UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2006

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

For the transition period from to

COMMISSION FILE NO. 0-26224

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	51-0317849
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
311 ENTERPRISE DRIVE PLAINSBORO, NEW JERSEY	08536
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (609) 275-0500

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
(Check one):
Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ]

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

The number of shares of the registrant's Common Stock, $.01 par value, outstanding as of November 6, 2006 was 27,771,327.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

INDEX

Page Number

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2006 and 2005 (Unaudited).....................3

Condensed Consolidated Balance Sheets as of September 30, 2006 and December 31, 2005 (Unaudited)..4

Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2006 and 2005 (Unaudited)..........................5

Notes to Unaudited Condensed Consolidated Financial Statements.................6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations..20

Item 3. Quantitative and Qualitative Disclosures About Market Risk...........35

Item 4. Controls and Procedures...36

PART II. OTHER INFORMATION

Item 1. Legal Proceedings...37

Item 1A. Risk Factors...38

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds..........41

Item 6. Exhibits..42

SIGNATURES..43

EXHIBITS..44

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Total Revenue	$116,647	$69,334	$293,903	$204,951
Costs and Expenses:				
Cost of product revenues	47,559	26,394	116,869	78,423
Research and development	10,991	3,110	20,518	9,256
Selling, general and administrative	43,431	22,653	111,770	72,610
Intangible asset amortization	2,852	1,085	6,150	3,470
Total costs and expenses	104,833	53,242	255,307	163,759
Operating income	11,814	16,092	38,596	41,192
Interest income	375	952	1,993	2,813
Interest expense	(4,362)	(1,345)	(8,117)	(3,094)
Other income (expense), net	(1,765)	(4)	(1,832)	(638)
Income before income taxes	6,062	15,695	30,640	40,273
Income tax expense	3,468	5,213	11,364	13,693
Net income	$ 2,594	$10,482	$ 19,276	$ 26,580
Basic net income per share	$ 0.09	$ 0.35	$ 0.65	$ 0.88
Diluted net income per share	$ 0.09	$ 0.33	$ 0.64	$ 0.82

Weighted average common shares outstanding :				
Basic	29,193	30,039	29,457	30,334
Diluted	29,867	34,297	30,162	34,727

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)

	September 30, 2006	December 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 24,322	$ 46,889
Short-term investments	--	80,327
Accounts receivable, net of allowances of $4,520 and $3,508	76,715	49,007
Inventories, net	93,773	67,476
Deferred tax assets	11,337	10,842
Prepaid expenses and other current assets	13,352	11,411
Total current assets	219,499	265,952
Non-current investments	--	16,168
Property, plant, and equipment, net	40,659	27,451
Identifiable intangible assets, net	178,354	64,569
Goodwill	158,243	68,364
Other assets	7,705	5,928
Total assets	$ 604,460	$ 448,432
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Borrowings under senior credit facility	87,000	--
Convertible securities	115,205	--
Accounts payable, trade	16,255	8,978
Income taxes payable	--	715
Deferred revenue	4,986	88
Accrued expenses and other current liabilities	32,010	21,506
Total current liabilities	255,456	31,287
Long-term debt	4,889	118,378
Deferred tax liabilities	33,094	2,520
Other liabilities	5,540	6,429
Total liabilities	298,979	158,614
Commitments and contingencies (see Footnote 11)	--	--
Stockholders' Equity:		
Common stock; $0.01 par value; 60,000 authorized shares; 31,190 and 29,823 issued at September 30, 2006 and December 31, 2005, respectively	312	298
Additional paid-in capital	353,415	333,179
Treasury stock, at cost; 3,226 and 2,368 shares at September 30, 2006 and December 31, 2005, respectively	(107,640)	(75,815)
Accumulated other comprehensive income (loss):		
Unrealized loss on available-for-sale securities, net of tax	--	(801)
Foreign currency translation adjustment	5,010	(2,300)
Minimum pension liability adjustment, net of tax	(1,821)	(1,672)
Retained earnings	56,205	36,929
Total stockholders' equity	305,481	289,818
Total liabilities and stockholders' equity	$ 604,460	$ 448,432

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Nine Months Ended September 30, 2006	2005
OPERATING ACTIVITIES:		
Net income	$ 19,276	$ 26,580
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,181	8,488
Deferred income tax provision (benefit)	(7,821)	10,004
Amortization of discount/premium on investments	364	1,543
Loss of sale of assets/ investments	1,112	--
Amortization of bond issuance costs	1,910	611
Share-based compensation	10,499	77
Excess tax benefits from stock-based compensation arrangements	(730)	--
In-process research and development	5,600	500
Other, net	200	40
Changes in assets and liabilities, net of business acquisitions:		
Accounts receivable	(18,373)	2,975
Inventories	(527)	(11,505)
Prepaid expenses and other current assets	(460)	(5,139)
Other non-current assets	(114)	144
Accounts payable accrued expenses and other liabilities	4,215	(1,337)
Income taxes payable	(316)	(869)
Deferred revenue	4,776	(72)
Other accrued expenses and current liabilities	7,781	9,677
Deferred tax liabilities	10,409	--
Other non-current liabilities	(214)	170
Net cash provided by operating activities	50,768	41,887
INVESTING ACTIVITIES:		
Cash used in business acquisition, net of cash acquired	(227,114)	(50,527)
Proceeds from sales/maturities of investments	109,872	39,477
Purchases of available-for-sale investments	(13,074)	(36,724)
Purchases of property and equipment	(7,236)	(6,632)
Net cash used in investing activities	(137,552)	(54,406)
FINANCING ACTIVITIES:		
Borrowings under senior credit facility	140,000	--
Repayment of loans	(54,463)	(270)
Proceeds from exercised stock options	9,155	5,368
Excess tax benefits from stock-based compensation arrangements	730	--
Purchases of treasury stock	(31,825)	(24,650)
Net cash provided by (used in) financing activities	63,597	(19,552)
Effect of exchange rate changes on cash and cash equivalents	620	(432)
Net decrease in cash and cash equivalents	(22,567)	(32,503)
Cash and cash equivalents at beginning of period	46,889	69,855
Cash and cash equivalents at end of period	$ 24,322	$ 37,352

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

General

In the opinion of management, the September 30, 2006 unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial

position, results of operations and cash flows of the Company. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2005 included in the Company's Annual Report on Form 10-K. The December 31, 2005 condensed consolidated balance sheet was derived from audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States. Operating results for the three- and nine-month periods ended September 30, 2006 are not necessarily indicative of the results to be expected for the entire year.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the consolidated financial statements include allowances for doubtful accounts receivable and sales returns, net realizable value of inventories, estimates of future cash flows associated with long-lived asset valuations, depreciation and amortization periods for long-lived assets, fair value estimates of stock-based compensation awards, valuation allowances recorded against deferred tax assets, estimates of amounts to be paid to employees and other exit costs to be incurred in connection with the restructuring of our operations and loss contingencies. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from these estimates.

Certain reclassifications have been made to the prior year financial statements to conform to the current year's presentation.

We revised our presentation of cost of product revenues in 2006 to include amortization of product technology-based intangible assets. Previously, this amortization was included in intangible asset amortization in the condensed consolidated statement of operations. We have revised prior period amounts to conform to the current year's presentation. This revision increased cost of product revenues by $380,000 and $1,138,000 for the three and nine-month periods ended September 30, 2005, respectively.

Recently Adopted Accounting Standard

The Company adopted Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment" on January 1, 2006 using the modified prospective method which requires companies (1) to record the unvested portion of previously issued awards that remain outstanding at the initial date of adoption and (2) to record compensation expense for any awards issued, modified or settled after the effective date of the statement. As a result of the adoption of Statement 123(R), the Company began expensing stock options in the 2006 first quarter using the fair value method prescribed by Statement 123(R). Stock-based compensation cost is measured at the grant date based on the fair value of an award and is recognized on a straight-line basis as an expense over the requisite service period, which is the vesting period. Certain of these costs are capitalized into inventory and will be recognized as an expense when the related inventory is sold. The Company's income before income taxes and net income for the nine months ended September 30, 2006 were $10.3 million and $3.3 million lower, respectively, than if it had continued to account for share-based compensation under APB No. 25.

The Company recognizes stock-based compensation expense in the consolidated statement of operations based on the awards that are expected to vest. Accordingly, the Company's recognized stock-based compensation expense is net of

the impact of estimated forfeitures. Statement 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company estimates forfeitures based on historical experience.

Statement 123(R) supercedes the Company's previous accounting under Accounting Principals Boards Opinion No. 25 "Accounting for Stock Issued to Employees" for

periods subsequent to December 31, 2005. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107, which provides interpretive guidance in applying the provisions of Statement 123(R). The Company has applied the provisions of SAB 107 in its adoption of Statement 123(R). Had compensation cost for the Company's stock option plans been determined based on the fair value of the award at the grant date consistent with Statement 123, the Company's net income and basic and diluted net income per share for the three and nine months ended September 30, 2005 would have been as follows (in thousands, except per share amounts):

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net income, as reported	$10,482	$26,580
Add back: Total stock-based employee compensation expense determined under the intrinsic value-based method for all awards, net of related tax effects	30	53
Less: Total stock-based employee compensation expense determined under the fair value-based method for all awards, net of related tax effects	(1,897)	(5,383)
Pro forma	$ 8,615	$21,250
Net income per share:		
Basic:		
As reported	$ 0.35	$ 0.88
Pro forma	$ 0.29	$ 0.70
Diluted:		
As reported	$ 0.33	$ 0.82
Pro forma	$ 0.28	$ 0.67

Statement 123(R) did not change the accounting for stock-based awards granted to non-employees.

Recently Issued Accounting Standards and Other Matters

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans--an amendment of FASB Statements No. 87, 88, 106 and 132(R) . SFAS No. 158 requires the Company to (a) recognize a plan's funded status in its statement of financial position, (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and (c) recognize changes in the funded status of a defined postretirement plan in the year in which the changes occur through other comprehensive income. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective for the Company for the fiscal year ending December 31, 2006. The Company believes the implementation of this provision will not have a material impact on its financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact this provision may have on its financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires the quantification of misstatements based on their impact to both the balance sheet and the income statement to determine materiality. The guidance provides for a one-time cumulative effect adjustment to correct for misstatements for errors that were not deemed material under a company's prior approach but are material under the SAB 108 approach. SAB 108 is effective for the fiscal year ending December 31, 2006. The Company believes the implementation of this

provision will not have a material impact on its financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax recognition in a company's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes, by defining the criterion that an individual tax position must meet in order to be recognized in the financial statements. FIN 48 requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on the technical merits as of the reporting date. FIN 48 further requires that interest that the tax law requires to be paid on the underpayment of taxes should be accrued on the difference between the amount claimed or expected to be claimed on the return and the tax benefit recognized in the financial statements. FIN 48 also requires additional disclosures of unrecognized tax benefits, including a reconciliation of the beginning and ending balance. The provisions of FIN 48 are effective January 1, 2007. The Company is currently assessing the impact that the adoption of FIN 48 will have on its financial position or results of operations.

2. BUSINESS ACQUISITIONS

Newdeal Technologies SAS

In January 2005, the Company acquired all of the outstanding capital stock of Newdeal Technologies SAS ("Newdeal Technologies") for $51.9 million in cash paid at closing, a $0.7 million working capital adjustment paid in January 2006, and $0.8 million of acquisition related expenses. Additionally, the Company agreed to pay the sellers up to an additional 1.3 million Euros if the sellers were to continue their employment with the Company through January 3, 2006. This additional payment was accrued to selling, general and administrative expense on a straight-line basis in 2005 over the one-year employment requirement period and was paid in January 2006.

Radionics

On March 3, 2006, the Company acquired the assets of the Radionics Division of Tyco Healthcare Group, L.P. for approximately $74.5 million in cash paid at closing, subject to certain adjustments, and $3.2 million of acquisition-related expenses in a transaction treated as a business combination. Radionics, based in Burlington, Massachusetts, is a leader in the design, manufacture and sale of advanced minimally invasive medical instruments in the fields of neurosurgery and radiation therapy. Radionics' products include the CUSA EXcel(R) ultrasonic surgical aspiration system, the CRW(R) stereotactic system, the XKnife(R) stereotactic radiosurgery system, and the OmniSight(R) EXcel image-guided surgery system.

The following summarizes the fair value of the assets acquired and liabilities assumed:

		Wtd. Avg. Life
Inventory	$ 8,201	
Property, plant and equipment	1,365	
Intangible assets:		
Tradename	18,100	Indefinite
Customer relationships	20,900	7 years
Technology	10,000	10 years
Goodwill	21,054	
Other assets	72	
Total assets acquired	79,692	
Accrued expenses and other current liabilities	425	
Deferred revenue	1,605	
Total liabilities assumed	2,030	
Net assets acquired	$77,662	

Management determined the fair value of assets acquired with the assistance of a third-party valuation firm. Certain adjustments were finalized in the second quarter of 2006 relating to the Radionics valuation, which primarily resulted in an increase to intangible assets and a reduction in goodwill of $4 million. The adjustment was related to the finalization of certain assumptions in the valuation of identifiable intangible assets. Additional direct costs of approximately $450,000 were paid in the third quarter and have been added to goodwill. The goodwill recorded in connection with this acquisition is based on the benefits the Company expects to generate from the synergy between Radionics' ultrasonic aspirator product line and the Company's ultrasonic aspirator product lines. The goodwill acquired in the Radionics acquisition is expected to be deductible for tax purposes.

Miltex

On May 12, 2006, the Company acquired all of the outstanding capital stock of Miltex Holdings, Inc. ("Miltex") for $102.7 million in cash paid at closing, subject to certain adjustments, and $0.6 million of transaction-related costs. Miltex, based in York, Pennsylvania, is a leading provider of surgical and dental hand instruments to alternate site facilities, which includes physician and dental offices and ambulatory surgery care sectors. Miltex sells products under the Miltex(R), Meisterhand(R), Vantage(R), Moyco(R), Union Broach(R), and Thompson(R) trade names in over 65 countries, using a network of independent distributors. Miltex operates a manufacturing and distribution facility in York, Pennsylvania and also operates a leased facility in Tuttlingen, Germany, where Miltex's staff coordinates design, production and delivery of instruments.

The following summarizes the preliminary allocation of the purchase price based on the fair value of the assets acquired and liabilities assumed (in thousands):

		Wtd. Avg. Life
Inventory	$ 16,775	
Other current assets	7,935	
Property, plant and equipment	7,699	
Intangible assets:		
Customer relationships	13,100	15 years
Tradename (Miltex)	13,500	Indefinite
Tradename (Moyco, Union Branch, Thompson)	300	4 years
Tradename (other product lines)	600	15 years
Technology	1,100	10 years
Supplier relationships	29,300	30 years
Goodwill	40,431	
Other assets	219	
Total assets acquired	130,959	
Accrued expenses and other current liabilities	5,066	
Deferred tax liabilities	22,588	
Total liabilities assumed	27,654	
Net assets acquired	$103,305	

Management determined the preliminary fair value of assets acquired with the assistance of a third-party valuation firm. Certain adjustments were made in the third quarter of 2006 relating to the Miltex valuation. The most significant of which resulted in the recognition of a $29.3 million supplier relationship intangible asset, a decrease of $1.9 million in the customer relationship intangible asset, a decrease in goodwill of $13.8 million and an increase in deferred tax liabilities of $11.7 million. A portion of the goodwill acquired in the Miltex acquisition is expected to be deductible for tax purposes. Certain elements of the purchase price allocation are considered preliminary, particularly as they relate to the final valuation of certain identifiable intangible assets. Additional changes are not expected to be significant as the allocations are finalized.

Canada Microsurgical, Ltd.

On July 5, 2006, the Company acquired all of the outstanding capital stock of Canada Microsurgical, Ltd. ("CML") for $5.8 million in cash paid at closing, subject to certain adjustments, and $0.1 million of transaction-related costs. In addition, the Company may pay up to an additional 2.1 million Canadian dollars over the next three years, depending on the performance of the business. If and when such amounts are paid, then those payments will be added to goodwill. CML, a long-standing distributor for the Company, has eight sales representatives covering each province in Canada.

The following summarizes the preliminary allocation of the purchase price based on the fair value of the assets acquired and liabilities assumed (in thousands):

		Wtd. Avg. Life
Inventory	$1,576	
Other current assets	1,121	
Intangible assets:		
Customer relationships	2,994	6 years
Tradename	2,140	15 years
Non-compete	90	5 years
Goodwill	610	
Other assets	21	
Total assets acquired	8,552	
Accrued expenses and other current liabilities	686	
Deferred tax liabilities	1,963	
Total liabilities assumed	2,649	
Net assets acquired	$5,903	

Management determined the preliminary fair value of assets acquired. Certain elements of the purchase price allocation are considered preliminary, particularly as they relate to the final valuation of certain identifiable intangible assets. Additional changes are not expected to be significant as the allocations are finalized.

Kinetikos Medical, Inc.

On July 31, 2006, the Company acquired all of the outstanding capital stock of Kinetikos Medical, Inc. ("KMI") for $39.5 million in cash paid at closing, subject to certain adjustments, and $1.1 million of transaction-related costs. In addition, the Company may pay up to an additional $20 million over the next two years, depending on the performance of the business. If and when such amounts are paid, then those payments will be added to goodwill. Subsequent to closing, the Company implemented certain changes in the KMI business, including eliminating approximately one-half of the positions located in the Carlsbad, California facility. In addition, the Company plans to discontinue operating under the name of KMI before the end of this year and to exit the Carlsbad facility and move the remaining operations to its San Diego facility during 2007. A restructuring provision of $360,000 has been set up on the opening balance sheet in connection with these plans as part of the purchase price allocation.

KMI, based in Carlsbad, California, was a leading developer and manufacturer of innovative orthopedic implants and surgical devices for small bone and joint procedures involving the foot, ankle, hand, wrist and elbow. KMI marketed products that addressed both the trauma and reconstructive segments of the extremities market. KMI's reconstructive products are largely focused on treating deformities and arthritis in small joints of the upper and lower extremity, while its trauma products are focused on the treatment of fractures of small bones most commonly found in the extremities. The Company has integrated the KMI product line into its U.S. direct sales force while maintaining seven former KMI independent sales agencies. The Company plans to increase sales of KMI products internationally through its well-established Newdeal infrastructure.

