1. Who owned the other 51% of BMG? Per the SEC's Correspondence on the S-1 disclosure, why was Globus so opposed to disclosing the "third-part vendor's name" and what "harm" did it suppose would come to it and its owners?

From and after the filing of Globus Medical’s S-1, BMG had approximately a dozen stockholders. The related party transaction disclosure rules required that we disclose the interests of our executive management in BMG, which was 49% on an outstanding share basis and closer to 47% when you include the dilutive impact of BMG’s outstanding stock options. The remaining shares of BMG were owned by a number of other private investors.

At the time of Globus Medical’s IPO, BMG’s sales efforts were directed towards Globus and other medical device companies, including those that were competitors of Globus Medical. BMG felt that being linked to Globus Medical in its S-1 could harm its sales efforts. BMG asked us to keep their name out of our SEC filings if possible for this reason.

2. Who was the $2 million December 2009 investor? Was it Mahboob Khan?

Mr. Khan was an investor in BMG but did not provide the $2 million in equity financing obtained by BMG in 2009. Those funds were invested by another private individual.

3. What is Spine Therapy Technologies' role in the merger--what was it set up to do? What was Sonali Paul's role with it? Was she the only member? It was set up by your former law partner Don Reynolds, a lawyer listed on Globus' IPO. Why was an entity set up by a lawyer whose longstanding client was Globus, with the Globus CEOs wife as partner/member, representing the BMG shareholders when she represented BMG the entity already?

Spine Therapy Technologies’ role in the merger was, and is, to represent the interests of all of the BMG stockholders with respect to future aspects of the transaction, such as any breach or indemnification claims. Don Reynolds’ law firm had represented BMG since its inception, and BMG did not have a relationship with another law firm at the time of the acquisition. Globus Medical made the decision to use another law firm with which it had a long standing relationship and allowed Don Reynolds to represent BMG.

Mrs. Paul is the manager of Spine Therapy Technologies and acts on its behalf. Mrs. Paul receives no compensation or other benefits through that entity – from the acquisition or otherwise. Because no economics run through the entity, there was no reason to add the other stockholders as members. It is not uncommon in transactions such as this one to use an entity as the stockholders’ representative, rather than an individual.

What are Sonali Paul's qualifications as a board member of a manufacturing concern?

I cannot speak to Mrs. Paul's specific qualifications, but I would note that BMG was well run and very profitable during her tenure on the board of directors. Mrs. Paul was a major shareholder and one of the largest investors in BMG, so it was not surprising to me that she served on the board of BMG.

Who initiated the deal? Who negotiated the deal on behalf of Globus and on behalf of BMG's owners? Did Houlihan Lokey provide a fairness opinion?

A committee of independent directors evaluated and negotiated the deal on behalf of Globus Medical, using Houlihan Lokey to provide a fairness opinion, and Mrs. Paul negotiated on behalf of BMG. As part of our strategy to become a self-sufficient manufacturer of medical devices, Globus Medical initiated discussions with BMG regarding the acquisition.

I note no other investor apart from Sonali Paul, either in the related party group (49%) or non-related party group (51%) has a holding company in the merger docs representing their interests. By contrast, Globus, its board and BMG clearly have agents representing them.

Spine Therapy Technologies represented all of the BMG stockholders, not just Mrs. Paul. Details regarding this arrangement can be found in the Merger Agreement (see Section 9.15 of the Merger Agreement). Mrs. Paul did not have a holding company representing only her interests.

4. Why was Globus CEO David Paul's relationship with his childhood friend BMG CEO Mahboob "Bob" Khan not disclosed? I reference Khan's co-signature on $836k worth of mortgages in 12/08. In 2011 Paul signed his portion of the property over to Khan and his wife for $1.

Mr. Paul's relationship with Mr. Khan was not required to be disclosed publicly. You should note that Mr. Khan was not the CEO of BMG at the time of the acquisition. It appears that you are misinterpreting the documents relating to the mortgage. Mr. Khan was new to the U.S. and did not have the requisite credit history to obtain a mortgage on his own, so Mr. Paul agreed to guarantee Mr. Khan's mortgage in 2008. When Mr. Khan refinanced his mortgage in 2011, that guaranty was extinguished. Nothing more happened than that, and Mr. Paul never paid any amounts under that guaranty or transferred any real estate to Mr. Khan.

