. SOLOMON
J. MICHAEL EGAN
PETER A. FELD
STEVEN J. LEE
CHARLES T. ORSATTI
(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

---

(1) Amount previously paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

This Schedule 14A is being amended solely to disclose the place of the special meeting of shareholders, which had not been publicly available at the time the initial Schedule 14A was filed.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

RAMIUS VALUE AND OPPORTUNITY MASTER FUND LTD

March 2, 2009

Dear Fellow Shareholder:

Ramius Value and Opportunity Master Fund Ltd ("Value and Opportunity Master Fund") and the other participants in this solicitation (collectively, the "Ramius Group") are the beneficial owners of an aggregate of 948,980 shares of common stock of Orthofix International N.V. (the "Company"), representing approximately 5.5% of the outstanding shares of common stock of the Company. For the reasons set forth in the attached Proxy Statement, the Ramius Group does not believe that the Board of Directors of the Company is acting in the best interests of its shareholders. On January 28, 2009, we therefore submitted a written request pursuant to Article 129 of the Netherlands Antilles Civil Code for the Company to convene a special general meeting of shareholders (the "Special Meeting") for the purpose of electing four (4) new, highly qualified, candidates proposed by the Ramius Group, J. Michael Egan, Peter A. Feld, Steven J. Lee and Charles T. Orsatti to replace four (4) members of the current Board of Directors of the Company (the "Board"), James F. Gero, Peter J. Hewett, Thomas J. Kester and Walter P. Von Wartburg. On February 10, 2009, the Company announced that, in response to our written request, it was calling the Special Meeting to be held on April 2, 2009, at 12:00 noon (local time) at the Avila Hotel, Penstraat 130, Curaçao, Netherlands Antilles.

The Ramius Group urges you to carefully consider the information contained in the attached Proxy Statement and then support its efforts by signing, dating and returning the enclosed GOLD proxy card today. The attached Proxy Statement and the enclosed GOLD proxy card are first being furnished to the shareholders on or about March 2, 2009.

If you have any questions or require any assistance with your vote, please contact Innisfree M&A Incorporated, which is assisting us, at their address and toll-free numbers listed on the following page.

Thank you for your support.

Jeffrey C. Smith
Ramius Value and Opportunity Master Fund Ltd

If you have any questions, require assistance in voting your GOLD proxy card,
or need additional copies of Value and Opportunity Master Fund's proxy materials, please call
Innisfree M&A Incorporated at the phone numbers listed below.

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10022
Shareholders Call Toll-Free at: (888) 750-5884
Banks and Brokers Call Collect at: (212) 750-5833

SPECIAL GENERAL MEETING OF SHAREHOLDERS
OF
ORTHOFIX INTERNATIONAL N.V.

PROXY STATEMENT
OF
RAMIUS VALUE AND OPPORTUNITY MASTER FUND LTD

PLEASE SIGN, DATE AND MAIL THE ENCLOSED GOLD PROXY CARD TODAY

Ramius Value and Opportunity Master Fund Ltd, a Cayman Islands exempted company ("Value and Opportunity Master Fund"), Ramius Enterprise Master Fund Ltd, a Cayman Islands exempted company ("Enterprise Master Fund"), Ramius Advisors, LLC, a Delaware limited liability company ("Ramius Advisors"), RCG Starboard Advisors, LLC, a Delaware limited liability company ("RCG Starboard Advisors"), Ramius LLC, a Delaware limited liability company ("Ramius"), C4S & Co., L.L.C., a Delaware limited liability company ("C4S"), Peter A. Cohen ("Mr. Cohen"), Morgan B. Stark ("Mr. Stark"), Thomas W. Strauss ("Mr. Strauss"), Jeffrey M. Solomon ("Mr. Solomon"), J. Michael Egan ("Mr. Egan") Peter A. Feld ("Mr. Feld"), Steven J. Lee ("Mr. Lee") and Charles T. Orsatti ("Mr. Orsatti") (collectively, the "Ramius Group") are significant shareholders of Orthofix International N.V., a limited liability company organized under the laws of the Netherlands Antilles ("Orthofix" or the "Company"). Each member of the Ramius Group is a participant in this solicitation. The Ramius Group does not believe that the Board of Directors of the Company (the "Board") has acted in the best interests of its shareholders. The Ramius Group is therefore seeking your support at the special general meeting of shareholders (the "Special Meeting"), called by the Company at the request of the Ramius Group, scheduled to be held on April 2, 2009, at 12:00 noon (local time) at the Avila Hotel, Penstraat 130, Curaçao, Netherlands Antilles, for the following:

1. To remove four (4) members of the current Board of Directors of the Company (the "Board"), James F. Gero, Peter J. Hewett, Thomas J. Kester, and Walter P. Von Wartburg, without cause;

2. To remove, without cause, any directors appointed by the Board without shareholder approval between December 10, 2008 through and including the date of the Special Meeting; and

3. To elect the Ramius Group's slate of director nominees, J. Michael Egan, Peter A. Feld, Steven J. Lee and Charles T. Orsatti (collectively, the "Ramius Nominees"), to the Board.