The following summarizes the preliminary allocation of the purchase price based on the fair value of the assets acquired and liabilities assumed (in thousands):

		Wtd. Avg. Life
Inventory	$ 2,208	
Other current assets	2,451	
Property, plant and equipment	1,646	
Intangible assets:		
Customer relationships	6,100	3.5 years
Tradename (MBA, UNI2)	300	5 years
Developed technology patents............	2,000	15 years
In-process research and development............	5,600	Expensed immediately
Goodwill	23,624	
Other assets	1,260	
Total assets acquired	45,189	
Accrued expenses and other liabilities	1,933	
Deferred tax liabilities	2,684	
Total liabilities assumed	4,617	
Net assets acquired	$40,572	

Management determined the preliminary fair value of assets acquired with the assistance of a third-party valuation firm. The Company recorded an in-process research and development charge of $5.6 million in the third quarter of 2006 in connection with this acquisition. Certain elements of the purchase price allocation are considered preliminary, particularly as they relate to the final valuation of certain identifiable intangible assets. Additional changes are not expected to be significant as the allocations are finalized.

The results of operations of each of the acquired businesses have been included in the condensed consolidated financial statements since their respective dates of acquisition.

The following unaudited pro forma financial information summarizes the results of operations for the three months and nine months ended September 30, 2006 and 2005 as if the acquisitions had been completed as of the beginning of 2005. The pro forma results are based upon certain assumptions and estimates, and they give effect to actual operating results prior to the acquisitions and adjustments to reflect increased interest expense, depreciation expense, intangible asset amortization, and income taxes at a rate consistent with the Company's statutory rate in each year. No effect has been given to cost reductions or operating synergies. As a result, these pro forma results do not necessarily represent results that would have occurred if the acquisitions had taken place on the basis assumed above, nor are they indicative of the results of future combined operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2006	2005	2006	2005
Total Revenue............	$117,768	$103,357	$337,692	$305,932
Net income	7,777	12,286	22,568	23,754
Net income per share:				
Basic	$0.27	$0.41	$0.77	$0.78
Diluted	$0.26	$0.38	$0.75	$0.74

3. INVENTORIES

Inventories, net consisted of the following (in thousands):

	September 30, 2006	December 31, 2005

Raw materials	$15,138	$13,175
Work-in process	14,331	9,801
Finished goods	64,304	44,500
	$93,773	$67,476

The Company capitalizes inventory costs associated with certain products prior to regulatory approval, based on management's judgment of probable future commercialization. The Company could be required to expense previously capitalized costs related to pre-approval inventory upon a change in such judgment, due to, among other potential factors, a denial or delay of approval by necessary regulatory bodies or a decision by management to discontinue the related development program.

In June 2006, the Company recorded a $1.2 million charge to research and development related to pre-approval inventory associated with a project to develop an ultrasonic aspirator system. The Company discontinued this project in June 2006 following management's review of the Company's existing technology and the ultrasonic aspirator technology acquired in the Radionics acquisition. Management determined that there was no future, alternative use for the pre-approval inventory in any other development project.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the carrying amount of goodwill for the nine months ended September 30, 2006, were as follows:

Balance at December 31, 2005	$ 68,364
Radionics acquisition	21,054
Newdeal working capital adjustment	694
Miltex acquisition (based on preliminary allocation)	40,431
Canada Microsurgical Ltd. acquisition (based on preliminary allocation)	610
Kinetikos Medical, Inc. acquisition (based on preliminary allocation)	23,624
Foreign currency translation	3,466
Balance at September 30, 2006	$158,243

The components of the Company's identifiable intangible assets were as follows (in thousands):

		September 30, 2006		December 31, 2005	
	Weighted Average Life	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Completed technology	12 years	$ 32,816	$ (7,669)	$ 18,921	$ (5,691)
Customer relationships	12 years	66,085	(8,705)	22,550	(4,823)
Trademarks/brand names	Indefinite	31,600	--	--	--
Trademarks/brand names	34 years	34,726	(3,700)	31,175	(2,802)
Noncompetition agreements	5 years	7,109	(3,711)	6,943	(2,607)
Supplier relationships	30 years	29,300	(375)	--	--
All other	15 years	1,620	(742)	2,233	(1,330)
		$203,256	$(24,902)	$ 81,822	$(17,253)
Accumulated amortization		(24,902)		(17,253)	
		$178,354		$ 64,569	

Annual amortization expense is expected to approximate $11.7 million in 2006, $14.3 million in 2007, $14.0 million in 2008, $12.5 million in 2009, and $10.8 million in 2010. Identifiable intangible assets are initially recorded at fair market value at the time of acquisition generally using an income or cost approach.

5. RESTRUCTURING ACTIVITIES

In June 2005, management announced plans to restructure the Company's European operations. The restructuring plan included closing the Company's Integra ME production facility in Tuttlingen, Germany and reducing various positions in the Company's production facility located in Biot, France, both of which were substantially completed in December 2005. The Company transitioned the manufacturing operations of Integra ME to its production facility in Andover, UK. The Company also eliminated some duplicative sales and marketing positions, primarily in Europe. The Company terminated 68 individuals under the European restructuring plan.

During the nine months ended September 30, 2006, the Company terminated four employees in connection with the transfer of certain manufacturing packaging operations from its plant in Plainsboro, New Jersey to its plant in Anasco, Puerto Rico. The Company may terminate approximately ten additional employees over the next nine to twelve months in connection with this transfer; however no final decision has been made.

In connection with these restructuring activities, the Company has recorded the following charges during the three and nine months ended September 30, 2006 (in thousands):

	Cost of Sales	Research and Development	Selling General and Administrative	Total
Involuntary employee termination costs:				
Three months ended September 30, 2006	$ 63	--	--	$ 63
Nine months ended September 30, 2006	$ 418	$ 22	--	$ 440

Below is a reconciliation of the restructuring accrual activity recorded during 2006 (in thousands):

	Employee Termination Costs	Facility Exit Costs	Total
Balance at December 31, 2005	$2,420	$ 124	$2,544
Additions	268	--	268
Change in estimate	(18)	--	(18)
Payments	(1,991)	(115)	(2,106)
Effects of Foreign Exchange	108	5	113
Balance at September 30, 2006	$ 787	$ 14	$ 801

The Company expects to pay all of the remaining costs by the end of 2007.

6. STOCK-BASED COMPENSATION

As of September 30, 2006, the Company had stock options, restricted stock awards, performance stock awards, contract stock awards and restricted stock unit awards outstanding under seven plans, the 1993 Incentive Stock Option and Non-Qualified Stock Option Plan (the 1993 Plan), the 1996 Incentive Stock Option and Non-Qualified Stock Option Plan (the 1996 Plan), the 1998 Stock Option Plan (the 1998 Plan), the 1999 Stock Option Plan (the 1999 Plan), the 2000 Equity Incentive Plan (the 2000 Plan), the 2001 Equity Incentive Plan (the 2001 Plan), and the 2003 Equity Incentive Plan (the 2003 Plan, and collectively, the Plans). No new awards may be granted under the 1993 Plan or the 1996 Plan.

Stock options issued under the Plans become exercisable over specified periods, generally within four years from the date of grant for officers, employees and consultants, and generally expire six years from the grant date. The transfer and non-forfeiture provisions of restricted stock issued under the Plans lapse over specified periods, generally at three years after the date of grant.

Prior to the adoption of Statement 123(R), the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows (reflected in accrued taxes). Statement 123(R) requires the cash flows resulting from excess tax benefits (tax deductions realized in excess of the compensation

costs recognized for the options exercised) from the date of adoption of Statement 123(R) to be classified as financing cash flows. Therefore, as of January 1, 2006, excess tax benefits for the nine months ended September 30, 2006, have been classified as financing cash flows.

At September 30, 2006, there were 6,697,371 shares authorized for issuance under the Plans, with 1,537,024 shares available for grant under the Plans.

Employee stock-based compensation expense recognized under FAS 123(R) was as follows (in thousands, except for per share data):

	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2006
Research and development expense	$ 168	$ 452
Selling, general and administrative	3,529	9,613
Amortization of amounts previously capitalized to inventory	112	217
Total employee stock-based compensation expense	3,809	10,282
Tax benefit related to employee stock-based compensation expense	(1,212)	(3,253)
Net effect on net income	$2,597	$ 7,029
Effect on earnings per share:		
Basic	$ .09	$ .24
Diluted	$ .09	$ .21

As of September 30, 2006, $111,000 of stock-based compensation costs remain capitalized in inventory based on the underlying employees receiving the awards.

Stock Options

The following is a summary of stock option activity for the nine-month period ended September 30, 2006 (shares in thousands):

	Stock Options	Wtd. Avg. Ex. Price	Wtd. Avg. Remaining Contractual Term Years	Aggregate Intrinsic Value
Outstanding, December 31, 2005	4,001	$27.50		
Granted	73	35.85		
Exercised	(436)	21.31		
Cancelled	(87)	33.30		
Outstanding, September 30, 2006	3,551	$28.28	4.3	$32.7 million
Options exercisable at September 30, 2006	2,146	$25.06	3.4	$26.6 million

The intrinsic value of options exercised during the nine-month periods ended September 30, 2006 and 2005 was $7.7 million and $8.7 million, respectively. The weighted-average per share fair value of stock options granted during the nine months ended September 30, 2006 and 2005 was $15.35 and $14.49, respectively.

As of September 30, 2006, there was approximately $18.2 million of total unrecognized compensation costs related to unvested stock options. These costs are expected to be recognized over a weighted-average period of approximately 2.8 years.

The fair value of options granted prior to October 1, 2004 was calculated using the Black-Scholes model, while the fair value of options granted on or after October 1, 2004 was calculated using the binomial distribution model. Expected volatilities are based on historical volatility of the Company's stock price with forward-looking assumptions. The expected life of stock options is estimated based on historical data on exercises of stock options, post-vesting forfeitures and other factors to estimate the expected term of the stock options granted. The risk-free interest rates are derived from the U.S. Treasury yield

curve in effect on the date of grant for instruments with a remaining term similar to the expected life of the options. In addition, the Company applies an expected forfeiture rate when amortizing stock-based compensation expenses. The estimate of the forfeiture rate is based primarily upon historical experience of employee turnover. As individual grant awards become fully vested, stock-based compensation expense is adjusted to recognize actual forfeitures. The Company

used the following weighted-average assumptions to calculate the fair value for stock options granted during the following periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Dividend yield................................	0%	0%	0%	0%
Expected volatility	43%	43%	43%	43%
Risk free interest	4.3%	3.4%	3.4%	3.4%
Expected life of option from grant date.........	5.4 years	5.4 years	5.4 years	5.4 years

The Company received proceeds of $9.2 million and $5.4 million from stock option exercises for the nine months ended September 30, 2006 and 2005, respectively.

Awards of Restricted Stock, Performance Stock and Contract Stock

The following is a summary of awards of restricted stock, performance stock and contract stock for the nine-month period ended September 30, 2006 (shares in thousands):

	Restricted Stock Awards		Performance Stock and Contract Stock Awards	
	Shares	Wtd. Avg. Fair Value Per Share	Shares	Wtd. Avg. Fair Value Per Share
Unvested, December 31, 2005...................	19	$ 35.08	--	--
Grants	168	38.43	218	$ 35.41
Vested	---	--	--	--
Cancellations..................................	(6)	37.68	--	--
Unvested, September 30, 2006...................	181	$ 38.11	218	$ 35.41

Performance stock awards have performance features associated with them. Performance stock, restricted stock and contract stock awards generally have requisite service periods of three years. The fair value of these awards is being expensed on a straight-line basis over the vesting period. As of September 30, 2006, there was approximately $11.2 million of total unrecognized compensation costs related to unvested awards. These costs are expected to be recognized over a weighted-average period of approximately 2.8 years. The Company granted 13,496 restricted stock awards with a weighted average fair value of $34.08 during the nine months ended September 30, 2005.

The Company has no formal policy related to the repurchase of shares for the purpose of satisfying stock-based compensation obligations. Independent of these programs, the Company does have a practice of repurchasing shares, from time to time, in the open market.

The Company also maintains an Employee Stock Purchase Plan (the ESPP), which provides eligible employees of the Company with the opportunity to acquire shares of common stock at periodic intervals by means of accumulated payroll deductions. The ESPP was amended in 2005 to eliminate the look-back option and to reduce the discount available to participants to five percent. Accordingly, the ESPP is a non-compensatory plan under Statement 123(R).

7. RETIREMENT BENEFIT PLANS

The Company maintains defined benefit pension plans that cover employees in its manufacturing plants located in Andover, United Kingdom and its former manufacturing plant in Tuttlingen, Germany. Net periodic benefit costs for the Company's defined benefit pension plans included the following amounts (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005

Service cost	$ 53	$ 61	$ 157	$ 185
Interest cost	142	103	424	313
Expected return on plan assets	(124)	(85)	(370)	(260)
Recognized net actuarial loss	54	34	162	106
Net periodic benefit cost	$ 125	$ 113	$ 373	$ 344

The Company made $126,000 and $167,000 of contributions to its defined benefit pension plans for the nine months ended September 30, 2006 and 2005 respectively.

8. COMPREHENSIVE INCOME

Comprehensive income was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Net income	$2,594	$10,482	$19,276	$26,580
Foreign currency translation adjustment	1,312	(232)	7,310	(9,978)
Unrealized holding gains (losses) on available-for-sale securities, net of tax	522	--	784	(163)
Reclassification adjustment for losses included in net income, net of tax	(237)	--	17	18
Minimum pension liability adjustment, net of tax	(55)	--	(149)	--
Comprehensive income	$4,136	$10,250	$27,238	$16,457

9. NET INCOME PER SHARE

Basic and diluted net income per share was as follows (in thousands, except per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Basic net income per share:				
Net income	$ 2,594	$10,482	$19,276	$26,580
Weighted average common shares outstanding	29,193	30,039	29,457	30,334
Basic net income per share	$ 0.09	$ 0.35	$ 0.65	$ 0.88
Diluted net income per share:				
Net income	$ 2,594	$10,482	$19,276	$26,580
Add back: Interest expense and other income/(expense) related to convertible notes payable, net of tax	--	800	--	1,832
Net income applicable to common stock	$ 2,594	$11,282	$19,276	$28,412
Weighted average common shares outstanding - Basic	29,193	30,039	29,457	30,334
Effect of dilutive securities:				
Stock options and restricted stock	674	744	705	879
Shares issuable upon conversion of notes payable	--	3,514	--	3,514
Weighted average common shares for diluted earnings per share	29,867	34,297	30,162	34,727
Diluted net income per share	$ 0.09	$ 0.33	$ 0.64	$ 0.82

Options outstanding at September 30, 2006 and 2005 to acquire approximately 1.8 million shares and 921,000 shares of common stock, respectively, were excluded from the computation of diluted net income per share for the three months ended September 30, 2006 and 2005, respectively, because their effects would be anti-dilutive. Options outstanding at September 30, 2006 and 2005 to acquire approximately 1.9 million shares and 624,000 shares of common stock,

respectively, were excluded from the computation of diluted net income per share for the nine months ended September 30, 2006 and 2005, respectively, because their effects would be anti-dilutive. The Company excluded from the computation of diluted earnings per share for the three months and nine months ended September 30, 2006 approximately 3.5 million shares issuable upon conversion of its convertible notes payable because their effects would be anti-dilutive.

10. SEGMENT AND GEOGRAPHIC INFORMATION

The Company's management reviews financial results and manages the business on an aggregate basis. Therefore, financial results are reported in a single operating segment, the development, manufacture and marketing of medical devices for use in neurosurgery, reconstructive surgery and general surgery.

In 2006, the Company revised the manner in which it presents its revenues. The Company now presents its revenues in two categories: Neurosurgical / Orthopedic Implants and Medical / Surgical Equipment. This change better aligns our product categories by functional product characteristic and intended use. The Company's revenues were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenue:				
Neurosurgical and Orthopedic Implants	$ 43,136	$ 33,516	$118,778	$ 99,219
Medical Surgical Equipment...................	73,511	35,818	175,125	105,732
Total Revenue	$116,647	$ 69,334	$293,903	$204,951

Certain of the Company's products, including the DuraGen(R) and NeuraGen(TM) product families and the INTEGRA(R) Dermal Regeneration Template and wound-dressing products, contain material derived from bovine tissue. Products that contain materials derived from animal sources, including food as well as pharmaceuticals and medical devices, are increasingly subject to scrutiny from the press and regulatory authorities. These products constituted 23% and 32% of total revenues in each of the three-month periods ended September 30, 2006 and 2005, respectively, and 26% and 31% of total revenues in each of the nine-month periods ending September 30, 2006 and 2005, respectively. Accordingly, widespread public controversy concerning collagen products, new regulation, or a ban of the Company's products containing material derived from bovine tissue could have a material adverse effect on the Company's current business or its ability to expand its business.

Total revenues by major geographic area are summarized below (in thousands):

	United States	Europe	Asia Pacific	Other Foreign	Total
Three months ended September 30, 2006......................	$ 88,740	$ 21,165	$ 2,815	$ 3,927	$116,647
Three months ended September 30, 2005......................	53,504	10,443	2,662	2,725	69,334
Nine months ended September 30, 2006.......................	$220,393	$ 56,884	$ 8,809	$ 7,817	$293,903
Nine months ended September 30, 2005.......................	152,623	36,187	8,443	7,698	204,951

11. COMMITMENTS AND CONTINGENCIES

In consideration for certain technology, manufacturing, distribution and selling rights and licenses granted to the Company, the Company has agreed to pay royalties on the sales of products that relate to those granted rights and licenses. Royalty payments under these agreements by the Company were not significant for any of the periods presented.

Various lawsuits, claims and proceedings are pending or have been settled by the Company. The most significant of those are described below.

In May 2006, Codman & Shurtleff, Inc. ("Codman"), a division of Johnson & Johnson, commenced an action in the United States District Court for the District of New Jersey for declaratory judgment against Integra LifeSciences Corporation with respect to United States Patent No. 5,997,895 (the "'895 Patent") held by Integra. Integra's patent covers dural repair technology related to Integra's Duragen(R) family of duraplasty products.