5. Documents have Khan setting up BMG in 2004 but he did not establish residency in the US until 2008, per federal filings. How is this possible?

I'm not sure what documents you are referring to you in your question. Mr. Khan did not set up BMG. BMG was formed in 2004. Mr. Khan was not involved with BMG until after he relocated to the U.S. in 2008.

6. Khan ran a leather shoe factory in Chennai until he came to the US. How did that prepare him to run a spinal-ortho component maker?

Mr. Khan did much more than just run a leather shoe factory in Chennai. Mr. Khan's expertise was in a large-scale manufacturing operations supplying a global market. He ran factories with thousands of employees. He enabled BMG to scale while maintaining its profitability profile. BMG's results during Mr. Khan's tenure show that Mr. Khan did a terrific job while at BMG.

7. Why was BMG's purchase price increased to $68 million from $52.9 million? What were the "adjustments for certain working capital items and indebtedness" that the Proxy listed? BMG had no debt per filings. Given the clear materiality of the purchase price, 14.3% of 2014 revenue, why was no disclosure made about the reasons for the increase in purchase price?

The purchase price did not increase. As disclosed in the Merger Agreement, the total amount paid was subject to adjustment for certain working capital items. The primary drivers of the working capital adjustment were cash in bank accounts owned by BMG, work in process inventory and accounts receivable. As disclosed in our SEC filings, there was a positive adjustment of approximately $9 million for BMG's cash and another $5 million for accounts receivable. There were some liabilities that offset the assets, and the net adjustment was approximately $15 million, which is how the total payments increased from $52.9 million to $68 million. This disclosure can be found in Note 2 to our consolidated financial statements in our Form 10-Q filed with the SEC on May 5, 2015.

The 2014 10-K, filed 2/26/15 and the 2014 Proxy, filed April 30, present different figures for the final BMG price? Why did the price continue to increase until the Proxy?

Again, the purchase did not increase. See the previous answer for the working capital adjustment items. The closing of the acquisition did not occur until after the 10-K was filed, so we had not yet finalized the closing date balance sheet, on which the adjustments were based. The final numbers were known by the time that the proxy was filed.

8. How come BMG contributes very little to Globus' pro forma bottom line, per the quarterly filings? Even after inter-company eliminations, shouldn't a company with $9.1 million in Adjusted EBITDA add profits when it is purchased? Their margins were almost 300 basis points more than Globus' at purchase, shouldn't it have been accretive?

From a financial statement perspective, the cash benefits to Globus from the acquisition were immediate, but the profit and loss benefits would take time to realize based on accounting principles. As we've publicly stated on several occasions, BMG's profit becomes part of Globus Medical's inventory and is recognized on our income statement as that inventory is sold. As we stated during recent earnings calls, the income statement benefit to Globus Medical from the BMG acquisition was approximately $900,000 in 2015 and is expected to be approximately $5.5 million in 2016. From our perspective, the deal was accretive from day one and those benefits will continue to grow over time.

9. What justifies BMG's purchase price? In 2013 Nuvasive purchased ANC, a contract manufacturer of complex spinal devices, that did ~$20mm in sales, whose square footage and headcount were roughly 80% of BMG, for $4.5mm. Why did BMG warrant $63.5mm more than ANC in price tag?

We evaluated the acquisition and the resulting purchase price based on information regarding other transactions of similar size and scope. Furthermore, an independent committee of our board of directors engaged Houlihan Lokey to issue a fairness opinion regarding the acquisition. The result of their analysis was that companies like BMG were being valued using 2014 EBITDA multiples between 5.5x and 7.0x. We acquired BMG for 5.7 times 2014 EBITDA.

We do not know anything about ANC or its business when Nuvasive bought it, but BMG was a profitable business, and the valuation we paid was at the low end of the range for businesses of its type.

To put the benefit of the transaction in perspective for you, Globus Medical is currently trading at approximately 11.6 times EBITDA.

In addition to the financial benefits, there were a number of other benefits as well, including securing our supply chain and having a manufacturing partner to collaborate with early in the product development process.