NEITHER PROPOSAL NO. 1 NOR PROPOSAL NO. 2 IS SUBJECT TO, OR IS CONDITIONED UPON, THE EFFECTIVENESS OF THE OTHER PROPOSALS. PROPOSAL NO. 3 IS CONDITIONED IN PART UPON THE EFFECTIVENESS OF PROPOSAL NO. 1. IF NONE OF THE THEN EXISTING MEMBERS OF (OR APPOINTEES TO) THE BOARD ARE REMOVED IN PROPOSAL NO. 1 OR NO. 2, AND THERE ARE NO VACANCIES TO FILL, NONE OF THE NOMINEES CAN BE ELECTED PURSUANT TO PROPOSAL NO. 3. SHAREHOLDERS MAY VOTE TO REMOVE FEWER THAN FOUR (4) DIRECTORS IN PROPOSAL NO. 1. IF FEWER THAN FOUR (4) MEMBERS OF THE BOARD ARE REMOVED IN PROPOSAL NO. 1, SHAREHOLDERS WILL HAVE THE OPPORTUNITY TO ELECT A CORRESPONDING NUMBER OF NOMINEES IN PROPOSAL NO. 3.

As of March 2, 2009, the approximate date on which this Proxy Statement is being mailed to shareholders, the members of the Ramius Group were the beneficial owners of an aggregate of 948,980 shares of Common Stock, $0.10 par value (the “Shares”), which represent approximately 5.5% of the issued and outstanding Shares, all of which are entitled to be voted at the Special Meeting.

Orthofix has set the record date for determining shareholders entitled to notice of and to vote at the Special Meeting as February 25, 2009 (the “Record Date”). The mailing address of the principal executive offices of Orthofix is 7 Abraham de Veerstraat, Curaçao, Netherlands Antilles. Shareholders of record at the close of business on the Record Date will be entitled to vote at the Special Meeting. According to the Company, as of the Record Date, there were 17,103,142 Shares outstanding and entitled to vote at the Special Meeting. The participants in this solicitation intend to vote all of their Shares FOR the proposals described herein.

THE RAMIUS GROUP URGES YOU TO SIGN, DATE AND RETURN THE GOLD PROXY CARD IN FAVOR OF THE REMOVAL AND REPLACEMENT OF FOUR CURRENT MEMBERS OF THE BOARD, JAMES F. GERO, PETER J. HEWETT, THOMAS J. KESTER AND WALTER P. VON WARTBURG, WITH THE RAMIUS NOMINEES.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY ORTHOFIX MANAGEMENT TO ORTHOFIX, YOU MAY REVOKE THAT PROXY AND VOTE FOR THE REMOVAL AND REPLACEMENT OF FOUR MEMBERS OF THE BOARD BY SIGNING, DATING AND RETURNING THE ENCLOSED GOLD PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE SPECIAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE SPECIAL MEETING TO THE RAMIUS GROUP, C/O INNISFREE M&A INCORPORATED, WHICH IS ASSISTING IN THIS SOLICITATION, OR TO THE SECRETARY OF ORTHOFIX, OR BY VOTING IN PERSON AT THE SPECIAL MEETING.

IMPORTANT

Your vote is important, no matter how few Shares you own. The Ramius Group urges you to sign, date, and return the enclosed GOLD proxy card today to vote FOR the election of the Ramius Nominees.

- If your Shares are registered in your own name, please sign and date the enclosed GOLD proxy card and return it to the Ramius Group, c/o Innisfree M&A Incorporated in the enclosed envelope today.

- If your Shares are held in a brokerage account or bank, you are considered the beneficial owner of the Shares, and these proxy materials, together with a GOLD voting form, are being forwarded to you by your broker or bank. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your Shares on your behalf without your instructions.

- Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions on how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form.