The action seeks declaratory relief that Codman's DURAFORM(TM) product does not infringe Integra's patent and that Integra's patent is invalid and unenforceable. Codman does not seek either damages from Integra or injunctive

relief to prevent Integra from selling the Duragen(R) Dural Graft Matrix. Integra has filed a counterclaim against Codman, alleging that Codman's DURAFORM(TM) product infringes the '895 Patent, seeking injunctive relief preventing the sale and use of DURAFORM(TM), and seeking damages, including treble damages, for past infringement.

In July 1996, the Company sued Merck KGaA, a German corporation, seeking damages for patent infringement. The patents in question are part of a group of patents granted to The Burnham Institute and licensed by Integra that are based on the interaction between a family of cell surface proteins called integrins and the arginine-glycine-aspartic acid ("RGD") peptide sequence found in many extracellular matrix proteins.

The case has been tried, appealed and returned to the trial court. Most recently, in September 2004, the trial court ordered Merck KgaA to pay Integra $6.4 million in damages. Merck KGaA filed a petition for a writ of certiorari with the United States Supreme Court seeking review of the Circuit Court's decision, and the Supreme Court granted the writ in January 2005.

On June 13, 2005, the Supreme Court vacated the June 2003 judgment of the Circuit Court. The Supreme Court held that the Circuit Court applied an erroneous interpretation of 35 U.S.C. ss.271(e)(1) when it rejected the challenge of Merck KGaA to the jury's finding that Merck KGaA failed to show that its activities were exempt from claims of patent infringement under that statute. On remand, the Circuit Court was to have reviewed the evidence under a reasonableness test that does not provide categorical exclusions of certain types of activities. The hearing before the Circuit Court occurred in June 2006, and a ruling is expected by the end of this year. Further enforcement of the trial court's order has been stayed. We have not recorded any gain in connection with this matter, pending final resolution and completion of the appeals process.

In addition to these matters, the Company is subject to various claims, lawsuits and proceedings in the ordinary course of its business, including claims by former employees, distributors and competitors and with respect to our products. In the opinion of management, such claims are either adequately covered by insurance or otherwise indemnified, or are not expected, individually or in the aggregate, to result in a material adverse effect on the Company's financial condition. However, it is possible that the Company's results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.

12. CONTINGENT CONVERTIBLE NOTES

On September 27, 2006, the Company exchanged of $115.2 million (out of a total of $120.0 million) of its 2 1/2% Contingent Convertible Subordinated Notes due 2008 (the "old notes")for the equivalent amount of 2 1/2% Contingent Convertible Subordinated Notes due 2008 (the "new notes"). The terms of the new notes are substantially similar to those of the old notes, except that the new notes have a net share settlement feature and include "takeover protection," whereby the Company will pay a premium to holders who convert their notes upon the occurrence of designated events, including a change in control. The net share settlement feature requires that, upon conversion of the new notes, the Company will pay holders in cash for up to the principal amount of the converted new notes, with any amounts in excess of this cash amount settled, at the election of the Company, in cash or shares of our common stock. Holders who exchanged their old notes in the exchange offer received an exchange fee of $2.50 per $1,000 principal amount of their old notes.

In addition, since the closing price of the Company's stock on the issuance date

of the new notes was higher than the market price trigger of the new notes, the holders have the option to convert their notes into cash, and if applicable, shares of our common stock at any time. As a result, $115.2 million of contingent convertible notes have been classified as current liabilities on the balance sheet. The Company recorded a $1.2 million write-off of the unamortized debt issuance costs and $0.3 million of fees associated with the old notes that were exchanged.

13. SUBSEQUENT EVENT

In October 2006, the Company exchanged an additional $4.3 million of old notes in exchange for an equal amount of new notes under the same terms of the exchange offer which expired on September 27, 2006.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes thereto appearing elsewhere in this report and our consolidated financial statements for the year ended December 31, 2005 included in our Annual Report on Form 10-K.

We have made statements in this report which constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks, uncertainties and assumptions about the Company. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those set forth above under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2005 and in subsequent Quarterly Reports on Form 10-Q.

You can identify these forward-looking statements by forward-looking words such as "believe," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions in this report.

GENERAL

Integra is a market-leading, innovative medical device company focused on helping the medical professional enhance the standard of care for patients. Integra provides customers with clinically relevant, innovative and cost-effective products that improve the quality of life for patients. We focus on cranial and spinal procedures, peripheral nerve repair, small bone and joint injuries, and the repair and reconstruction of soft tissue.

Our distribution channels include two direct sales organizations (Integra NeuroSciences and Integra Reconstructive Surgery), two networks of manufacturer's representatives managed by a direct sales organization (JARIT Surgical Instruments and Miltex) and strategic alliances with market leaders such as Johnson & Johnson, Medtronic, Inc., Wyeth and Zimmer Holdings, Inc. We have direct sales forces in the United States, Canada, Germany, the United Kingdom, the Benelux (Belgium, Netherlands, Luxembourg) region and France. Elsewhere throughout the world, our products are distributed through a number of independent distributors. We invest substantial resources and management effort to develop our sales organizations, and we believe that we compete very effectively in this aspect of our business.

In 2006, we revised the manner in which we present our revenues. This change better aligns our product categories by functional product characteristic and intended use. We now present revenues in two categories: Neurosurgical and Orthopedic Implants and Medical Surgical Equipment. Our Neurosurgical and Orthopedic Implants product group includes dural grafts that are indicated for the repair of the dura matter, dermal regeneration and engineered wound dressings, implants used in small bone and joint fixation, repair of peripheral nerves, and hydrocephalus management, and implants used in bone regeneration and in guided tissue regeneration in periodontal surgery. Our Medical Surgical Equipment product group includes ultrasonic surgery systems for tissue ablation, cranial stabilization and brain retraction systems, instrumentation used in general, neurosurgical, spinal and plastic and reconstructive surgery and dental procedures, systems for the measurement of various brain parameters, and devices

used to gain access to the cranial cavity and to drain excess cerebrospinal fluid from the ventricles of the brain.

We manage these product groups and distribution channels on a centralized basis. Accordingly, we report our financial results under a single operating segment - the development, manufacturing and distribution of medical devices.

We manufacture many of our products in various plants located in the United States, Puerto Rico, France, the United Kingdom and Germany. We also manufacture some of our ultrasonic surgical instruments and source most of our hand-held surgical instruments through specialized third-party vendors.

We believe that we have a particular advantage in the development, manufacture and sale of specialty tissue repair products derived from bovine collagen. We develop and manufacture these products primarily in our facilities in Plainsboro, New Jersey and Puerto Rico. Products that contain materials derived

from animal sources, including food as well as pharmaceuticals and medical devices, are increasingly subject to scrutiny from the press and regulatory authorities. These products comprised 26% and 31% of total revenues in each of the nine-month periods ended September 30, 2006 and 2005, respectively. Accordingly, widespread public controversy concerning collagen products, new regulation, or a ban of the Company's products containing material derived from bovine tissue, could have a material adverse effect on the Company's current business or its ability to expand its business.

Our objective is to continue to build a customer-focused and profitable medical device company by developing or acquiring innovative medical devices and other products to sell through our sales channels. Our strategy therefore entails substantial growth in product revenues through internal means - through launching new and innovative products and selling existing products more intensively - and by acquiring existing businesses or already successful product lines.

We aim to achieve this growth in revenues while maintaining strong financial results. While we pay attention to any meaningful trend in our financial results, we pay particular attention to measurements that are indicative of long-term profitable growth. These measurements include revenue growth, derived through acquisitions and products developed internally, gross margins on total revenues, operating margins, which we aim to continually expand on as we leverage our existing infrastructure, and earnings per fully diluted share of common stock.

ACQUISITIONS

Our strategy for growing our business includes the acquisition of complementary product lines and companies. Our recent acquisitions of businesses, assets and product lines may make our financial results for the nine months ended September 30, 2006 not directly comparable to those of the corresponding prior-year period. See Note 2 to the unaudited condensed consolidated financial statements for a further discussion. Since the beginning of 2005, we have acquired the following businesses:

In January 2005, we acquired all of the outstanding capital stock of Newdeal Technologies SAS ("Newdeal Technologies") for $51.9 million in cash paid at closing, a $0.7 million working capital adjustment paid in January 2006, and $0.8 million of acquisition related expenses. Additionally, we agreed to pay the sellers up to an additional 1.3 million Euros if the sellers were to continue their employment with us through January 3, 2006. This additional payment was accrued to selling, general and administrative expense on a straight-line basis in 2005 over the one-year employment requirement period and was paid in January 2006.

Newdeal is a leading developer and marketer of specialty implants and instruments specifically designed for foot and ankle surgery. Newdeal's products include a wide range of products for the forefoot, the mid-foot and the hind foot, including the Bold(R) Screw, Hallu-Fix(R) plate system and the HINTEGRA(R) total ankle prosthesis. Newdeal's target physicians include orthopedic surgeons specializing in injuries of the foot, ankle and extremities, as well as podiatric surgeons.

On March 3, 2006, Integra acquired certain assets of the Radionics Division of

Tyco Healthcare Group, L.P. for approximately $74.5 million in cash paid at closing, subject to certain adjustments, and $3.2 million of acquisition related expenses in a transaction treated as a business combination. Radionics, based in Burlington, Massachusetts, is a leader in the design, manufacture and sale of advanced minimally invasive medical instruments in the fields of neurosurgery and radiation therapy. Radionics' products include the CUSA EXcel(R) ultrasonic surgical aspiration system, the CRW(R) stereotactic system, the XKnife(R) stereotactic radiosurgery system, and the OmniSight(R) EXcel image guided surgery system.

Tyco Healthcare sold Radionics products in over 75 countries, using a network of independent distributors in the United States and both independent distributors and Tyco Healthcare affiliates internationally. We are using distributors in many of the markets in which Tyco Healthcare sold directly to customers. As a result, we expect that revenue and pre-tax income attributable to the acquired product lines will be less than the 2005 levels recognized by Tyco. In addition, because the CUSA Excel ultrasonic aspiration system competes with our existing line of ultrasonic surgery systems, our sales force may, in some situations, sell the CUSA system in lieu of our existing ultrasonic aspirator products.

On May 12, 2006, we acquired all of the outstanding capital stock of Miltex Holdings, Inc. ("Miltex") for $102.7 million in cash paid at closing, subject to certain adjustments, and $0.6 million of transaction related costs. Miltex, based in York, Pennsylvania, is a leading provider of surgical and dental hand instruments to alternate site facilities, which includes physician and dental offices and ambulatory surgery care sectors. Miltex sells products under the Miltex(R), Meisterhand(R), Vantage(R), Moyco(R), Union Broach(R), and Thompson(R) trade names in over 65 countries, using a network of independent distributors. Miltex operates a manufacturing and distribution facility in York, Pennsylvania and also operates a leased facility in Tuttlingen, Germany, where Miltex's staff coordinates design, production and delivery of instruments.

On July 5, 2006, we acquired a direct sales force in Canada through the acquisition of our longstanding distributor, Canada Microsurgical Ltd. Canada Microsurgical has eight sales representatives covering each province in Canada. We paid $5.8 million (6.4 million Canadian dollars) for Canada Microsurgical at closing and $0.1 million of transaction related costs. In addition, we may pay up to an additional 2.1 million Canadian dollars over the next three years, depending on the performance of the business.

On July 31, 2006 we acquired the shares of Kinetikos Medical, Inc. ("KMI") for $39.5 million in cash, subject to certain adjustments, including future payments based on the performance of the KMI business after the acquisition. KMI, based in Carlsbad, California, was a leading developer and manufacturer of innovative orthopedic implants and surgical devices for small bone and joint procedures involving the foot, ankle, hand, wrist and elbow. KMI marketed products that addressed both the trauma and reconstructive segments of the extremities market. KMI's reconstructive products are largely focused on treating deformities and arthritis in small joints of the upper and lower extremity, while its trauma products are focused on the treatment of fractures of small bones most commonly found in the extremities. The Company has integrated the KMI product line into its U.S. direct sales force while maintaining seven former KMI independent sales agencies. The Company plans to increase sales of KMI products internationally through our well-established Newdeal infrastructure.

IMPACT OF RESTRUCTURING ACTIVITIES

In June 2005, we announced plans to restructure our European operations. The restructuring plan included closing our Integra ME production facility in Tuttlingen, Germany and reducing various positions in our production facility located in Biot, France, both of which were substantially completed in December 2005. We transitioned the manufacturing operations of Integra ME to our production facility in Andover, UK. We also eliminated some duplicative sales and marketing positions, primarily in Europe. The Company terminated 68 individuals under the European restructuring plan.

In 2005, we also completed the transfer of the Spinal Specialties assembly operations from our San Antonio, Texas plant to our San Diego, California plant and we continue to transfer certain assembly, processing and packaging operations to our San Diego and Puerto Rico facilities. During the nine months ended September 30, 2006, the Company terminated four employees in connection with the transfer of certain manufacturing packaging operations from its plant

in Plainsboro, New Jersey to its plant in Anasco, Puerto Rico. The Company may terminate approximately ten additional employees over the next nine to twelve months in connection with this transfer; however no final decision has been made.

In connection with these restructuring activities, we recorded employee termination costs of $63,000 and $440,000, respectively, during the three and nine months ended September 30, 2006.

While we expect to achieve a positive impact from the restructuring and integration activities, such results remain uncertain. We have reinvested most of the savings from these restructuring and integration activities into further expanding our European sales, marketing and distribution organization, and integrating the Radionics and KMI businesses into our existing sales and distribution network.

RESULTS OF OPERATIONS

Net income for the three months ended September 30, 2006 was $2.6 million, or $0.09 per diluted share, as compared to net income of $10.5 million, or $0.33 per diluted share, for the three months ended September 30, 2005.

Net income for the nine months ended September 30, 2006 was $19.3 million, or $0.64 per diluted share, as compared to a net income of $26.6 million, or $0.82 per diluted share, for the nine months ended September 30, 2005.

These amounts include the following charges (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Acquisition-related charges:				
Inventory fair market value purchase accounting adjustments	$ 1,399	$ --	$ 4,012	$ 466
Acquired in-process research and development..	5,600	500	5,600	500
Charges associated with convertible debt exchange offer............	1,792	--	1,879	--
Charges associated with termination of interest rate swap..........	1,425	--	1,425	--
Employee termination and related costs.............................	63	666	440	2,740
Facility consolidation, acquisition integration, manufacturing transfer, enterprise business system integration and related costs..	582	492	1,299	1,314
Impairment of inventory and fixed assets related to discontinued development project and product lines..........................	--	--	1,578	478
Total..	$10,861	$1,658	$16,233	$5,498

Of these amounts, $5.4 million and $1.8 million were charged to cost of product revenues in the nine-month periods ended September 30, 2006 and 2005, respectively, and $7.2 million and $1.0 million was charged to research and development in the nine months ended September 30, 2006. The remaining amounts were primarily charged to selling, general and administrative expenses.

We believe that, given our ongoing, active strategy of seeking new acquisitions and integrating recent acquisitions, our current focus on rationalizing our existing manufacturing and distribution infrastructure, our recent review of various product lines in relation to our current business strategy, and a renewed focus on enterprise business systems integrations, charges similar to those discussed above could recur with similar materiality in the future. We believe that the delineation of these costs provides useful information to measure the comparative performance of our business operations.

Net income for the three and nine months ended September 30, 2006 also includes approximately $2.6 million and $7.0 million, respectively, net of tax, of stock-based compensation expense recorded in connection with the adoption of Statement of Financial Accounting Standards No 123(R) "Shared Based Payment".

Revenues and Gross Margin on Product Revenues

Our revenues and gross margin on product revenues were as follows (in thousands):

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Neurosurgical and Orthopedic Implants	$43,136	$33,516	$118,778	$99,219
Medical Surgical Equipment	73,511	35,818	175,125	105,732
Total revenue	$116,647	$69,334	$293,903	$204,951
Cost of product revenues	47,559	26,394	116,869	78,423
Gross margin on total revenues	69,088	42,940	177,034	126,528
Gross margin as a percentage of total revenues	59%	62%	60%	62%

THREE MONTHS ENDED SEPTEMBER 30, 2006 AS COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2005

Revenues and Gross Margin

For the quarter ended September 30, 2006, total revenues increased 68% over the prior-year period to $116.6 million. Domestic revenues increased $35.7 million to $89.1 million, or 76% of total revenues, as compared to 77% of revenues in the three months ended September 30, 2005.

In the Neurosurgical and Orthopedic Implants category, sales of our reconstructive surgery implant products continued to grow strongly. Rapid growth in nerve and dermal repair products and sales of products for the hand, foot and ankle accounted for much of the increase in implant product revenues. INTEGRA(TM) dermal repair product revenues increased 32% over the third quarter of 2005, nerve repair product revenues increased by 44%, and our hand, foot and ankle products more than doubled. Revenues from bone graft and collagen dental products increased by 57% over the third quarter of 2005. KMI products contributed $1.9 million of sales to the quarter.

In the Medical Surgical Equipment category, increased sales of our JARIT(R) surgical instrument lines and sales of the recently acquired Radionics and Miltex products provided the year-over-year growth in equipment product revenues for the third quarter. Radionics, Miltex and non-Integra distributed products sold through our former Canadian distributor (all acquired in 2006) contributed $33.8 million of sales to the quarter.

We have generated our product revenue growth through acquisitions, new product launches and increased direct sales and marketing efforts both domestically and in Europe. We expect that our expanded domestic sales force, the recent conversion of JARIT domestic sales from a distributor billing model to a direct billing model, the continued implementation of our direct sales strategy in Europe and sales of internally developed and acquired products will drive our future revenue growth. We also intend to continue to acquire businesses that complement our existing businesses and products. Many of our recent acquisitions involve businesses or product lines that overlap in some way with our existing products. Our sales and marketing departments are integrating these acquisitions, and there has been, and we expect there will continue to be, some cannibalization of sales of our existing products that will affect our internal growth. Overall, we target our revenues to continue to grow internally and through acquisitions in the range of 20% to 30% per year.

In 2006, we revised our presentation of cost of product revenues to include amortization of product technology-based intangible assets. Previously, this amortization was included in intangible asset amortization in the condensed consolidated statement of operations. We have revised prior period amounts to conform to the current year's presentation. This revision increased cost of product revenues by $673,000 and $379,000 for the three-month period ended September 30, 2006 and 2005, respectively.

Gross margin on total revenues in the third quarter of 2006 was 59.2%. Strong sales growth in many higher gross margin products was offset by sales of the relatively lower-margin Radionics and Miltex products. We recognized $1.4 million in inventory fair value purchase accounting adjustments from

acquisitions as the products were sold, a $1.3 million change in estimate related to consignment inventory and $582,000 in restructuring and manufacturing transfer and systems integration costs. These charges reduced our gross margin in the third quarter of 2006 by approximately 2 percentage points.

We expect that sales of our higher gross margin products will continue to increase as a proportion of total product revenues, but be offset slightly by relatively lower gross margin generated from sales of Radionics and Miltex products. Also, we now invoice hospital customers directly for sales of JARIT instruments rather than distributors. This has resulted in increased product revenues as a result of higher selling prices, a higher gross margin, and also increased selling expenses from commissions paid to distributors.

Other Operating Expenses

The following is a summary of other operating expenses as a percent of total revenues:

	Three Months Ended September 30,	
	2006	2005
Research and development	9%	4%
Selling, general and administrative	37%	33%
Intangible asset amortization	2%	2%
Total other operating expenses	49%	39%

Total other operating expenses, which consist of research and development expense, selling, general and administrative expense and amortization expense, increased $30.4 million, or 113%, to $57.3 million in the third quarter of 2006, compared to $26.8 million in the third quarter of 2005. The increase is partially related to a $5.6 million in-process research and development charge related to the acquisition of KMI, a $3.7 million stock-based compensation expense associated with the adoption of Statement 123(R) (the majority of which is included in selling, general and administrative expense) and higher commission expenses associated with the JARIT direct bill initiative. Expenses also increased because of the continued expansion of our direct sales and marketing organizations in our direct selling platforms and increased corporate staff to support the recent growth in our business and to integrate acquired businesses. The recently acquired Radionics, Miltex, KMI and our former Canadian distributor businesses contributed approximately $8.9 million in other operating expenses in the third quarter 2006.

Research and development expenses in the third quarter of 2006 increased by $7.9 million compared to the prior-year period. Included in research and development costs were a $5.6 million in-process research and development charge related to the KMI acquisition, a $0.5 million charge related to an upfront payment pursuant to a new product development alliance and $168,000 of stock-based compensation expenses associated with the adoption of Statement 123(R). In connection with our acquisition of Radionics and KMI, research and development expenses increased by $1.1 million in the third quarter ended September 30, 2006. There was also an overall increase of $1.5 million associated with product development initiatives compared to the prior-year period. Our research and development efforts in 2006 are expected to be focused on clinical activities directed towards expanding the indications for use of our absorbable implant technology products, including a multi-center clinical trial suitable to support an application to the FDA for approval of the DuraGen Plus(TM) Adhesion Barrier Matrix product, and development of a next-generation ultrasonic aspirator system.

Selling, general and administrative expenses increased $20.8 million, or 92%, as compared to the prior-year period to $43.4 million. The increase in selling, general and administrative expenses includes $3.5 million of stock-based compensation expense associated with the adoption of Statement 123(R) and higher commission expenses associated with the JARIT direct bill initiative. Selling, general and administrative costs also increased in the third quarter of 2006 in connection with the recently acquired Radionics, Miltex and KMI businesses. We also continued to expand our direct sales and marketing organizations in our direct selling platforms and increased corporate staff to support the recent growth in our business and to integrate acquired businesses. Additionally, we have incurred higher operating costs in connection with our recent investments

in our infrastructure, including the continued implementation of an enterprise business system and the relocation and expansion of our domestic and international distribution capabilities through third-party service providers. We expect that we will continue to incur costs related to these activities during the remainder of 2006 and 2007 as we complete these ongoing activities.

Amortization expense increased in the third quarter of 2006 as a result of amortization of intangible assets from acquisitions completed in 2006.

Non-Operating Income and Expenses

Interest expense primarily relates to the $120 million of 2 1/2% contingent convertible subordinated notes that we have outstanding and a related interest rate swap agreement, which was terminated on September 27, 2006 and interest on the used and unused portion of the $200 million senior secured credit facility that we established in December 2005. The increase in interest expense in the third quarter of 2006 is primarily related to the write-off of unamortized debt issuance costs related to the old notes and interest associated with the credit facility that was established in December 2005. In the third quarter of 2006, we made net additional borrowings of $23 million under our credit facility.

On September 27, 2006, the Company exchanged $115.2 million (out of a total of $120.0 million) of its old contingent convertible notes for the equivalent amount of new notes. See Note 12 to the unaudited condensed consolidated financial statements for a further discussion. In connection with the exchange of our convertible notes, the Company recorded a $1.2 million write-off of the unamortized debt issuance costs and $0.3 million of fees associated with the old contingent convertible notes that were exchanged. Our reported interest expense for the three-month period ended September 30, 2005 included $204,000 of non-cash amortization of debt issuance costs.

We will pay additional interest on our convertible notes under certain conditions. The fair value of this contingent interest obligation is marked to its fair value at each balance sheet date, with changes in the fair value recorded to interest expense. In the third quarter of 2006, the change in the estimated fair value of the contingent interest obligation increased interest expense by $104,000. In the third quarter of 2005, the fair value increased by $300,000.

On September 27, 2006, we terminated an interest rate swap agreement with a $50 million notional amount to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of our fixed rate convertible notes. The interest rate swap agreement qualified as a fair value hedge under SFAS No. 133, as amended "Accounting for Derivative Instruments and Hedging Activities". The net amount to be paid or received under the interest rate swap agreement was recorded as a component of interest expense. Interest expense associated with the interest rate swap for the three months ended September 30, 2006 and 2005 was $345,000 and $100,000, respectively.

The Company paid the counterparty approximately $2.2 million in connection with the termination of the swap, consisting of a $0.6 million payment of accrued interest and a $1.6 million payment representing the fair market value of the interest rate swap on the termination date. The termination payment was already accrued by the Company. During the three months ended September 30, 2005, the net fair value of the interest rate swap increased $500,000 to $2.0 million, and the carrying value of our convertible notes decreased by $512,000. The net difference between changes in the fair value of the interest rate swap and the contingent convertible notes represents the ineffective portion of the hedging relationship, and this amount is recorded in other income/(expense), net.

Our income tax expense was $3.5 million and $5.2 million for the three-month periods ended September 30, 2006 and 2005, respectively. The overall effective tax rate for the three months ended September 30, 2006 and 2005 was 57.2% and 33.2 %, respectively. The third quarter of 2006 included a $5.6 million in-process research and development charge related to the KMI acquisition which is not deductible for tax purposes. The effective tax rate for the third quarter of 2006 would have been 29.7% without this charge. The decrease in the effective income tax rate in 2006 was primarily due to a continued favorable impact of various planning and reorganization initiatives, a change in the geographic mix of earnings and losses and our realization of additional deductions related to qualified production activities income provided for under the American Jobs Creation Act of 2004.

In 2006, we have used all of our remaining unrestricted and current year allowable acquired net operating loss carryforwards to offset 2006 taxable income. At September 30, 2006, several of our subsidiaries had unused net operating loss carryforwards arising from periods prior to our ownership which expire through 2010. The Internal Revenue Code limits the timing and manner in which we may use any acquired net operating losses.

Our effective tax rate may vary from period to period depending on, among other factors, the geographic and business mix of taxable earnings and losses. We consider these factors and others, including our history of generating taxable earnings, in assessing our ability to realized deferred tax assets.

NINE MONTHS ENDED SEPTEMBER 30, 2006 AS COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2005

Revenues and Gross Margin

For the nine months ended September 30, 2006, total revenues increased 43% over the prior-year period to $293.9 million. Domestic revenues increased $67.8 million to $220.4 million, or 75% of total revenues, as compared to 74% of revenues in the nine months ended September 30, 2005.

In the Neurosurgical and Orthopedic Implants category, sales of our Reconstructive Surgery implant products continued to grow strongly. Rapid growth in the NeuraGen(TM) Nerve Guide, the INTEGRA(TM) dermal repair products and sales of products for the hand, foot and ankle accounted for much of the increase in implant product revenues. INTEGRA(TM) dermal repair product revenues increased approximately 33% over the nine months of 2005, nerve repair product revenues increased by 40%, and our Newdeal(TM) foot and ankle products increased approximately 37%.

Sales of Reconstructive Surgery products continued their fast growth, while our Neurosurgery products, including the DuraGen(R) family of duraplasty products continued to grow modestly. Increased revenues of the Absorbable Collagen Sponge that we supply for use in Medtronic's INFUSE(TM) bone graft product and of the dental products we supply to Zimmer also contributed to the growth in implant revenues.

In the Medical Surgical Equipment category, increased sales of our JARIT(R) surgical instrument lines and sales of the recently acquired Radionics and Miltex products provided the year-over-year growth in equipment product revenues for the nine months. Sales of Radionics and Miltex products contributed $59.5 million in the nine months ended September 2006.

In 2006, we revised our presentation of cost of product revenues to include amortization of product technology-based intangible assets. Previously, this amortization was included in intangible asset amortization in the condensed consolidated statement of operations. We have revised prior period amounts to conform to the current year's presentation. This revision increased cost of product revenues by $1.8 million and $1.1 million for the nine-month periods ended September 30, 2006 and 2005, respectively.

Gross margin on total revenues in the nine months of 2006 was 60.2%. Although we had strong sales growth in many higher gross margin products, we recognized $4.0 million in inventory fair value purchase accounting adjustments from acquisitions as the products were sold and $1.3 million in restructuring and manufacturing transfer and systems integration costs. These charges reduced our gross margin by approximately 2%. We recognized the impact of $466,000 of inventory fair value purchase accounting adjustments in the nine months of 2005. Additionally, in the second quarter of 2006 we recorded a $1.2 million impairment charge to cost of product revenues against a range of electrosurgical generators and accessories sold exclusively in Europe following a review of on-hand inventory quantities of those products in relation to expected demand for that product line.

Other Operating Expenses

The following is a summary of other operating expenses as a percent of total revenues:

	Nine Months Ended September 30,	
	2006	2005
Research and development	7%	5%
Selling, general and administrative	38%	35%
Intangible asset amortization	2%	2%
Total other operating expenses	47%	42%

Total other operating expenses, which consist of research and development expense, selling, general and administrative expense and amortization expense, increased $53.1 million, or 62%, to $138.4 million in the nine months of 2006, compared to $85.3 million in the nine months of 2005. The increase includes $10.1 million of stock-based compensation expense associated with the adoption of Statement 123(R) (the majority of which is included in selling, general and administrative expense). Businesses we acquired in 2006 contributed approximately $15.0 million of other operating expenses for the nine-month period ended September 30, 2006.

Research and development expenses increased $11.3 million in the nine months of 2006 and included a $5.6 million in-process research and charge associated with the KMI acquisition, $452,000 of stock-based compensation expenses associated with the adoption of Statement 123(R), $2.3 million of research and development activities from the recently acquired Radionics and KMI businesses, a $1.6 million charge related to the discontinued ultrasonic aspirator development project and a $0.5 million charge related to an upfront payment pursuant to a new product development alliance.

Selling, general and administrative expenses increased $39.2 million, or 54%, as compared to the prior-year period to $111.8 million. This increase is primarily related to a $9.6 million stock-based compensation expense associated with the adoption of Statement 123(R), higher commission costs associated with the Jarit distributor network, and operating costs associated with the recently acquired Radionics and Miltex businesses. Additionally, we have incurred higher operating costs in connection with our recent investments in our infrastructure, including the continued implementation of an enterprise business system, the relocation and expansion of our domestic and international distribution capabilities through third-party service providers, the continued expansion of our direct sales and marketing organizations in our direct selling platforms and increased corporate staff to support the recent growth in our business and to integrate acquired businesses also contributed to the increase. We expect that we will continue to incur costs related to these activities during the remainder of 2006 and 2007 as we complete these ongoing activities.

Amortization expense increased by approximately $2.7 million in the nine months of 2006 as a result of amortization of intangible assets from the acquisitions completed in 2006.

Non-Operating Income and Expenses

The increase in interest expense in the nine months of 2006 is primarily related to an increase in the variable rate that we paid on our $50 million interest rate swap, which was terminated on September 27, 2006, the write-off of unamortized debt issuance costs related to the old contingent convertible notes and interest on the used and unused portion of the $200 million senior credit facility that was established in December 2005. In the nine months ended September 30, 2006, we made net borrowings of $87 million under our credit facility.

On September 27, 2006, the Company exchanged $115.2 million (out of a total of $120.0 million) of its old contingent convertible notes for the equivalent amount of new notes. See Note 12 to the unaudited condensed consolidated financial statements for a further discussion. In connection with the exchange of our convertible notes, the Company recorded a $1.2 million write-off of the unamortized debt issuance costs and $0.3 million of fees associated with the old contingent convertible notes that were exchanged. Our reported interest expense for the nine-month periods ended September 30, 2006 and 2005 included $599,000

and $611,000, respectively, of non-cash amortization of debt issuance costs.

We will pay additional interest on our convertible notes under certain conditions. The fair value of this contingent interest obligation is marked to its fair value at each balance sheet date, with changes in the fair value recorded to interest expense. Changes in the estimated fair value of the contingent interest obligation increased interest expense by $271,000 and $78,000 for the nine months ended September 30, 2006 and 2005, respectively.

On September 27, 2006, we terminated an interest rate swap agreement with a $50 million notional amount to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of our fixed rate convertible notes. The net amount to be paid or received under the interest rate swap agreement was recorded as a component of interest expense. Interest expense associated with the interest rate swap for the nine months ended September 30, 2006 was $827,000. Interest expense for the nine months ended September 30, 2005 included an insignificant benefit associated with the interest rate swap.

The Company paid the counterparty approximately $2.2 million in connection with the termination of the swap, consisting of a $0.6 million payment of accrued interest and a $1.6 million payment representing the fair market value of the interest rate swap on the termination date. The termination payment was already accrued by the Company. During the nine months ended September 30, 2005, the net fair value of the interest rate swap increased $0.6 million to $2.0 million, and this amount was included in other liabilities. The net difference between changes in the fair value of the interest rate swap and the contingent convertible notes represents the ineffective portion of the hedging relationship, and this amount is recorded in other income (expense), net.

Our income tax expense was $11.4 million and $13.7 million for the nine-month periods ended September 30, 2006 and 2005, respectively. The overall effective tax rate for the nine months ended September 30, 2006 and 2005 was 37.1% and 34.0%, respectively. The third quarter of 2006 included a $5.6 million in-process research and development charge which is not deductible for tax purposes. The effective tax rate for the nine months of 2006 would have been 31.4% without this charge. The decrease in the effective income tax rate in 2006 was primarily due to a continued favorable impact of various planning and reorganization initiatives, a change in the geographic mix of earnings and losses and our realization of additional deductions related to qualified production activities income provided for under the American Jobs Creation Act of 2004.

INTERNATIONAL PRODUCT REVENUES AND OPERATIONS

Product revenues by major geographic area are summarized below (in thousands):

	United States	Europe	Asia Pacific	Other Foreign	Total
Three months ended September 30, 2006.............	$ 88,740	$ 21,165	$ 2,815	$ 3,927	$116,647
Three months ended September 30, 2005.............	53,504	10,443	2,662	2,725	69,334
Nine months ended September 30, 2006..............	220,393	56,884	8,809	7,817	293,903
Nine months ended September 30, 2005..............	152,623	36,187	8,443	7,698	204,951

For the three months ended September 30, 2006, revenues from customers outside the United States totaled $27.9 million, or 24% of total revenues, of which approximately 82% were to European customers. Revenues from customers outside the United States included $22.3 million of revenues generated in foreign currencies.

In the three months ending September 30, 2005, revenues from customers outside the United States totaled $15.8 million, or 23% of total revenues, of which approximately 66% were from European customers. Revenues from customers outside the United States included $12.0 million of revenues generated in foreign currencies.

For the nine months ended September 30, 2006, revenues from customers outside

the United States totaled $73.5 million, or 25% of total revenues, of which approximately 77% were to European customers. Revenues from customers outside the United States included $52.9 million of revenues generated in foreign currencies.

In the nine months ending September 30, 2005, revenues from customers outside the United States totaled $52.3 million, or 26% of total revenues, of which approximately 69% were from European customers. Revenues from customers outside the United States included $41.0 million of revenues generated in foreign currencies.

Because we have operations based in Europe and we generate revenues and incur operating expenses in Euros and British pounds, we experience currency exchange risk with respect to those foreign currency denominated revenues or expenses. We currently do not hedge our exposure to foreign currency risk. We will continue to assess the potential effects that changes in foreign currency exchange rates could have on our business. If we believe this potential impact presents a significant risk to our business, we may enter into derivative financial instruments to mitigate this risk.

Additionally, we generate significant revenues outside the United States, a portion of which are U.S. dollar-denominated transactions conducted with customers who generate revenue in currencies other than the U.S. dollar. As a result, currency fluctuations between the U.S. dollar and the currencies in which those customers do business may have an impact on the demand for our products in foreign countries.

Local economic conditions, regulatory or political considerations, the effectiveness of our sales representatives and distributors, local competition and changes in local medical practice all may combine to affect our sales into markets outside the United States.

Relationships with customers and effective terms of sale frequently vary by country, often with longer-term receivables than are typical in the United States.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Marketable Securities

At September 30, 2006, we had cash and cash equivalents totaling approximately $24.3 million. In the third quarter of 2006, we liquidated the remaining $16.7 million of our current and non-current investments.

Cash Flows

Cash provided by operations has recently been and is expected to continue to be our primary means of funding existing operations and capital expenditures. We have generated positive operating cash flows on an annual basis, including $56.8 million for the year ended December 31, 2005 and $50.8 million for the nine months ended September 30, 2006. Operating cash flows for the nine months ended September 30, 2005 were $41.9 million. Overall, operating cash flows in the nine months ended of 2006 were negatively affected by subsequent investments in working capital made in connection with the Radionics acquisition.