If you have any questions regarding your proxy,
or need assistance in voting your Shares, please call:

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, NY 10022
Shareholders Call Toll-Free at: (877) 800-5884
Banks and Brokers Call Collect at: (212) 750-5833

REASONS FOR THE SOLICITATION

The Ramius Group believes that the Shares are currently trading at a significant discount to intrinsic value. As significant shareholders of Orthofix, we have a vested financial interest in the maximization of the value of all Shares. Our interests are aligned with the interests of all shareholders. While general weakness in the stock market and increasing competitive pressures within the industry have impacted the Company, we believe the primary reason for the Company's poor performance is the ill-conceived and poorly executed acquisition of Blackstone Medical ("Blackstone") and its significant negative impact on the Company's financial condition and operational results. This poor performance is further exacerbated by the Company's bloated corporate overhead. Additionally, given the Board's history of weak oversight and poor judgment, we have serious concerns about the ability and willingness of the current Board to make the necessary structural and operational changes that we believe are required to maximize value for all shareholders.

Orthofix faces substantial operational and financial challenges primarily resulting from the acquisition of Blackstone in August 2006 for $333 million. Despite heavy investments of capital and resources into Blackstone, operating performance has declined precipitously to a level where Blackstone has generated material operating losses and negative free cash flow. As described in more detail below, in our opinion, the acquisition of Blackstone was a failure from the outset. We believe management and the Board failed to properly address critical risk factors during due diligence, failed to implement and execute a profitable operating plan, and, in light of the recent restructuring announcement, have once again failed to take sufficient action. The acquisition has also saddled Orthofix with a heavy debt load, which has now put the Company in a precarious position. The recently announced, costly amendment to the term loan only provides some covenant leniency for the short-term. The Company's debt covenants tighten in late 2009 requiring significant improvement in EBITDA or substantial reductions in total debt. To address these issues, the Ramius Nominees, if elected, will work with the remaining members of the current Board to evaluate all available options for Blackstone with a goal of preserving value and stemming further operating losses, as well as exploring opportunities to significantly reduce corporate overhead expenses. Although it is currently our strong belief that a sale of Blackstone would create substantial value for Orthofix shareholders, the Ramius Nominees have no present plans to pursue specific strategies at this time and will approach the situation, if elected, with an open mind and will consider and evaluate all options available to the Company, including the sale of Blackstone, with a common goal of maximizing shareholder value. These options could include possible divestitures, further restructurings, corporate cost reductions, or other strategic alternatives.

BACKGROUND TO THE SOLICITATION

The following is a chronology of events leading up to this proxy solicitation:

- On September 16, 2008, certain members of the Ramius Group participated on a conference call with Daniel Yarbourough, Vice President of Investor Relations. The purpose of the call was to gain a better understanding of the Company's business.

- On September 25, 2008, certain members of the Ramius Group attended a presentation at the UBS Conference where Mr. Yarbourough made a presentation to the conference attendees regarding the Company.

- On October 29, 2008, certain members of the Ramius Group traveled to the corporate headquarters of the Company in Boston to meet with Alan Milinazzo, President and Chief Executive Officer, and Mr. Yarbourough. The purpose of the meeting was to gain a better understanding of the business of the Company and to discuss certain alternatives that the Ramius Group felt could improve shareholder value.

- On November 24, 2008, certain members of the Ramius Group participated on a conference call with Robert Vaters, Executive Vice President and Chief Financial Officer, and Mr. Yarbourough. The purpose of the call was to introduce the Ramius Group to the Company's newly-appointed Chief Financial Officer and to discuss specific financial and strategic items regarding the Company.

- On November 26, 2008, certain members of the Ramius Group participated on a second conference call with Mr. Vaters and Mr. Yarbourough. The purpose of the call was to continue the discussion from the November 24, 2008 conference call and to provide feedback regarding initiatives the Ramius Group believes would improve shareholder value.

- On December 2, 2008, the Ramius Group issued an open letter to shareholders of the Company outlining its views regarding the Company and specific actions it felt should be taken by the Company in order to improve shareholder value. The letter also outlined the Ramius Group’s intention to proceed with a consent solicitation in order to call a general special meeting of shareholders for the purpose of making substantial changes to the composition of the Board.

- On December 2, 2008, certain members of the Ramius Group spoke with Mr. Vaters regarding the aforementioned letter.

- On December 3, 2008, certain members of the Ramius Group spoke with Mr. Vaters. Mr. Vaters contacted the Ramius Group to inform the Ramius Group that due to the receipt of the aforementioned letter, the Company had cancelled a pre-arranged conference call between the Ramius Group and Michael Finegan, an employee of the Company.