Our principal uses of funds during the nine-month period ended September 30, 2006 were $227.1 million for acquisition consideration, $31.8 million paid for the purchase of 857,650 shares of our common stock and $7.2 million in capital expenditures. We received $96.8 million in cash from sales and maturities of available for sale securities, net of purchases. In addition to the $50.4 million in operating cash flows for the nine months ended September 30, 2006, we received $9.2 million from the issuance of common stock through the exercise of stock options during the period and $87.0 million from borrowings under our credit facility.

Working Capital

At September 30, 2006 we have a negative working capital of $36.3 million compared to a positive working capital on December 31, 2005 of $234.7 million. The decrease in working capital is primarily related to the use of $227.1 million for acquisition consideration in the first nine months of 2006. Also

contributing to this decrease is the reclassification of $115.2 million of contingent convertible notes to current liabilities. Such classification is made since the closing price of the Company's stock on the issuance date of the new notes was higher than the market price trigger of the new notes, the holders have the option to convert their notes into cash, and if applicable, shares of our common stock at any time.

Convertible Debt and Related Hedging Activities

On September 27, 2006, we concluded an offer to exchange up to $120 million principal amount of new notes with a "net share settlement" mechanism for our currently outstanding contingent convertible subordinated notes. As of that date, an aggregate principal amount of $115,205,000 of old notes was tendered. See Note 12 to the unaudited condensed consolidated financial statements for a further discussion. Also on September 27, 2006, we terminated our interest rate swap agreement with a $50 million notional amount to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of the notes. See "Results of Operations - Non-Operating Income and Expenses" for a further discussion.

We pay interest on both our old and new contingent convertible subordinated notes at an annual rate of 2 1/2% each September 15 and March 15. We will also pay contingent interest on the notes if, at thirty days prior to maturity, our common stock price is equal to or greater than $37.56. The contingent interest will be payable at maturity for each of the last three years the notes remain outstanding in an amount equal to the greater of (1) 0.50% of the face amount of the notes and (2) the amount of regular cash dividends paid during each such year on the number of shares of common stock into which each note is convertible. Holders of the old notes may convert the notes into shares of our common stock under certain circumstances, including when the market price of our common stock on the previous trading day is equal to or greater than $37.56 per share, based on an initial conversion price of $34.15 per share. Holders of the new notes may convert their notes into cash, and if applicable, shares of our common stock under certain circumstances, including when the market price of our common stock on the previous trading day is equal to or greater than $37.56 per share. Between September 27 and September 30, 2006, our stock price exceeded $37.56 and no convertible notes have been converted to cash or common stock.

The notes are general, unsecured obligations of the Company and are subordinate to any senior indebtedness. We cannot redeem the notes prior to their maturity, and the notes' holders may compel us to repurchase the notes upon a change of control. There are no financial covenants associated with the convertible notes.

Share Repurchase Plan

In February 2006, our Board of Directors authorized us to repurchase shares of our common stock for an aggregate purchase price not to exceed $50 million through December 31, 2006 and terminated our prior repurchase program. Shares may be purchased either in the open market or in privately negotiated transactions.

The Company purchased 456,750 and 400,900 shares of our common stock for a total purchase price of approximately $16.7 million and $15.1 million during the three months ended September 30, 2006 and June 30, 2006, respectively under this repurchase program. No purchases were made under this program during the first quarter of 2006.

In October 2006, our Board of Directors terminated the repurchase program approved in February 2006 and adopted a new program that authorizes us to repurchase shares of our common stock for an aggregate purchase price not to exceed $75 million through December 31, 2007. Shares may be repurchased either in the open market or in privately negotiated transactions.

Dividend Policy

We have not paid any cash dividends on our common stock since our formation. Our credit facility limits the amount of dividends that we may pay. Any future determinations to pay cash dividends on our common stock will be at the discretion of our Board of Directors and will depend upon our financial condition, results of operations, cash flows and other factors deemed relevant by the Board of Directors.

Requirements and Capital Resources

In December 2005, we established a $200 million, five-year, senior secured revolving credit facility. The credit facility currently allows for revolving credit borrowings in a principal amount of up to $200 million, which can be increased to $250 million should additional financing be required in the future. We plan to utilize the credit facility for working capital, capital expenditures, share repurchases, acquisitions and other general corporate purposes. We have borrowed against this credit facility in 2006 for acquisition related purposes. As of September 30, 2006, we had $87 million of outstanding borrowings under our credit facility, and the weighted average interest rate for this borrowing was 6.58% per annum.

The indebtedness under the credit facility is guaranteed by all but one of our domestic subsidiaries. The Company's obligations under the credit facility and the guarantees of the guarantors are secured by a first-priority security interest in all present and future capital stock of (or other ownership or profit interest in) each guarantor and substantially all of the Company's and the guarantors' other assets, other than real estate, intellectual property and capital stock of foreign subsidiaries.

Borrowings under the credit facility bear interest, at our option, at a rate equal to (i) the Eurodollar Rate in effect from time to time plus an applicable rate (ranging from 0.75% to 1.5%) or (ii) the higher of (x) the weighted average overnight Federal funds rate, as published by the Federal Reserve Bank of New York, plus 0.5%, and (y) the prime commercial lending rate of Bank of America, N.A. plus an applicable rate (ranging from 0% to 0.5%). The applicable rates are based on a financial ratio at the time of the applicable borrowing.

We will also pay an annual commitment fee (ranging from 0.15% to 0.25%) on the daily amount by which the commitments under the credit facility exceed the outstanding loans and letters of credit under the credit facility.

The credit facility requires us to maintain various financial covenants, including leverage ratios, a minimum fixed charge coverage ratio and a minimum liquidity ratio. The credit facility also contains customary affirmative and negative covenants, including those that limit the Company's and its subsidiaries' ability to incur additional debt, incur liens, make investments, enter into mergers and acquisitions, liquidate or dissolve, sell or dispose of assets, repurchase stock and pay dividends, engage in transactions with affiliates, engage in certain lines of business and enter into sale and leaseback transactions. As of September 30, 2006, we were in compliance with all of our debt covenants.

Contractual Obligations and Commitments

Under certain agreements, we are required to make payments based on sales levels of certain products or if specific development milestones are achieved.

OTHER MATTERS

Critical Accounting Estimates

The critical accounting estimates included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 have not materially changed other than as set forth below.

Recently Adopted Accounting Standard

We adopted Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment" on January 1, 2006 using the modified prospective method which requires companies (1) to record the unvested portion of previously issued awards that remain outstanding at the initial date of adoption and (2) to record compensation expense for any awards issued, modified or settled after the effective date of the statement. As a result of the adoption of Statement 123(R), we began expensing stock options in the first quarter of 2006 using the fair value method prescribed by Statement 123(R). Stock-based compensation cost is measured at the grant date based on the fair value of an award and is recognized on a straight-line basis as an expense over the requisite service

period, which is the vesting period. Certain of these costs are capitalized into inventory and will be recognized as an expense when the related inventory is sold. Our income before income taxes and net income for the nine months ended September 30, 2006 were $10.3 million and $7.0 million lower, respectively, than if we had continued to account for share-based compensation under APB No. 25.

We recognize stock-based compensation expense in the consolidated statement of operations based on the awards that are expected to vest. Accordingly, we have adjusted stock-based compensation expense to reflect estimated forfeitures. Statement 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. We estimate forfeitures based on historical experience.

Statement 123(R) supercedes our previous accounting under Accounting Principals Boards Opinion No. 25 "Accounting for Stock Issued to Employees" for periods subsequent to December 31, 2005. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107, which provides interpretive guidance in applying the provisions of Statement 123(R). We have applied the provisions of SAB 107 in our adoption of Statement 123(R).

Our condensed consolidated statement of operations for the nine months ended September 30, 2006, includes compensation expense related to (i) stock-based awards granted prior to, but not fully vested as of, January 1, 2006, based on grant date fair values estimated in accordance with the pro forma provisions of Statement of Financial Accounting Standards Statement No 123 "Accounting for Stock-Based Compensation", and (ii) stock-based awards granted in 2006, based on grant-date fair values estimated in accordance with Statement 123(R).

We calculate the fair value of our restricted stock awards and restricted stock unit awards based on the closing market price of our common stock on the date of the grant. We calculated the fair value of options granted prior to October 1, 2004 using the Black-Scholes model, while we calculate the fair value of options granted on or after October 1, 2004 using the binomial distribution model. These models include assumptions regarding the expected term of our option awards, expected future volatility in the market price of our common stock, future risk-free interest rates, and future dividends, if any, on our common stock. We believe that the binomial distribution model is better than the Black-Scholes model because the binomial distribution model is a more flexible model that considers the impact of non-transferability, vesting and forfeiture provisions in the valuation of employee stock options.

The assumptions used in calculating the fair value of stock-based compensation awards involve inherent uncertainties and the application of management judgment. If factors were to change, and we used different assumptions, depending on the level of our future stock-based awards, our stock-based compensation expense in the future could be materially different from that reported for the nine months ended September 30, 2006 or pro forma amounts reported for periods prior to January 1, 2006. In addition, if our actual forfeiture rate varies significantly from our current estimate, the amount of stock-based compensation expense recognized in future periods will be affected.

Recently Issued Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans--an amendment of FASB Statements No. 87, 88, 106 and 132(R) . SFAS No. 158 requires the Company to (a) recognize a plan's funded status in its statement of financial position, (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year, and (c) recognize changes in the funded status of a defined postretirement plan in the year in which the changes occur through other comprehensive income. The requirement to recognize the funded status of a benefit plan and the disclosure requirements are effective for the Company for the fiscal year ending December 31, 2006. The Company does not believe the implementation of this provision will have a material impact on its financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact this provision may have on its financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108), to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires the quantification of misstatements based on their impact to both the balance sheet and the income statement to determine materiality. The guidance provides for a one-time cumulative effect adjustment to correct for misstatements for errors that were not deemed material under a company's prior approach but are material under the SAB 108 approach. SAB 108 is effective for the fiscal year ending December 31, 2006. The Company does not believe the implementation of this provision will have a material impact on its financial position or results of operations.

In July 2006, the FASB issued FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax recognition in a company's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes, by defining the criterion that an individual tax position must meet in order to be recognized in the financial statements. FIN 48 requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on the technical merits as of the reporting date. FIN 48 further requires that interest that the tax law requires to be paid on the underpayment of taxes should be accrued on the difference between the amount claimed or expected to be claimed on the return and the tax benefit recognized in the financial statements. FIN 48 also requires additional disclosures of unrecognized tax benefits, including a reconciliation of the beginning and ending balance. The provisions of FIN 48 are effective January 1, 2007. The Company is currently assessing the impact that the adoption of FIN 48 will have on its financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in foreign currency exchange rates and interest rates that could adversely impact our results of operations and financial condition. To manage the volatility relating to these typical business exposures, we may enter into various derivative transactions when appropriate. We do not hold or issue derivative instruments for trading or other speculative purposes.

Foreign Currency Exchange Rate Risk

A discussion of foreign currency exchange risks is provided under the caption "International Product Revenues and Operations" under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Interest Rate Risk - Marketable Securities

We are exposed to the risk of interest rate fluctuations on the fair value and interest income earned on our cash and cash equivalents and investments in available-for-sale marketable debt securities. A hypothetical 100 basis point movement in interest rates applicable to our cash and cash equivalents and investments in marketable debt securities outstanding at September 30, 2006 would increase or decrease interest income by approximately $243,000 on an annual basis. We are not subject to material foreign currency exchange risk with respect to these investments.

Interest Rate Risk - Senior Secured Credit Facility

We are exposed to the risk of interest rate fluctuations on the interest paid under the terms of our senior secured credit facility. A hypothetical 100 basis point movement in interest rates applicable to this credit facility would increase or decrease interest expense by approximately $870,000 on an annual basis.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure. Disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management has designed our disclosure controls and procedures to provide reasonable assurance of achieving the desired control objectives.

As required by Rule 13a-15(b) under the Exchange Act, we have carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended September 30, 2006, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

On March 3, 2006 and May 12, 2006 the Company completed the purchases of Radionics and Miltex, respectively, and is in the process of integrating the operations and related controls of both businesses within the Company. On July 5, 2006 and July 31, 2006 the Company completed the purchases of Canada Microsurgical Ltd. And Kinetikos Medical, Inc., respectively, and is in the process of integrating the operations and related controls of these businesses within the Company. See Note 2, "Business Acquisitions", to the unaudited interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of the acquisitions and related financial data.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEDINGS

Various lawsuits, claims and proceedings are pending or have been settled by the Company. The most significant of those are described below.

In May 2006, Codman & Shurtleff, Inc., a division of Johnson & Johnson, commenced an action in the United States District Court for the District of New Jersey for declaratory judgment against Integra LifeSciences Corporation with respect to United States Patent No. 5,997,895 (the "'895 Patent") held by Integra. Integra's patent covers dural repair technology related to Integra's

Duragen(R) family of duraplasty products.

The action seeks declaratory relief that Codman's DURAFORM(TM) product does not infringe Integra's patent and that Integra's patent is invalid and unenforceable. Codman does not seek either damages from Integra or injunctive relief to prevent Integra from selling the Duragen(R) Dural Graft Matrix. Integra has filed a counterclaim against Codman, alleging that Codman's DURAFORM(TM) product infringes the '895 Patent, seeking injunctive relief preventing the sale and use of DURAFORM(TM), and seeking damages, including treble damages, for past infringement.

In July 1996, the Company sued Merck KGaA, a German corporation, seeking damages for patent infringement. The patents in question are part of a group of patents granted to The Burnham Institute and licensed by Integra that are based on the interaction between a family of cell surface proteins called integrins and the arginine-glycine-aspartic acid ("RGD") peptide sequence found in many extracellular matrix proteins.

The case has been tried, appealed and returned to the trial court. Most recently, in September 2004, the trial court ordered Merck KgaA to pay Integra $6.4 million in damages. Merck KGaA filed a petition for a writ of certiorari with the United States Supreme Court seeking review of the Circuit Court's decision, and the Supreme Court granted the writ in January 2005.

On June 13, 2005, the Supreme Court vacated the June 2003 judgment of the Circuit Court. The Supreme Court held that the Circuit Court applied an erroneous interpretation of 35 U.S.C. ss.271(e)(1) when it rejected the challenge of Merck KGaA to the jury's finding that Merck KGaA failed to show that its activities were exempt from claims of patent infringement under that statute. On remand, the Circuit Court was to have reviewed the evidence under a reasonableness test that does not provide categorical exclusions of certain types of activities. The hearing before the Circuit Court occurred in June 2006, and a ruling is expected this year. Further enforcement of the trial court's order has been stayed. We have not recorded any gain in connection with this matter, pending final resolution and completion of the appeals process.

In addition to these matters, we are subject to various claims, lawsuits and proceedings in the ordinary course of its business, including claims by former employees, distributors and competitors and with respect to our products. In the opinion of management, such claims are either adequately covered by insurance or otherwise indemnified, or are not expected, individually or in the aggregate, to result in a material adverse effect on our financial condition. However, it is possible that our results of operations, financial position and cash flows in a particular period could be materially affected by these contingencies.

ITEM 1A. RISK FACTORS

The Risk Factors included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (as modified by the subsequent Quarterly Report on Form 10-Q) have not materially changed other than the modifications to the risks factors as set forth below.

Certain Of Our Products Contain Materials Derived From Animal Sources And May Become Subject To Additional Regulation.

Certain of our products, including our dermal regeneration products, our duraplasty products and our nerve repair products, contain material derived from bovine tissue. Products that contain materials derived from animal sources, including food as well as pharmaceuticals and medical devices, are increasingly subject to scrutiny in the press and by regulatory authorities. Regulatory authorities are concerned about the potential for the transmission of disease from animals to humans via those materials. This public scrutiny has been particularly acute in Japan and Western Europe with respect to products derived from animal sources, because of concern that materials infected with the agent that causes bovine spongiform encephalopathy, otherwise known as BSE or mad cow disease, may, if ingested or implanted, cause a variant of the human Creutzfeldt-Jakob Disease, an ultimately fatal disease with no known cure. Recent cases of BSE in cattle discovered in Canada and the United States have increased awareness of the issue in North America.

We take great care to provide that our products are safe and free of agents that

can cause disease. In particular, the collagen used in the products that Integra manufactures is derived only from the deep flexor tendon of cattle less than 24 months old from New Zealand, a country that has never had a case of BSE, or the United States. The collagen used in a product that we sell, but do not manufacture, is derived from bovine pericardium. We are also qualifying sources of collagen from other countries that are considered BSE-free. The World Health Organization classifies different types of cattle tissue for relative risk of BSE transmission. Deep flexor tendon and bovine pericardium are in the lowest risk categories for BSE transmission (the same category as milk, for example), and are therefore considered to have a negligible risk of containing the agent that causes BSE (an improperly folded protein known as a prion). Nevertheless, products that contain materials derived from animals, including our products, may become subject to additional regulation, or even be banned in certain countries, because of concern over the potential for prion transmission. Significant new regulation, or a ban of our products, could have a material adverse effect on our current business or our ability to expand our business.

In addition, we have been notified that Japan has issued new regulations regarding medical devices that contain tissue of animal origin. Among other regulations, Japan requires that the tendon used in the manufacture of medical devices sold in Japan originate in a country that has never had a case of BSE. Currently, we purchase our tendon from the United States and New Zealand. We received approval in Japan for the use of New Zealand sourced tendon in the manufacturing of our products sold in Japan. If we cannot continue to use or qualify a source of tendon from New Zealand or another country that has never had a case of BSE, we will not be permitted to sell our collagen hemostatic agents and products for oral surgery in Japan. We do not currently sell our dural or skin repair products in Japan.

Lack Of Market Acceptance For Our Products Or Market Preference For Technologies That Compete With Our Products Could Reduce Our Revenues And Profitability.

We cannot be certain that our current products or any other products that we may develop or market will achieve or maintain market acceptance. Certain of the medical indications that can be treated by our devices can also be treated by other medical devices or by medical practices that do not include a device. The medical community widely accepts many alternative treatments, and certain of these other treatments have a long history of use. For example, the use of autograft tissue is a well-established means for repairing the dermis, and it competes for acceptance in the market with the INTEGRA(R) Dermal Regeneration Template. In addition, we face similar competition for acceptance of our Newdeal and Kinetikos Medical products, which previously were distributed by third parties.

We cannot be certain that our devices and procedures will be able to replace those established treatments or that either physicians or the medical community in general will accept and utilize our devices or any other medical products that we may develop.

In addition, our future success depends, in part, on our ability to develop additional products. Even if we determine that a product candidate has medical benefits, the cost of commercializing that product candidate may be too high to justify development. Competitors may develop products that are more effective, achieve more favorable reimbursement status from third-party payors, cost less or are ready for commercial introduction before our products. If we are unable to develop additional commercially viable products, our future prospects could be adversely affected.

Market acceptance of our products depends on many factors, including our ability to convince prospective collaborators and customers that our technology is an attractive alternative to other technologies, to manufacture products in sufficient quantities and at acceptable costs, and to supply and service sufficient quantities of our products directly or through our distribution alliances. In addition, unfavorable reimbursement methodologies or determinations of third-party payors could harm acceptance or continued use of our products. The industry is subject to rapid and continuous change arising from, among other things, consolidation and technological improvements. One or more of these factors may vary unpredictably, which could have a material adverse effect on our competitive position. We may not be able to adjust our contemplated plan of development to meet changing market demands.

We Are Exposed To A Variety Of Risks Relating To Our International Sales And

Operations, Including Fluctuations In Exchange Rates, Local Economic Conditions And Delays In Collection Of Accounts Receivable.

We generate significant revenues outside the United States in Euros, British pounds and in U.S. dollar-denominated transactions conducted with customers who generate revenue in currencies other than the U.S. dollar. For those foreign customers who purchase our products in U.S. dollars, currency fluctuations between the U.S. dollar and the currencies in which those customers do business may have an impact on the demand for our products in foreign countries where the U.S. dollar has increased in value compared to the local currency.

Because we have operations based in Europe and we generate revenues and incur operating expenses in Euros and British pounds, we experience currency exchange risk with respect to those foreign currency-denominated revenues and expenses. We also experience currency exchange risk with respect to the yen.

Currently, we do not use derivative financial instruments to manage operating foreign currency risk. As the volume of our business transacted in foreign currencies increases, we expect to continue to assess the potential effects that changes in foreign currency exchange rates could have on our business. If we believe that this potential impact presents a significant risk to our business, we may enter into derivative financial instruments to mitigate this risk.

In general, we cannot predict the consolidated effects of exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposure and the potential volatility of currency exchange rates.

Our international operations subject us to customs and import-export laws. These laws restrict, and in some cases prohibit, United States companies from directly or indirectly selling goods, technology or services to people or entities in certain countries. These laws also prohibit transactions with certain designated persons.

Our sales to foreign markets also may be affected by local economic conditions, legal, regulatory or political considerations, the effectiveness of our sales representatives and distributors, local competition and changes in local medical practice. Relationships with customers and effective terms of sale frequently vary by country, often with longer-term receivables than are typical in the United States.

Our Current Strategy Involves Growth Through Acquisitions, Which Requires Us To Incur Substantial Costs And Potential Liabilities For Which We May Never Realize The Anticipated Benefits.

In addition to internal growth, our current strategy involves growth through acquisitions. Since 1999, we have acquired 24 businesses or product lines at a total cost of approximately $335 million.

We may be unable to continue to implement our growth strategy, and our strategy ultimately may be unsuccessful. A significant portion of our growth in revenues has resulted from, and is expected to continue to result from, the acquisition of businesses complementary to our own. We engage in evaluations of potential acquisitions and are in various stages of discussion regarding possible acquisitions, certain of which, if consummated, could be significant to us. Any new acquisition can result in material transaction expenses, increased interest and amortization expense, increased depreciation expense and increased operating expense, any of which could have a material adverse effect on our operating results. Certain businesses that we acquire may not have adequate financial, regulatory or quality controls at the time we acquire them. As we grow by acquisition, we must integrate and manage the new businesses to bring them into our systems for financial, regulatory and quality control, realize economies of scale, and control costs. In addition, acquisitions involve other risks, including diversion of management resources otherwise available for ongoing development of our business and risks associated with entering new markets with which our marketing and sales force has limited experience or where experienced distribution alliances are not available. Our future profitability will depend in part upon our ability to develop further our resources to adapt to these new products or business areas and to identify and enter into satisfactory distribution networks. We may not be able to identify suitable acquisition candidates in the future, obtain acceptable financing or consummate any future acquisitions. If we cannot integrate acquired operations, manage the cost of

providing our products or price our products appropriately, our profitability could suffer. In addition, as a result of our acquisitions of other healthcare businesses, we may be subject to the risk of unanticipated business uncertainties, regulatory matters or legal liabilities relating to those acquired businesses for which the sellers of the acquired businesses may not indemnify us.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In February 2006, our Board of Directors authorized us to repurchase shares of our common stock for an aggregate purchase price not to exceed $50 million through December 31, 2006. Shares may be purchased either in the open market or in privately negotiated transactions.

The following table summarizes our repurchases of our common stock during the quarter ended September 30, 2006 under this program:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program
July 1, 2006 - July 31, 2006	55,300	$ 37.93	55,300	$32,715,891
August 1, 2006 - August 31, 2006	401,450	36.26	401,450	18,161,013
September 1, 2006 - September 30, 2006	--	--	--	18,161,013
Total	456,750	$ 36.46	456,750	$18,161,013

In October 2006, our Board of Directors terminated the repurchase program approved in February 2006 and adopted a new program that authorizes us to repurchase shares of our common stock for an aggregate purchase price not to exceed $75 million through December 31, 2007. Shares may be repurchased either in the open market or in privately negotiated transactions.

ITEM 6. EXHIBITS

4.1 Indenture, dated as of September 29, 2006, between Integra LifeSciences Holdings Corporation and Wells Fargo Bank, N.A. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 5, 2006)

4.2 Form of 2 1/2% Contingent Convertible Subordinated Note due 2008 (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 5, 2006)

10.1 Integra LifeSciences Holdings Corporation Management Incentive Compensation Plan.

10.2 Fourth Amendment to Sublease, dated as of August 15, 2006, by and between Sorrento Montana, L.P. and Integra LifeSciences Corporation (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 17, 2006).

10.3 Lease Contract, dated April 1, 2005, between the Puerto Rico Industrial Development Company and Integra CI, Inc. (executed on September 15, 2006)

31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements 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.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

Date: November 9, 2006

/s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Date: November 9, 2006

/s/ Maureen B. Bellantoni

Maureen B. Bellantoni
Executive Vice President and Chief Financial Officer

Exhibits

4.1 Indenture, dated as of September 29, 2006, between Integra LifeSciences Holdings Corporation and Wells Fargo Bank, N.A. (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 5, 2006)

4.2 Form of 2 1/2% Contingent Convertible Subordinated Note due 2008 (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 5, 2006)

10.1 Integra LifeSciences Holdings Corporation Management Incentive Compensation Plan.

10.2 Fourth Amendment to Sublease, dated as of August 15, 2006, by and between Sorrento Montana, L.P. and Integra LifeSciences Corporation (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 17, 2006).

10.3 Lease Contract, dated April 1, 2005, between the Puerto Rico Industrial Development Company and Integra CI, Inc. executed on September 15, 2006)

31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

MANAGEMENT INCENTIVE COMPENSATION PLAN

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

MANAGEMENT INCENTIVE COMPENSATION PLAN

1. Purpose

The purpose of the Plan is to enhance the ability of Integra to offer incentive compensation to Key Associates by rewarding the achievement of corporate goals and specifically measured individual goals which are consistent with and support the overall corporate goals of Integra. More specifically, through this Plan, Integra intends to (i) reinforce strategically important operational objectives; (ii) establish goals relating to revenue and profitability; (iii) provide rewards based on achieving significant Employer, departmental and individual goals and objectives; (iv) provide incentives that result in behavior that is consistent with shareholders' desires of building a stronger company with a higher potential for increased profitability; and (v) incorporate an incentive program in the Integra overall compensation program to help attract and retain Key Associates.

2. Definitions

(a) "Administrator" shall mean Integra's head of its human resources department, whose duties are set forth in Section 4.

(b) "Award" shall mean the incentive award earned by a Key Associate under the Plan for any Performance Period.

(c) "Base Salary" shall mean the Key Associate's annual base salary rate in effect at the end of a Performance Period. Base Salary does not include Awards under this Plan or any other short-term or long-term incentive plan; imputed income from such programs as group-term life insurance; or non-recurring earnings, such as moving expenses, but is based on salary earnings before reductions for such items as deferrals under Employer-sponsored deferred compensation plans, contributions under Code section 401(k) and contributions to flexible spending accounts under Code section 125.

(d) "Board" shall mean Integra's Board of Directors as constituted from time to time.

(e) "CEO" shall mean the Chief Executive Officer of Integra.

(f) "Code" shall mean the Internal Revenue Code of 1986, as amended or any successor statute thereto.

(g) "Committee" shall mean the Compensation Committee of the Board.

(h) "Effective Date" shall mean August 11, 2006.

(i) "Employee" shall mean an employee of the Employer (including an officer or director who is also an employee) and any individual characterized as

a "leased employee" within the meaning of Code section 414(n) who works full-time for the Employer, but excluding any individual (i) employed in a casual or temporary capacity (i.e., those hired for a

specific job of limited duration); (ii) whose terms of employment are governed by a collective bargaining agreement that does not provide for participation in this Plan; (iii) characterized as a "leased employee" within the meaning of Code section 414 who does not work full-time for the Employer; or (iv) classified by the Employer as a "contractor" or "consultant," no matter how characterized by the Internal Revenue Service, other governmental agency or a court. Any change of characterization of an individual by any court or government agency shall have no effect upon the classification of an individual as an Employee for purposes of this Plan, unless the Committee determines otherwise.

(j) "Employer" shall mean Integra and any United States subsidiary of Integra.

(k) "Integra" shall mean Integra LifeSciences Holdings Corporation.

(l) "Key Associate" for any Performance Period, shall mean (i) a Senior Officer designated by the Committee to participate in the Plan or otherwise included in the employee grade levels set forth in the definition of "Target Award Percentage" (defined below), and (ii) each other Employee designated by the Administrator to participate in the Plan; and who meets the eligibility requirements described in Section 3 below. Notwithstanding the foregoing, no Employees of Integra California, Inc., Miltex Holdings, Inc. (and any subsidiary thereof) and Integra Radionics, Inc., and no member of any sales force of the Employer who, as part of his or her compensation, receives commission payments, shall be a "Key Associate."

(m) "Performance Goals" for any Performance Period, shall mean the performance goals of Integra and/or the Employer, as specified by the Administrator in consultation with Integra's Executive Committee, based on the achievement of corporate EBITDA targets relating to Integra and/or the Employer's operating plan and global sales. In addition, performance goals for a Performance Period will relate to the individual Key Associate's attainment of performance goals that are specified for such Key Employee. The Performance Goals may be weighted as to corporate and individual goals for each Key Associate, as determined at the beginning of the Performance Period or, if later, at the time of the Key Associate's participation in the Plan.

(n) "Performance Period" shall mean the fiscal year of Integra or any other period designated by the Committee with respect to which an Award may be earned. The first Performance Period for the Plan shall be the period between July 1, 2006 and December 31, 2006.

(o) "Plan" shall mean this Integra LifeSciences Holdings Corporation Management Incentive Compensation Plan, as from time to time amended and in effect.

(p) "Senior Officer" shall mean an executive office of Integra as determined under applicable securities laws.

(q) "Target Award Percentage" shall mean with respect to any Performance Period, the percentage of the Key Associate's Base Salary that the Key Associate would earn as an Award for that Performance Period if the targeted level of performance was achieved for each of the Performance Goals for that Key Associate for the Performance Period. Unless otherwise specified prior to the Performance Period (or, if later, at

the time of the Key Associate's participation in the Plan), Target Award Percentages will be based on a Key Associate's grade level as follows:

Grade Level	Management Group	Percent of Base Salary
12	SVP	16.25%

10	Vice Presidents	13.75%
8	Director	6.25%
7	Directors/Managers	5%
6	Directors/Managers	5%

Notwithstanding the foregoing, if any Key Associate held more than one grade level during the Performance Period, then the Committee may designate different Target Award Percentages with respect to each grade level and the Award will be pro-rated to reflect (to the nearest semi-monthly increment) the period during which such Key Associate had each Target Award Percentage.

(r) "Target Award" for any Key Associate with respect to any Performance Period, shall mean the dollar amount based on the Key Associate's Target Award Percentage that the Key Associate would be eligible to earn as an Award for that Performance Period.

3. Eligibility

Subject to the approval by the Administrator or the Committee, all exempt Employees employed by an Employer in a Grade Level 6 or above position, as of January 1 of each Performance Period, shall be eligible to participate in the Plan. In addition, exempt Employees who are newly hired to a Grade Level 6 or above position after January 1 of a Performance Period, but prior to October 1 of such Performance Period, will, subject to the approval of the Administrator or the Committee, be eligible to participate in the Plan for the Performance Period of their hiring on a pro rata basis that is tied to their first day of employment. Any exempt Employee who is either (i) promoted to a Grade Level 6 or above position, or (ii) a participant in the Plan but is promoted to a higher Grade Level position, in either case after January 1 of a Performance Period, but prior to October 1 of such Performance Period, will, subject to the approval of the Administrator or the Committee, be eligible to participate in the Plan for the remaining portion of the Performance Period after the promotion on a pro rata basis that is tied to the date of the promotion.

An exempt Employee who is hired into a Grade Level 6 or above position on or after October 1 of a Performance Period shall not be eligible to participate in the Plan for such Performance Period. An exempt Employee who is not participating in the Plan for a Performance Period and is subsequently promoted to a Grade Level 6 or above position on or after October 1 of a Performance Period shall also not be eligible to participate in the Plan. An exempt Employee who is participating in the Plan for a Performance Period and is subsequently promoted to a higher position on or after October 1 of a Performance Period shall continue at the participation level for the Performance Period prior to the promotion.

Except as otherwise provided in this Plan, any individual participating in the Plan during a Performance Period who ceases to be an Employee during such Performance Period shall cease to be eligible to participate in the Plan.

4. Administration

The administration of the Plan shall be consistent with the purpose and the terms of the Plan. The Plan shall be administered by the Administrator, subject to oversight by the Committee. The Administrator shall have full authority to establish the rules and regulations relating to the Plan, to interpret the Plan and those rules and regulations, to select Key Associates to participate in the Plan, to determine each Key Associate's Target Award Percentage, to approve all of the Awards, to decide the facts in any case arising under the Plan and to make all other determinations, including factual determinations, and to take all other actions necessary or appropriate for the proper administration of the Plan, including the delegation of such authority or power, where appropriate; provided, however, that with respect to Senior Officers, the Committee shall have final decision-making authority. All powers of the Administrator and of the Committee shall be executed in their sole discretion, in the best interest of Integra, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated

individuals. The CEO, other than with respect to himself, also has the powers of the Administrator and of the Committee with respect to selecting Key Associates in the Plan and determining each Key Associate's Target Award Percentage.

All Awards shall be made conditional upon the Key Associate's acknowledgement, in writing or by acceptance of the Award, that all decisions and determination of the Administrator shall be final and binding on the Key Associate, his or her beneficiaries and any other person having or claiming an interest under such Award. Awards need not be uniform as among Key Associates. The Administrator's administration of the Plan, including all such rules and regulations, interpretations, selections, determinations, approvals, decisions, delegations, amendments, terminations and other actions, shall be final and binding on Integra, the Employer and all Employees of the Employer, including, the Key Associates and their respective beneficiaries.

5. Determination of Awards

(a) Setting Target Awards. Except as noted below for 2006, prior to the beginning of the Performance Period (or after the beginning of the Performance Period for any Employee who becomes newly eligible or has a promotion), the Administrator (or, as appropriate, the Committee) shall determine the Employees who shall be Key Associates during that Performance Period and determine each Key Associate's Target Award Percentage, each of which shall be documented by the Administrator. The Administrator's written records shall set forth (i) the Key Associates during that Performance Period (which may be amended during the Performance Period for new Key Associates), (ii) each Key Associate's Target Award Percentage for that Performance Period, and (iii) the Performance Goal or Goals (and how they are weighted, if applicable) for that Performance Period. The Employer shall notify each Key Associate of the Key Associate's Target Award Percentage and the applicable Performance Goals for the Performance Period as soon as administratively practicable after the time the Target Award Percentage and Performance Goals are established for such Performance Period. The

Performance Goals that are established may be (but need not be) different each Performance Period and different Performance Goals may be applicable to different Key Associates. for 2006, the determination of Key Associates and the Target Award Percentages for Employees eligible to participate in the Plan on the Effective Date shall be made prior to the Effective Date.

(b) Earning An Award. Generally, a Key Associate earns an Award for a Performance Period based on the level of achievement of the Performance Goals established for that period. The amount of the Award may be increased as much as 50% above the Target Award based on the extent to which the level of achievement of the Performance Goals exceeds the target level for that Performance Period (to a maximum of 120% of the Target Performance Goals), as specified at the time the Performance Goals are set for that Performance Period. An Award may also be reduced below the Target Award to the extent the level of achievement of the Performance Goals is below target, but at or above the minimum level for that Performance Period, at the time the Performance Goals are established. A Key Associate will receive no Award if the level of achievement of all Performance Goals is below the minimum required to earn an Award for the applicable Performance Period (i.e., 90% of the Target Performance Goals), as specified at the time the Performance Goals are established.

6. Changes to the Target

The Administrator (or, with respect to Senior Officers, the Committee) may at any time prior to the final determination of Awards change the Target Award Percentage of any Key Associate or assign a different Target Award Percentage to a Key Associate to reflect any change in the Key Associate's responsibility level or position during the course of the Performance Period.

In addition, the Committee may at any time prior to the final determination of Awards, change the performance measures or Performance Goals to reflect a change in corporate capitalization, such as a stock split or stock dividend, or a corporate transaction, such as a merger, consolidation, separation, reorganization or partial or complete liquidation, or to equitably reflect the occurrence of any extraordinary event, any change in applicable accounting rules or principles, any change in Integra's or the Employer's method of accounting, any change in applicable law, any change due to any merger, consolidation, acquisition, reorganization, stock split, stock dividend, combination of shares or other changes in Integra's or the Employer's corporate

structure or shares, or any other change of a similar nature.