- On December 3, 2008, certain members of the Ramius Group spoke with Mr. Milinazzo regarding the aforementioned letter.

- On December 4, 2008, the Company filed a press release acknowledging the receipt of the aforementioned letter.

- On December 19, 2008, certain members of the Ramius Group met with Mr. Milinazzo and Mr. Vaters at the Ramius offices in New York City. As a result of the meeting, the parties agreed to schedule an in-person meeting between certain members of the Ramius Group and James Gero, Chairman of the Board, and Bradley Mason, President of North America. This meeting was subsequently scheduled for January 21, 2009.

- On January 12, 2009, the Ramius Group sent a letter and mailed a Consent Solicitation Statement, dated January 7, 2009, regarding the Special Meeting to shareholders.

- On January 20, 2009, the Ramius Group issued a press release announcing that RiskMetrics Group, formerly known as ISS, recommended that shareholders of Orthofix vote for the Ramius Group's proposal to call the Special Meeting for the purpose of making substantial changes to the composition of Orthofix's Board of Directors.

- On January 21, 2009, certain members of the Ramius Group met with Mr. Milinazzo, Mr. Vaters, Mr. Gero, and Mr. Mason at the Orthofix offices in Wayne, New Jersey.

- On January 23, 2009, the Ramius Group filed a supplement to the Solicitation Statement dated January 7, 2009 in order to seek to remove, without cause, Thomas J. Kester in place of Alan W. Milinazzo in the event the Special Meeting is called and held.

- On January 23, 2009, certain members of the Ramius Group met with Mr. Milinazzo and Mr. Vaters at the Ramius offices in New York City.

- On January 28, 2009, pursuant to Article 129 of the Netherlands Antilles Civil Code (the "Antilles Code") the Ramius Group submitted a written request to the Company requesting that the Company convene the Special Meeting. The written request to convene the Special Meeting was authorized by shareholders representing approximately 55% of shares outstanding, far in excess of the 10% threshold required by the Antilles Code.

PROPOSAL NOS. 1 & 2

REMOVAL OF CERTAIN EXISTING DIRECTORS

Pursuant to each of Article 136 of the Antilles Code and Article 8 of the Company's Articles of Association (the "Articles"), the shareholders may remove any director with or without cause at a general meeting of shareholders and fill the vacancy in the Board thus created. We are seeking to remove four members of the Board, James F. Gero, Peter J. Hewett, Thomas J. Kester, and Walter P. Von Wartburg, without cause, and any directors appointed by the Board without shareholder approval between December 10, 2008 and up through and including the date of the Special Meeting.

In "Proposal No. 1", the Ramius Group is asking the Company's shareholders to vote for the removal, without cause, of four of the Company's current directors, effective immediately.

In "Proposal No. 2", the Ramius Group is asking the Company's shareholders to vote for the removal, without cause, of any directors appointed by the Board without shareholder approval between December 10, 2008 and up through and including the date of the Special Meeting.

Reasons for Removing Existing Directors

The Ramius Group does not believe the current Board has acted in the best interests of shareholders. Orthofix shares have materially underperformed in recent years driven primarily by the failed acquisition of Blackstone, weak management execution, a bloated corporate overhead and a highly-levered balance sheet. We believe there is a terrific opportunity at Orthofix to substantially increase shareholder value and to protect the long-term interests of shareholders. In order for this value to be realized, we believe the Company must explore alternative options for Blackstone to preserve value and stem operating losses and significantly reduce corporate overhead expenses. To date management and the current Board have been unwilling to take these actions or, in our opinion, any other actions that have led to a material improvement in financial performance. Accordingly, we feel it is appropriate for shareholders to take action to make substantial changes to the composition of the Board. For this reason, we are asking for shareholder support at the Special Meeting to remove certain members of the Board now and to replace them with the Ramius Nominees.

We believe it is critical for shareholders to take action at the Special Meeting as opposed to the regularly scheduled annual meeting which may not be held for several months. Orthofix faces substantial risks due to bank debt covenants that begin to tighten in the third quarter of 2009. If no action is taken, it is possible that Orthofix may breach a covenant which could cause further damage to the Company. Additionally, the announced restructuring initiatives at Blackstone call for further integration of that business into the core businesses of Orthofix which could potentially damage the core businesses or make it more difficult to separate in order to sell Blackstone. Therefore, we believe it is prudent for shareholders to take action at this Special Meeting to make substantial changes to the composition of the Board.

We believe the Company's acquisition of Blackstone was ill-conceived and poorly executed.