7. Payment of Awards

After the end of the Performance Period, all financial information for the Performance Period will be accumulated and the Audit Committee of the Board will certify Integra's and/or the Employer's financial results for the relevant Performance Period. After such certification, the Administrator will determine and approve the Awards, if any, that will be paid based on the financial results for the Performance Period, along with each Key Associates attainment of his or her individual Performance Goals for the Performance Period. The Administrator will announce the Awards that will be paid under the Plan for the Performance Period to each Key Associate as soon as administratively practicable following such approval by the Administrator. Subject to the provisions of Section 8, payment of the Awards shall be made, in a single lump sum cash payment, as soon

as administratively practicable following the close of such Performance Period, but in no event later than March 15 of the calendar year following the Performance Period; provided, however, that such payment may be delayed past March 15 of such calendar year if the Committee determines that, as a result of unforeseen circumstances beyond Integra's control, it is administratively impracticable to make the payment by such date or that making the payment by such date would jeopardize the solvency of Integra, then the payment will be made as soon as administratively practicable after March 15.

8. Limitations on Rights to Payment of Awards

(a) Employment. No Key Associate shall have any right to receive payment of an Award under the Plan for a Performance Period unless the Key Associate remains in the employ of the Employer through the date of payment of such Award; provided, however, that if a Key Associate's employment with the Employer terminates prior to the end of the Performance Period, the Administrator may provide that the Key Associate shall remain eligible to receive a prorated portion of any earned Award, based on the number of days that the Key Associate was actively employed and performed services during such Performance Period in such circumstances as are deemed appropriate and provided, further, however, that no Key Associate shall have the right to receive payment of an Award under the Plan if (a) that Key Associate's employment has been terminated prior to the end of the Performance Period, (b) that Key Associate has an employment agreement with Employer and (c) the employment agreement provides for a payment to the Key Associate upon his/her termination.

(b) Leaves of Absence/Partial Year of Participation. If a Key Associate is on an authorized leave of absence during the Performance Period, or first becomes eligible to participate in the Plan after the first day of the Performance Period, such Key Associate shall be eligible to receive a prorated portion of any Award that would have been earned, based on the number of days that the Key Associate was actively employed and performed services during such Performance Period. If payments are to be made under the Plan after a Key Associate's death, such payments shall be made to the personal representative of the Key Associate's estate.

(c) Accelerated Payment. Unless the Administrator determines otherwise, in no event will payment be made to any Key Associate with respect to an Award prior to the end of the Performance Period to which it relates.

9. Amendments

The Board or the Committee may at any time amend (in whole or in part) this Plan. No such amendment which adversely affects any Key Associate's rights to or interest in an Award earned prior to the date of the amendment shall be effective unless the Key Associate shall have agreed thereto.

10. Termination

The Board or the Committee may terminate this Plan (in whole or in part) at any time.

11. Miscellaneous Provisions

(a) No Employment Right. This Plan is not a contract between Integra or the Employer and the Employees or the Key Associates. Neither the establishment of this Plan, nor any action taken hereunder, shall be construed as giving any Employee or any Key Associate any right to be retained in the employ of Integra or the Employer. Integra is under no obligation to continue the Plan. Nothing contained in the Plan shall limit or affect in any manner or degree the normal and usual powers of management, exercised by the officers and the Board or committees thereof, to change the duties or the character of employment of any Employee of the Employer or to remove the individual from the employment of the Employer at any time, all of which rights and powers are expressly reserved.

(b) No Assignment. A Key Associate's right and interest under the Plan may not be assigned or transferred, except as provided in Section 8 of the Plan in the event of death, and any attempted assignment or transfer shall be null and void and shall extinguish, in Integra's sole discretion, Integra's obligation under the Plan to pay Awards with respect to the Key Associate.

(c) Unfunded Plan. The Plan shall be unfunded. Neither Integra nor any Employer shall be required to establish any special or separate fund, or to make any other segregation of assets, to assure payment of Awards.

(d) Withholding Taxes. The Employer shall have the right to deduct from Awards paid any taxes or other amounts required by law to be withheld.

(e) Type of Plan. This Plan is intended solely to be an annual bonus plan and is not intended to be a plan subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended.

(f) Governing Law. The validity, construction, interpretation and effect of the Plan shall exclusively be governed by and determined in accordance with the law of the State of New Jersey.

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
P.O.Box 362350, San Juan, Puerto Rico 00936-2350

LEASE CONTRACT

PROJECT NOS. T-0994-0-70, T-0810-0-68, T-0810-1-02, T-0810-2-03, and L-154-2-62

LOCATION: Anasco, Puerto Rico

THIS AGREEMENT ENTERED into on April 1, 2005 by: AS "LANDLORD", THE PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY, AND AS "TENANT", INTEGRA CI, INC., doing business as "INTEGRA NEUROSCIENCES PR"

WITNESSETH:

WHEREAS, LANDLORD is the owner of certain landsite and buildings, identified herein above, and hereinafter referred to as the "Premises"; and,

WHREAS, this Lease Contract supersedes the Construction Lease Contract entered into on April 11, 2003 by and between LANDLORD and Integra NeuroSciences P.R., Inc.;

WHEREAS, TENANT is the successor in interest of Integra NeuroSciences, P.R., Inc., the original Tenant of the Premises, pursuant to a merger consummated on December 31, 2005.

NOW THEREFORE, in consideration of the foregoing premises, the parties herein agree to this Lease, subject to the following:

TERMS AND CONDITIONS

ONE: LANDLORD hereby demises and lets unto TENANT, and TENANT hereby leases from LANDLORD the Premises which are fully described in Schedule "A" hereto annexed and made a part hereof.

The Premises are subject to the encumbrances, liens and/or restrictions, if any, that may appear from said Schedule "A". Furthermore, the air rights of the Premises, are excepted and reserved to LANDLORD.

TWO: The Premises shall be used and occupied exclusively by TENANT in the manufacture of medical products and medical devices and Biomaterials (SIC #3841). Lot Number 6 will be used for parking.

THREE: TENANT shall hold the Premises for a period of fifteen (15) years, commencing on April 1st, 2005 for Project Nos. T-0810-0-68, T-0810-1-01, and T-0810-2-03 and Lot No. 6, and commencing on December 1, 2005 for Project No. T-0994-0-70; ending on March 31, 2020.

FOUR: Commencing on May 1st, 2005 for Project Nos. T-0810-0-68, T-0810-1-02, and T-0810-2-03 and Lot No. 6, and on December 1st, 2005 for Project T-004-0-70, TENANT shall pay to LANDLORD an annual rent in the following manner:

	Total Area	Rent Per Sq. Ft.	Monthly Basic Rent	Annual Basic Rent
(a) T-0810-0-68 T-0810-1-02 T-0810-2-03	11,425.30 sq. ft. 5,430.00 sq. ft. 7,036.26 sq. ft.			
180 months	23,891.56 sq. ft.	$3.85	$7,665.21	$91,982.52
(b) Lot 6		---	$958.34	---
(c) T-0994-0-70	22,445.75 sq. ft.	$3.25	$6,079.00	$72,948.72

The monthly installments for rent specified herein, shall be paid in advance on the first day of each month at LANDLORD'S office, or at any other place that LANDLORD may notify. In the event that the date of commencement does not fall on the first of the month, TENANT further agrees to pay the first

partial monthly installments, prior to, or on the date of commencement.

FIVE: TENANT shall deposit with LANDLORD the amount of $19,791.25, distributed as follows:

a) $3,016.28 previously deposited by TENANT as a reservation fee of Project Num. T-0810-0-68, on June 30, 1994; and,
b) $8,021.62 previously deposited by TENANT with LANDLORD; and,
c) $8,753.85 previously deposited by TENANT as a reservation fee for Project No. T-0994-0-70.

This deposit shall guarantee the compliance by TENANT of its obligations, under this Contract, particularly, but not limited to, the payment of rent, the compliance of the environmental clauses herein included and the return of the Premises in proper condition at the termination of this Lease. On said termination, if TENANT is not in default of any of the terms and conditions of this Contract, LANDLORD will return to TENANT the sum of money, if any, held pursuant to this provision, after LANDLORD's Environmental Office certifies that there are no environmental deficiencies as a result of TENANT's manufacturing operation on the demised Premises.

SIX: TENANT agrees to have on the date of commencement of the term of this Lease a capitalization of $500,000.00. Likewise TENANT agrees to install within six (6) months from the same date manufacturing machinery and equipment with a value of at least $1,900,899.00. This shall not include the cost of transportation and installation thereof, or its ordinary depreciation after installation; and within eighteen (18) months from the date of commencement of the term, to employ a minimum of one hundred forty five (145) production workers. The aforementioned levels, shall be maintained throughout the term of this Lease or any extension thereof.

SEVEN: All notices, demands, approvals, consents and/or communications herein required or permitted shall be in writing. If by mail should be certified and to the following addresses, to LANDLORD: PO BOX 362350, SAN JUAN, PUERTO RICO 00936-2350. To TENANT:

Mr. Joseph Celusak, General Manager
P.O. Box 167, Anasco, P.R. 00610
Phone (787) 826-2329

Parent Company: Integra LifeSciences
311 Enterprise Drive
Plainsboro, NJ 08536
Att: Senior VP-Operations and Law Department

EIGHT: Net Lease - This Lease shall be interpreted as a net lease; it being the exclusive responsibility of TENANT to pay for all operating expenses, utilities, maintenance, expenses, insurance, taxes or any other costs, expenses or charges of any nature not specifically assumed by LANDLORD hereunder.

NINE: Warranty as to use - LANDLORD does hereby warrant that at the time of the commencement of the term of this Lease, the Premises may be used by TENANT for the manufacturing purposes herein intended which are deemed consistent with the design and construction in accordance with the corresponding plans and specifications.

TEN: Alterations - TENANT shall make no alterations, additions or improvements to the Premises without the prior consent of LANDLORD and all such alterations, additions or improvements made by or for TENANT, shall be at TENANT'S own cost and expenses and shall, when made, be the property of LANDLORD without additional consideration and shall remain upon and be surrendered with the Premises as a part thereof at the expiration or earlier termination of this Lease, subject to any right of LANDLORD to require removal or to remove as provided for hereinafter.

In the event TENANT asks for LANDLORD'S consent for any alteration; LANDLORD may at its option, require from TENANT to submit plans and specifications for said alteration. Before commencing any such work, said plans and specifications, if required, shall be filed with and approved by all governmental agencies having jurisdiction thereof, and the consent of any mortgagee having any interest in or lien upon this Lease shall be procured by TENANT and delivered to LANDLORD if required by the term of the mortgage.

Before commencing any such work, TENANT shall at TENANT'S own cost and expense, deliver to LANDLORD a General Accident Liability Policy more particularly described in Article THIRTY (30) hereof, but said policy shall recite and refer to such work, and in addition thereto, if the estimated cost of such work is more than FIVE THOUSAND DOLLARS ($5,000.00), TENANT shall, at TENANT'S own cost and expense, deliver to LANDLORD a surety bond, or a performance bond from a company acceptable to LANDLORD, or a similar bond or other security satisfactory to LANDLORD, in an amount equal to the estimated cost of such work, guaranteeing the completion of such work within a reasonable time, due regard being had to conditions, free and clear of materialmen liens, mechanics liens or any other kind of lien, encumbrances, chattel mortgages and conditional bills of sale and in accordance with said plans and specifications submitted to and approved by LANDLORD. At LANDLORD'S option TENANT shall provide a blanket written guarantee in an amount sufficient to satisfy LANDLORD as to all alterations, changes, additions and improvements to the Premises in lieu of separate guarantee for each such project.

TENANT shall pay the increased premium, if any, charged by the insurance companies carrying insurance policies on said building, to cover the additional risk during the course of such work.

ELEVEN: Power Substation - If required by TENANT'S operations, TENANT shall, at its own cost and expense, construct and/or install a power substation and connect it to the PUERTO RICO ELECTRICAL POWER AUTHORITY (PREPA) distribution lines, for voltages up to 13.2 KV; and to PREPA transmission lines for voltages of 38 KV, all in conformity to PREPA'S requirements. Such construction shall, in no event, be undertaken by TENANT until after LANDLORD has approved the location thereof, as well as the routing of the power line extension.

TWELVE: Repairs and Maintenance - TENANT shall, at its own cost and expense, put, keep and maintain in thorough repair and good order and safe condition the building and improvements standing upon the Premises at the commencement of the term hereon or thereafter erected upon the premises, or forming part of the Premises, and their full equipment and appurtenances, the side walks areas, sidewalk hoists, railings, gutters, curbs and the like in from of the adjacent to the Premises, and each and every part thereof, both inside and outside, extraordinary and ordinary, and shall repair the whole and each and every part thereof in order to keep the same at all times during the term hereof in through repair and good order and safe conditions, whenever the necessity or desirability therefor may occur, and whether or not the same shall occur, in whole or in part, by wear, tear, obsolescence or defects, and shall use all reasonable precautions to prevent waste, damage or injury, except as provided hereinafter.

LANDLORD and not TENANT, shall be responsible for and shall promptly correct any defects in the building on the Premises which are due to faulty design, or to errors of construction not apparent at the time the Premises were inspected by TENANT for purposes of occupancy by TENANT; this shall not be interpreted to relieve TENANT of any responsibility or liability herein otherwise provided, including among others, for structural failure due to the fault or negligence of TENANT.

TENANT shall also, at TENANT'S own cost and expense, maintain the landsite in thoroughly clean condition; free from solid waste (which includes liquid and gaseous as defined by the Resource Conservation and Recovery Act), and the Regulation on Hazardous and Non-Hazardous Waste of the Environmental Quality Board, as amended, rubbish, garbage and other obstructions. Specifically, TENANT shall not use said landsite, nor permit it to be used, as a deposit or as dump for raw materials, waste materials, hazardous, toxic or non-toxic substances, or substances of whichever nature. TENANT shall neither make any excavation for the purpose of storing, putting away and/or concealing raw materials or waste materials of any kind. Underground storage of hazardous and/or toxic substances is specifically prohibited.

TENANT shall not do or cause to be done, nor permit on the Premises anything deemed extra hazardous, nor shall it store in the Premises flammable or toxic products of any class or kind without taking the proper precautions and complying with applicable federal and Commonwealth laws and regulations.

In case TENANT needs to store in the landsite raw materials of a hazardous and/or toxic nature or hazardous and/or toxic wastes, TENANT shall notify LANDLORD and secure its prior authorization. LANDLORD shall be furnished with a copy of any permit issued for such storage.

Although it is not intended that TENANT shall be responsible for any decrease in value of the Premises due to the mere passing of time, or for ordinary wear and tear of surfaces and other structural members of the building, nevertheless TENANT shall: (i) replace, with like kind and quality, doors, windows; electrical, sanitary and plumbing, fixtures; building equipment and/or other facilities or fixtures in the Premises which through TENANT's use, fault or negligence, become too worn out to repair during the life of this Lease, (ii) paint the property inside and outside as required.

In addition to the foregoing, TENANT shall indemnify and safe harmless LANDLORD from and against any and all cost, expenses, claims, losses, damages, or penalties, including counsel fees, because of or due to TENANT'S failure to comply with the foregoing, and TENANT shall not call upon LANDLORD for any disbursement or outlay of money whatsoever, and hereby expressly releases and discharges LANDLORD of and from any liability or responsibility whatsoever in connection therewith.

THIRTEEN: Roof Care - TENANT, without the prior consent of LANDLORD, shall not: (i) erect or cause to be erected on the roof any bill board, aerial sign, or structure of any kind, (ii) place any fixture, equipment or any other load over the roof, (iii) drill any hole on the roof for whichever purpose, (iv) use the roof for storage, nor (v) correct any leaks whatsoever, this being LANDLORD'S sole responsibility. Furthermore, TENANT shall take all reasonable precautions to insure that the drainage facilities of the roof are not clogged and are in good and operable conditions at all times.

FOURTEEN: Floor Loads - TENANT hereby acknowledges that it has been informed by LANDLORD that the maximum floor load of the Premises herein demised is 150 pounds per sq. ft. Therefore, TENANT hereby agrees that in the event the load of the machinery and equipment to be installed thereat exceeds such maximum load, it shall, at its own cost and expense, carry out any improvements to the floor of the Premises which may be necessary to support such additional load; it being further agreed and understood that construction and/or installation of such improvements shall not be commenced until after LANDLORD'S approval of the plans to be prepared therefor by TENANT and thereafter, after completion of construction and/or installation of said facilities, they shall be deemed covered by and subject to the applicable provisions of this Contract; it being further specifically agreed and understood that upon termination of this Lease, such facilities shall be removed by TENANT, at its own cost and expense, or in the alternative, and upon request by LANDLORD, they shall remain as part of the Premises with no right whatsoever on the part of TENANT to be reimbursed and/or compensated therefor.

FIFTEEN: Fixtures - TENANT shall not affix to the ceiling, nor to its supporting joists or columns, nor to any of its walls, any air conditioning unit, nor any other fixture, without the prior consent of LANDLORD.

SIXTEEN: Environmental Protection and Compliance - TENANT agrees, as a condition hereof, that it will not discharge its solid, liquid or gaseous industrial and/or sanitary effluent or discharges, either into the sewer system and/or into any other place until after required authorizations therefor has been obtained from the Puerto Rico Aqueduct and Sewer Authority, and/or the Department of Health of Puerto Rico and/or Environmental Quality Board, and/or any other governmental agency having jurisdiction thereof and TENANT further agrees and undertakes to pre-treat any such effluent, prior to discharge thereof as required by the said Authority, Department and/or governmental agency with jurisdiction, and/or to install any equipment or system required, and to fully abide by and comply with any and all requisites imposed thereby, and upon request by LANDLORD to submit evidence of such compliance; it being agreed that non-compliance thereof by TENANT for a period of ninety (90) days after notice, shall be deemed an additional event of default under the provisions hereof. Provided, that no construction and/or installation shall be made until LANDLORD has approved of it.

TENANT shall also, at TENANT'S own cost and expense, construct and maintain Premises, processes and/or operating procedures in compliance with the terms, conditions and commitments specified in any Environmental Impact Statement, Environmental Assessment or any other analogous document produced by the Commonwealth of Puerto Rico, Economic Development Administration /LANDLORD as lead agency/ or by any other governmental agency in connection with the approval or operation of the project.