At the time of the acquisition, Blackstone was operating at a revenue run rate of $88 million per year and an operating income run rate of $7.6 million per year. Management projected that the Blackstone acquisition, together with the slower-growing spine stimulation business, would generate revenue growth in excess of 25% per year and would continue to improve in profitability. In stark contrast to these projections, the reality has been that Blackstone's last quarter revenue declined 15.3% year-over-year and the last quarter operating loss, adjusted for the goodwill impairment and inventory charges, was $8.8 million. Additionally, as of the last quarter's results, Orthofix had written down the carrying value of its investment in Blackstone, originally $333 million, by 93% to $23.5 million. In our opinion, it is apparent that the acquisition of Blackstone was a disastrous failure.

We believe that management and the Board failed to properly address critical risk factors during due diligence and, since the acquisition, have clearly failed to execute a profitable operating plan. At the time of the acquisition, management originally asserted that the Blackstone acquisition would be accretive to earnings on a GAAP basis, beginning in 2008, and would be substantially accretive to GAAP earnings in subsequent years. Given the substantial losses that Blackstone has generated since the acquisition, this clearly did not come to fruition. As we outlined in our detailed letter to shareholders on December 3, 2008 (the "December 3 Letter"), in order for the acquisition of Blackstone to be accretive in 2008, revenue growth had to have been at least 60% per year, which is substantially higher than Blackstone's historical growth rate of 40% prior to the acquisition. We fail to see how prudent financial modeling would have yielded these lofty expectations for the acquisition of Blackstone.

We believe the integration of Blackstone into the Company has been plagued by missteps.

Despite heavy investments in working capital and capital expenditures, operating performance at Blackstone has deteriorated almost every quarter since the fourth quarter of 2007. However, capital expenditures at Blackstone alone totaled more than $15 million for 2007, representing over 80% of total capital spending for the entire Orthofix business even though it represented less than 25% of total revenues. In addition to a disproportionate need for capital, management's attempts to integrate Blackstone into the Company have also been plagued with costly missteps. Consider the following:

v In July 2007, Blackstone received a subpoena issued by the Department of Health and Human Services, Office of the Inspector General, under the authority of the federal healthcare anti-kickback and false claims statutes. A year and a half later, this issue has yet to be resolved and remains a major overhang on the business.

v In the fourth quarter of 2007, the Lyons Brothers, who founded Blackstone and who agreed to remain with the Company after closing, left the Company. This was followed by a slew of departures from Blackstone, including key internal personnel in research and development and sales and marketing, as well as several key outside distributors. The Company then began a painful process of restructuring the Blackstone distribution network from one that was historically 100% third-party distributors to a hybrid model that included both indirect sales representatives and a team of direct sales representatives who were hired at an additional expense of over $5 million per year. Due to poor performance, these representatives have subsequently been fired or moved to other responsibilities within the Company.

- In May 2008, Blackstone took another hit when a key competitor, NuVasive Inc. (NUVA), announced the acquisition of the Osteocel business unit from Osiris Therapeutics Inc. (OSIR). Blackstone is currently the exclusive distributor of Osteocel's key product, Trinity, a biological spine implant using adult stem cells. The Trinity product has been credited with most of the growth in Blackstone's biologics business historically. However, the distribution agreement terminates in 2009 and Blackstone will no longer be able to distribute the Trinity product. The Trinity product has been a key differentiator for Blackstone. We believe this major setback could have been avoided had the Company identified this risk during its due diligence process and properly addressed the issue through an earn-out payment based on the successful renewal of the distribution agreement or a re-negotiation of a longer-term contract with Osiris prior to closing.

- In August 2008, the Company announced a collaboration agreement with the Musculoskeletal Transplant Foundation ("MTF") to develop a stem cell-based allograft to compete head-to-head with Trinity. As part of this arrangement, Orthofix agreed to pay $10 million to fund the ongoing product development. Although management has stated that they expect the MTF product to be available for commercial sales in mid-2009, industry experts are skeptical of the initial sales traction of the product given a lack of clinical data and physician support. In our opinion, this will make it extremely difficult to generate any meaningful sales before 2010.

We believe the Board and management have failed to adequately address the issues facing the Company.

The Company has recently announced several restructuring initiatives for Blackstone, including the implementation of a new software platform and the consolidation of three facilities into one, yet to be constructed, facility in Texas. These initiatives are expected to cost $4.2 million between 2008 and 2009 and yield savings of $2 million in 2010 and $5 million in 2011 and beyond. These savings compare to the nearly $8.8 million of negative operating income last quarter which equates to negative $35.2 million on an annualized basis. In our opinion, these restructuring initiatives are not nearly enough to halt the substantial operating losses at Blackstone and prevent the Company from breaching bank covenants that begin to tighten in the third quarter of 2009.

As we highlighted in the December 3 Letter, management again appears to be counting on significant growth to achieve breakeven results at Blackstone. Including the full impact of the announced restructuring initiatives and the savings from firing the direct sales force, we estimate Blackstone would have to grow revenues by 35% from the last quarter run rate without increasing operating costs in order to just break even. Recall that initially management had envisioned a transaction that would be accretive to GAAP earnings after taking into account interest expense and amortization of purchased intangibles from the Blackstone acquisition, which together totaled approximately $34 million in 2007. In order for Blackstone to achieve that milestone, revenue would have to grow 84% from the last quarter run rate. HOWEVER, BLACKSTONE'S SALES WERE DOWN 15.3% LAST QUARTER.

We believe swift action must be taken to stem the losses at Blackstone and reduce corporate overhead expenses.

Before engaging in a lengthy integration and restructuring process that could bring additional cost and substantial risk to Orthofix shareholders, we believe the Board should immediately engage a strategic advisor to explore alternative options for Blackstone, including a possible sale. Additionally, we believe management and the Board must also take prompt action to further reduce corporate overhead expenses. Since the Blackstone acquisition, corporate overhead has ballooned. Corporate overhead was $10.2 million for the twelve-month period preceding the acquisition of Blackstone. For the last twelve months, this number has increased to over $20 million, even when excluding certain one-time items. We believe this bloated cost structure has been driven by, among other things, the highly distributed nature of the Company. As it stands today, the executive offices are located in what is arguably some of the most expensive real estate in Boston, a city where the Company has no other business purpose. A portion of the legal, finance, and accounting groups still remain in North Carolina, where the Company was originally headquartered. The recently appointed President of Blackstone, who is also the President of the North America division, is located in San Diego, California, while some of the Company's key manufacturing facilities are located in Texas. This highly distributed infrastructure is neither efficient nor cost effective, and should be remedied immediately.

If the Board and management do not take immediate action, we believe the Company will be in jeopardy of violating its debt covenants.

We believe that given the state of the credit and equity markets, the Company cannot count on its ability to refinance its debt or raise additional capital on favorable terms. The recently announced amendment to the term loan covenants provide Orthofix with leniency on the key Total Debt / EBITDA covenant, however, beginning in the third quarter of 2009, this covenant begins to tighten quickly, requiring significant debt reductions or dramatically improved EBITDA. As we highlighted in the December 3 Letter, Orthofix must either achieve 2009 EBITDA of $91.7 million versus LTM EBITDA of $81.3 million or reduce debt by $33.6 million, or a combination of the two, in order to remain in compliance with the tightening covenants. For 2010, Orthofix must either achieve EBITDA of $119.2 million or reduce debt by $94.6 million, or a combination of the two, in order to remain in compliance with the covenants. These hurdles will be challenging to overcome, but with prompt action to explore a sale of Blackstone, we believe Orthofix can meet these requirements without raising additional capital. In contrast, the currently proposed, Board-adopted, 17-month restructuring initiative at Blackstone that yields $5 million of total cost savings in 2011 does little to remedy this situation.

Taking these actions will ensure that Orthofix will remain in compliance with the stringent debt covenants. The proceeds from a sale of Blackstone will likely not be enough to pay down the term loan in its entirety. However, because of the ongoing losses at Blackstone, we believe it is critical to explore a sale of the business, use the proceeds to repay a portion of the debt, reduce interest costs, and cut the losses. We believe the ongoing cash flow from the legacy businesses would provide sufficient cash to further reduce debt and meet obligations. Given the highly depressed value of Orthofix stock, it is unacceptable for management and the Board to consider highly dilutive equity or convertible issuances to accelerate debt reductions when other, non-dilutive options are available. The Ramius Nominees have no present plans to pursue specific strategies at this time and will approach the situation, if elected, with an open mind and will consider and evaluate all such options available to the Company, including the sale of Blackstone, with a common goal of maximizing shareholder value.

THE RAMIUS GROUP URGES YOU TO VOTE FOR ITS PROPOSAL TO REMOVE, WITHOUT CAUSE, FOUR (4) MEMBERS OF THE CURRENT BOARD, JAMES F. GERO, PETER J. HEWETT, THOMAS J. KESTER, AND WALTER P. VON WARTBURG.

PROPOSAL NO. 3

ELECTION OF THE RAMIUS NOMINEES

Upon the approval of Proposal No. 1 and, if applicable, Proposal No. 2, there will exist at least four (4) vacancies on the Board, which (assuming a quorum is present at the meeting) may be filled by the affirmative vote of a majority of the Shares represented and voting at the meeting. For the reasons stated above, the Ramius Group is seeking your support at the Special Meeting to elect the Ramius Nominees set forth below to replace four (4) members of the Company's current Board. The Ramius Group has nominated four (4) nominees who, if elected, will constitute a minority of the Board and will hold office until the Company's next annual meeting of shareholders and until their successors have been elected and qualified.

We believe the Ramius Nominees, who have no current affiliation with the Board and management, will increase the quality of oversight by the Board and will effectively exercise their fiduciary duties to shareholders. If elected, the Ramius Nominees will, subject to their fiduciary duties, explore alternative options for Blackstone and reduce operating inefficiencies and unnecessary corporate overhead in order to maximize shareholder value. There can be no assurance that the foregoing actions will be implemented if the Ramius Nominees are elected or that the election of the Ramius Nominees will maximize or otherwise enhance shareholder value. Your vote to elect the Ramius Nominees will have the legal effect of filling the vacancies created by the removal of four (4) incumbent directors, James F. Gero, Peter J. Hewett, Thomas J. Kester, and Walter P. Von Wartburg, with the Ramius Nominees. In the event fewer than four (4) members of the current Board are removed by shareholders in Proposal No. 1 and/or Proposal No. 2, if applicable, such that there are less than four (4) vacancies resulting on the Board, then the Ramius Nominees shall be elected in order based upon the highest number of votes received from shareholders. If two (2) or more of the Ramius Nominees receive the exact same number of votes from shareholders, then the Ramius Nominees who receive the exact same number of votes shall be elected in the following order: Mr. Orsatti, Mr. Egan, Mr. Lee, Mr. Feld.

THE RAMIUS NOMINEES

Set forth below are the name, age, business address, present principal occupation, and employment and material occupations, positions, offices, or employments for the past five years of each of the Ramius Nominees. This information has been furnished to the Ramius Group by the Ramius Nominees. The Ramius Nominees are independent of the Company in accordance with Securities and Exchange Commission and Nasdaq Stock Market rules on board independence and are citizens of the United States of America.

J. Michael Egan (Age 55) has served as the Chief Executive Officer of Steadman Hawkins Research Foundation, an orthopedic research organization, since November 2006. From April 1996 through May 2004, Mr. Egan served as the President and CEO of Bluebird Development, LLC, a financial partnership with Kobayashi Pharmaceutical Company, an Osaka, Japan-based major distributor of medical devices in Asia. Mr. Egan currently serves on the Board of Cardica, Inc., a designer, manufacturer and marketer of proprietary automated anastomotic systems used by surgeons to perform coronary artery bypass surgery, and served as its Chairman from August 2000 until January 2007. Mr. Egan also serves as the Chairman of the Board of Directors at iBalance Medical, a privately held medical device company, and is a director of several other privately held companies. The principal business address of Mr. Egan is c/o Steadman Hawkins Research Foundation, 181 West Meadow Drive, Suite 1000, Vail, Colorado 81657. Mr. Egan does not directly own any securities of Orthofix nor has he made any purchases or sales of any securities of Orthofix during the past two years. Mr. Egan, as a member of the Ramius Group, is deemed to be the beneficial owner of the Shares owned by the members of the Ramius Group. For information regarding purchases and sales during the past two years by the members of the Ramius Group of securities of Orthofix that are deemed to be beneficially owned by Mr. Egan, see Schedule I.

12

Peter Feld (Age 29) is a Managing Director of Ramius, a position he has held since November 2008. Prior to becoming a Managing Director, Mr. Feld served as a Director at Ramius from February 2007 to November 2008. Mr. Feld joined Ramius as an Associate in February 2005. From June 2001 to July 2004, Mr. Feld was an investment banking analyst at Banc of America Securities, LLC, the investment banking arm of Bank of America Corporation, a bank and financial holding company. Mr. Feld currently serves on the Board of Directors of CPI Corp. (NYSE: CPY), a leading portrait studio operator in North America. The principal business address of Mr. Feld is c/o Ramius LLC, 599 Lexington Avenue, 20th Floor, New York, New York 10022. Mr. Feld does not directly own any securities of Orthofix nor has he made any purchases or sales of any securities of Orthofix during the past two years. Mr. Feld, as a member of the Ramius Group, is deemed to be the beneficial owner of the Shares owned by the members of the Ramius Group. For information regarding purchases and sales during the past two years by the members of the Ramius Group of securities of Orthofix that are deemed to be beneficially owned by Mr. Feld, see Schedule I.

Steven J. Lee (Age 61) has served as the President of SL Consultant Inc., a private investment firm and hedge fund specializing in growing companies in the medical and high technology fields, since 2002. Mr. Lee was the Founder, President, Chief Executive Officer and Chairman of PolyMedica Corporation, a leading provider of diabetes care, from 1990 until August 2002, the time of his retirement from PolyMedica. Previously, Mr. Lee was President and a director of Shawmut National Ventures. Prior to that, from 1984 to 1986, Mr. Lee served as President and Chief Executive Officer and a director of RepliGen Corporation, a biotechnology company focused on the development of novel therapeutics for neurological disorders. Mr. Lee currently serves on the Board of Directors of Kensey Nash Corporation (Nasdaq:KNSY), a medical device company known for innovative product development and unique technology in the fields of resorbable biomaterials used in a wide variety of medical procedures and endovascular devices and Montreal, Maine & Atlantic Railway, a railroad company with routes and operations in Maine, New Brunswick, Quebec and Vermont, and on the Advisory Board of Capital Resource Partners, an investment fund specializing in combined debt and equity structures that provide creative financing alternatives for middle-market firms. The principal business address of Mr. Lee is P.O. Box 1077, Osprey, Florida, 34229. Mr. Lee does not directly own any securities of Orthofix nor has he made any purchases or sales of any securities of Orthofix during the past two years. Mr. Lee, as a member of the Ramius Group, is deemed to be the beneficial owner of the Shares owned by the members of the Ramius Group. For information regarding purchases and sales during the past two years by the members of the Ramius Group of securities of Orthofix that are deemed to be beneficially owned by Mr. Lee, see Schedule I.

Charles T. Orsatti (Age 64) has served as the Managing Partner of Fairfield Capital Partners, Inc., a private equity fund with investments in securities, commercial real estate and business equity investments, since 1995. From 1998 to 2004, he was the Managing Member of Orsatti and Partners, LLC (formerly, J.P. Morgan Fairfield Partners, LLC), a private equity firm. From 1995 to 1998, Mr. Orsatti was a senior consultant to Chase Capital Partners (CCP), a predecessor of J.P. Morgan Partners, LLC. He had previously served as an advisor and business consultant to CCP since 1987. Until 1995, Mr. Orsatti was the Chairman and Chief Executive Officer of Fairfield Medical Products Corporation, a worldwide manufacturer of critical care products sold to hospitals and alternative care facilities. Mr. Orsatti currently serves on the Board of Directors of AngioDynamics, Inc. (Nasdaq: ANGO), a global provider of solutions for musculoskeletal and vascular health specializing in rehabilitation and regeneration products for the non-operative orthopedic, spine and vascular markets and SRI Surgical Express, Inc. (Nasdaq: STRC), a provider of operating room, supply chain and central sterilization management solutions to hospitals and surgery centers across the United States. Mr. Orsatti previously served as the Chairman of dj Orthopedics, Inc., a global orthopedic sports medicine company specializing in the design, manufacture and marketing of surgical and non-surgical products and services that repair, regenerate and rehabilitate soft tissue and bone, help protect against injury and treat osteoarthritis of the knee, until shortly after its initial public offering in 2001 and remained a Director until November 2007 when dj Orthopedics was sold to affiliates of The Blackstone Group for $1.5 billion. Mr. Orsatti was also the managing partner responsible for sourcing and executing the transaction that ultimately formed dj Orthopedics in 1999. Mr. Orsatti has also held executive positions with British Oxygen Corporation, Johnson & Johnson, Coloplast, A/S Denmark and Air Products and Chemicals, Inc. The principal business address of Mr. Orsatti is c/o Fairfield Capital Partners, Inc., 372 Larboard Way, Clearwater Beach, Florida 33767. Mr. Orsatti does not directly own any securities of Orthofix nor has he made any purchases or sales of any securities of Orthofix during the past two years. Mr. Orsatti, as a member of the Ramius Group, is deemed to be the beneficial owner of the Shares owned by the members of the Ramius Group. For information regarding purchases and sales during the past two years by the members of the Ramius Group of securities of Orthofix that are deemed to be beneficially owned by Mr. Orsatti, see Schedule I.