TENANT shall also serve LANDLORD with a copy of any lawsuit, notice of violation, order to show cause or any other regulatory or legal action against TENANT in any environmental-related case or issue.

TENANT shall also serve LANDLORD with a copy of any permit granted to TENANT for air emissions, water discharge, solid waste generation, storage, treatment and/or disposal, and for any hazardous and/or toxic waste raw materials or by-products used or generated, stored, treated and/or disposed or any other endorsement, authorization or permit required to be obtained by TENANT.

TENANT shall also serve LANDLORD with a copy of any filing or notification to be filed by TENANT with any regulatory agency or any environmentally related case or issue, especially in any situation involving underground or surface water pollution, hazardous and/or toxic waste spillage and ground contamination. The notification to LANDLORD shall take place not later than the actual filing of the pertinent documents with the regulatory agency.

SEVENTEEN: Improper Use - TENANT, during the term of this Lease and of any renewal or extension thereof, agrees not to use or keep or allow the leased Premises or any portion thereof to be used or occupied for any unlawful purpose or in violation of this Lease or of any certificate of occupancy or certificate of compliance covering or affecting the use of the Premises or any portion thereof, and will not suffer any act to be done or any condition to exist on the Premises or any portion thereof, or any article to be brought thereon, which may be dangerous, unless safeguarded as required by law, or which may in law, constitute a nuisance, public or private, or which may made void or voidable any insurance then in force on the leased Premises.

EIGHTEEN: Government Regulations - TENANT agrees and undertakes to abide by and comply with any and all rules, regulations and requirements of the Planning Board of Puerto Rico, the Department of Health, the Environmental Quality Board, the Environmental Protection Agency (EPA), where applicable and/or of any other governmental agency, having jurisdiction thereon applicable to TENANT'S operations at the Premises and/or products to be manufactured thereat, and if requested by LANDLORD, TENANT shall submit evidence of such compliance; it being agreed and understood that noncompliance with any and all such rules, regulations and requisites shall be deemed an additional event of default under the provisions of this Contract, unless remedied within thirty (30) days after receipt of notice thereof.

Any and all improvements to the Premises required by any governmental agency, having jurisdiction thereon so as to carry TENANT'S operations in accordance with the regulations and requisites thereof, shall be at TENANT'S own cost and expense, except for any improvements that may be required as a result of any violation by LANDLORD that may exist at the effective date hereof other than violations caused by TENANT or TENANT'S agents.

TENANT further agrees and undertakes to install in the Premises, at its own costs and expense, such devices as may be necessary to prevent any hazard, which may be caused or created by its operations from affecting the environmental integrity of the landsite or causing any nuisance to adjacent TENANTS and/or the community in general; it being agreed and understood that creating or causing any such nuisance, shall be deemed an additional event of default under the provisions of this Contract.

TENANT further agrees and undertakes to abide by and comply with any and all rules, regulations and requisites of the Fire Department relative to the use and storage of raw materials, finished products and/or inflammable materials, and/or of any other governmental agency, having jurisdiction thereon applicable to TENANT'S operations at the Premises, and if requested by LANDLORD, TENANT shall submit evidence of such compliance; it being agreed and understood

that noncompliance by TENANT with any of the aforementioned rules, regulations and requisites shall be deemed, in each of such cases, an additional event of default under the provisions of this Contract, unless remedied within thirty (30) days after receipt of notice thereof.

If as a consequence of the foregoing dispositions, TENANT need to make alterations to the Premises, the same shall be done subject to the dispositions of Article TEN hereof.

NINETEEN: Use Permit - TENANT agrees to abide by and comply with any and all conditions and requisites included in the Use Permit which may be issued by the Puerto Rico Permits and Regulations Administration (ARPE), and if requested by LANDLORD, shall submit evidence of such compliance; it being agreed and understood that noncompliance by TENANT with any and all such conditions and requisites and/or the cancellation of the said Use Permit shall, in each of such cases, be deemed an additional event of default under the provisions of this Contract.

TWENTY: Inspection - TENANT shall permit LANDLORD or LANDLORD'S agents to enter the Premises at all reasonable time for the purpose of inspecting the same, or of making repairs that TENANT has neglected or refused to make as required by the terms, covenants and conditions of this Lease, and also for the purpose of showing the Premises to persons wishing to purchase the same, and during the year next preceding the expiration of this Lease, shall permit inspection thereof by or on behalf of prospective TENANTS. If, at a reasonable time, admission to the Premises for the purposes aforesaid cannot be obtained, or if at any time an entry shall be deemed necessary for the inspection or protection of the property, or for making any repairs, whether for the benefit of TENANT or LANDLORD, LANDLORD'S agents or representatives may enter the Premises by force, or otherwise, without rendering LANDLORD, or LANDLORD'S agents or representative liable to any claim or cause of action or damage by reason thereof, and accomplish such purpose.

The provisions contained in this Article are not to be construed as an increase of LANDLORD'S obligations under this Lease; it being expressly agreed that the right and authority hereby reserved does not impose, nor does LANDLORD assume, by reason thereof, any responsibility or liability whatsoever for the repair, care of supervision of the Premises, or any building, equipment or appurtenance on the Premises.

TWENTY ONE: LANDLORD'S entry for repairs and alterations - LANDLORD reserves the right to make such repairs, changes alterations, additions or improvements in or to any portion of the building and the fixtures and equipment which are reputed part thereof as it may deem necessary or desirable and for the purpose of making the same, to use the street entrances, halls, stairs and elevators of the building provided that there be no unnecessary obstruction of TENANT'S right of entry to and peaceful enjoyment of the Premises, and TENANT shall make no claim for rent abatement compensation or damages against LANDLORD by reason of any inconvenience or annoyance arising therefrom.

TWENTY TWO: LANDLORD excused in certain instances - If, by reason of inability to obtain and utilized labor, materials or supplies, or by reason of circumstances directly or indirectly the result of any state of war, or of emergency duly proclaimed by the corresponding governmental authority, or by reason of any laws, rules orders, regulations or requirements of any governmental now or hereafter in force or by reason of strikes or riots, or by reason of accidents, in damage to or the making of repairs, replacements or improvements to the building or any of the equipment thereof, or by reason of any other cause reasonable beyond the control of LANDLORD, LANDLORD shall be unable to perform or shall be delayed in the performance of any covenant to supply any service, such non-performance or delay in performance shall not be ground to any claim against LANDLORD for damages or constitute a total or partial eviction, constructive or otherwise.

TWENTY THREE: Quiet Enjoyment - TENANT on paying the full rent and keeping and performing the conditions and covenants herein contained, shall and may peaceably and quietly enjoy the Premises for the term aforesaid, subject, however, to the terms of this Lease and to the mortgages hereinafter mentioned.

TWENTY FOUR: Leasehold Improvements - If leasehold improvements made by or for the benefit of TENANT in the Premises at his request or other personal property to TENANT are assessable or taxable and a tax liability is imposed to TENANT or LANDLORD, it is understood that it shall be the sole responsibility of TENANT to pay such taxes and in no event shall such taxes be the liability of or be transferable to LANDLORD. In the event that by operation of law, such taxes became a liability of LANDLORD, TENANT shall pay such taxes as they become due and payable and shall promptly reimburse LANDLORD for any payments or expenses incurred or disbursed by LANDLORD by reasons of any such assessment. Said amount shall be due and payable, as additional rent, with the next installment of rent. In the event that TENANT fails to make this payment when due, it shall be subject to the dispositions of Article THIRTY SEVEN hereof.

TWENTY FIVE: Stoppage of Operations - It is understood by the parties hereto that this Lease is made by LANDLORD in furtherance of the industrialization plans of the Commonwealth of Puerto Rico, and it is accordingly understood that TENANT will use all reasonable efforts while this Lease is in effect to maintain a manufacturing operation upon the Premises, but nothing contained in this paragraph shall be deemed to require TENANT to maintain such an operation otherwise than in accordance with sound principles of business management, or (without limiting the generality of the foregoing) to prevent TENANT from curtailing such operation or from shutting it down, whenever and as often as TENANT may, in the exercise of sound business judgment, deem such action advisable. However, TENANT shall give to LANDLORD notice of any necessary or convenient curtailment and/or shut-down, at least seven (7) days prior to the date fixed therefor except in cases of an emergency shut-down, in which case such notice shall be given at the earliest possible time. No curtailment of operations or shut-down in accordance with the provisions of this paragraph shall constitute a default under the provisions of this Contract which will enable LANDLORD to terminate it, unless such plants shall have been shut-down for a period of six (6) consecutive months. A shutdown on account of unforeseeable event or events which although foreseeable could not be prevented, shall not constitute a breach of this agreement. Nothing in this paragraph contained shall relieve TENANT from the payment of rent during the period of any shutdown or curtailments of operations.

TWENTY SIX: Assignment and Subletting - TENANT shall not assign, this Lease nor let or sublet the Premised or any part thereof except to its parent company, to a wholly owned subsidiary, to an affiliate of TENANT, wholly owned by TENANT'S parent company or to a corporation to be organized by TENANT. In any of these cases, TENANT shall promptly notify LANDLORD of said assignment or subletting, it being agreed and understood that no such assignment or subletting shall: (i) reduce or, in any way, affect the obligations of TENANT under this Lease, nor (ii) release TENANT from liability under this Lease.

TWENTY SEVEN: Successors in Interest - This Lease Contract and every provision thereof, shall bind and inure to the benefit of the legal representatives, successors and assigns on the parties. However, the term "LANDLORD", as used in this Contract, so far as any covenants or obligations on the part of LANDLORD under this Lease are concerned, shall be limited to mean and include only the owner or lessor, at the time in question, of the Premises, so that in the event hereafter of a transfer of the title to the Premises, whether any such transfer be voluntary or by operation of law or otherwise, the person, natural or juridical, by whom any such transfer is made, shall be and hereby is entirely freed and relieved of all personal liability as respects the performance of the covenants and obligations of LANDLORD under this Lease from and after the date of such transfer.

TWENTY EIGHT: No Representation by LANDLORD - LANDLORD, LANDLORD'S agents, executives or employees, have made no representations or promises with respect to the Premises except as herein expressly set forth and no rights, easements or licenses are acquired by TENANT by implication or otherwise except as expressly set forth in the provisions of this Contract. The taking possession of the Premises by TENANT, shall be conclusive evidence, as against TENANT, that TENANT accepts same "AS IS" and that said Premises, particularly the building which forms a part of the same, were in good and satisfactory conditions at the time such possession was so taken.

TWENTY NINE: Damages - LANDLORD shall not be responsible for any latent

defect or change of conditions in the Premises resulting in damage to the same, or the property or person therein, except to the extent of LANDLORD'S gross negligence, and provided such claims or loss is not covered by insurances herein required from TENANT. TENANT shall promptly notify LANDLORD of any damage to or defects in the Premises, particularly in any part of the building's sanitary, electrical, air conditioning or other systems located in our passing through the Premises, and the damage or defective conditions, subject to the provisions of Article TWENTY ONE (21) hereof, shall be remedied by LANDLORD with reasonable diligence.

THIRTY: General Liability Insurance - TENANT shall indemnify, have harmless and defend LANDLORD and agents, servants and employees of LANDLORD against and from any and all liability, fines, suits, claims, demands, expenses, including attorneys' fees, and actions of any kind or nature arising by reason of injury to person or property including the loss of use resulting thereof or, violation of law occurring in the Premises occasioned in whole or in part by any negligent act or omission on the part of TENANT or an employee (whether or not acting within the scope of his employment), servant, agent, licensee, visitor, assignor or under tenant of TENANT, or by any neglectful use or occupancy of the Premises or any breach, violation or non-performance of any covenant in this Lease on the part of TENANT to be observed or performed.

Pursuant to the foregoing, TENANT shall, maintain during the term of this lease, at its own cost and expense, a Comprehensive General Liability Policy. Said policy shall: (i) be for a combined single limit of no less than $1,000,000.00 per accident, (ii) hold LANDLORD harmless against any and all liability as hereinbefore stated, and (iii) the care, custody & control exclusion shall be deleted from this coverage. LANDLORD may require additional reasonable limits of public liability insurance and coverage, when changing circumstances so require.

THIRTY ONE: Property Insurance - TENANT recognizes that the rent provided for herein does not include any element to indemnify, repair, replace or make whole TENANT, his employees, servants, agents, licensees, visitors, assignees, or under tenant for any loss or damage to any property or injury to any person in the Premises.

Accordingly, during the term of this Lease, TENANT shall keep the building standing upon the Premises at the commencement of the term hereof or thereafter erected upon the Premises, including all equipment appurtenant to the Premises and all alterations, changes, additions and improvements, insured for the benefit of LANDLORD and TENANT, as their respective interest may appear, in an amount at least equal to the percentages stated below (as LANDLORD may from time to time determine). The basis of the Property Insurance shall be Replacement Cost and the coverage an "All Risks" Property Insurance Policy. Coverage included in the All Risks Form:

1. Fire - "Building & Contents Form"

   (a) Building - 100% of insurable value exclusive of foundations

   (b) Contents - All equipment appurtenant to the Premises (State value of Policy)

2. Additional Coverage under the Fire Policy

   (a) Extended Coverage Endorsement - 100% of insurable value exclusive of foundations

   (b) Earthquake - 100% of insurable value including foundations

   (c) Vandalism and Malicious Mischief Endorsement

   (d) Improvements and Betterments - For all alterations, changes, additions and improvements

3. Landsite and Flood whenever applicable and/or necessary

4. Boiler and Machinery (if any) - 100% of insurable value

5. Pollution Liability Policy - if necessary.

THIRTY TWO: Multifactory Building Specific Dispositions - In the event that the Premises constitute a section or sections of an industrial building and landsite in which other operations are conducted by other TENANTS: (i) the insurance coverage herein required, shall be acquired by LANDLORD for the whole of the industrial building and TENANT shall reimburse LANDLORD, for its proportionate share in the total cost of said policies, (ii) if, because of anything done, caused or permitted to be done, permitted or omitted by TENANT, the premium rate for any kind of insurance affecting the Premises shall be increased, TENANT shall pay to LANDLORD the additional amount which LANDLORD may be thereby obligated to pay for such insurance, and if LANDLORD shall demand that TENANT remedy the condition which cause the increase in the insurance premiums rate, TENANT will remedy such conditions within five (5) days after such demand, and (iii) the insurance policies required in the preceding Articles THIRTY (30) & THIRTY ONE (31) shall be endorsed to include a waiver of subrogation against TENANT. All amounts to be reimbursed by TENANT under this Article, shall be due and payable, as additional rent, with the next installment of rent. In the event that TENANT fails to make this payment, when due, it shall be subject to the dispositions of Article THIRTY SEVEN (37) hereof.

THIRTY THREE: Additional Dispositions about Insurance - All the Insurance policies herein required from TENANT, shall be taken in form and substance acceptable to LANDLORD with insurance companies duly authorized to do business in Puerto Rico, having a "A" and a higher financial fatting according to Best's Insurance Report; and shall include LANDLORD as additional insured. TENANT shall instruct the corresponding insurer to deliver such policies or certified copies of Certificates of Insurance, in lieu of, directly to LANDLORD. LANDLORD reserves the right not to deliver possession of the Premises to TENANT, unless, and until two (2) days after such original policies, or certified copies or certificates have been deposited with LANDLORD.

Furthermore, said policies, shall: (i) provide that they may not be cancelled by the insurer for nonpayment of premium or otherwise, until at least thirty (30) days after services of notice by registered or certified mail of the proposed cancellation upon LANDLORD, and (ii) be promptly renewed by TENANT upon expiration and TENANT shall, within thirty (30) days after such renewal, deliver to LANDLORD adequate evidence of the payment of premiums thereon. If such premiums or any of them shall not be so paid, LANDLORD may procure the same in the manner set forth for governmental agencies, and TENANT shall reimburse LANDLORD any amount so paid. This reimbursement being due and payable with the next installment of rent. In the event that TENANT fails to make this payment

when due, it shall be subject to the dispositions of Article THIRTY SEVEN (37) hereof. It is expressly agreed and understood, that payment by LANDLORD of any such premiums shall not be deemed to waive or release the default in the payment thereof by TENANT nor the right of LANDLORD to take such action as may be available hereunder as in the case of default in the payment of rent.

Upon the commencement of the term hereof, TENANT shall pay to LANDLORD the apportioned unearned premiums on all such policies of insurance then carried by LANDLORD in respect of the Premises in the event TENANT continues with the insurance policies placed in LANDLORD.

TENANT shall not violate nor permit to be violated any of the conditions or provisions of any of said policies, and TENANT shall so perform and satisfy the requirements of the companies writing such policies that at all times companies of good standing and acceptable to LANDLORD shall be willing to write and continue such insurance.

TENANT shall cooperate with LANDLORD in connection with the collection of any insurance monies that may be due in the event of loss and shall execute and deliver to LANDLORD such proofs of loss and other instruments that may be required for the purpose of facilitating the recovery of any such insurance monies, and in the event that TENANT shall fail or neglect so to cooperate or to execute, acknowledge and deliver any such instrument, LANDLORD, in addition to any other remedies, may as the agent or attorney-in fact of TENANT, execute and deliver any proof of loss or any other instruments as may seem desirable to LANDLORD and any mortgagee for the collection of such insurance monies. This shall not be interpreted as any waiver of the obligations of TENANT under Articles THIRTY, THIRTY ONE, THIRTY TWO and THIRTY THREE hereof or exclusively

in favor of LANDLORD under Article THIRTY NINE hereof.

THIRTY FOUR: Waivers - The receipt by LANDLORD of the rent, additional rent, or any other sum or charges payable by TENANT with or without knowledge of the breach of any covenant of this Contract, shall not be deemed a waiver of such breach. No act or omission of LANDLORD or its agent during the term of this Lease shall be deemed an acceptance of a surrender of the Premises and no agreement to accept a surrender of the Premises shall be valid unless it be made in writing and subscribed by LANDLORD. This Contract contains all the agreements and conditions made between the parties hereto with respect to the Premises and it cannot be changed orally. Any additions to, or charges in this Lease must be in writing, signed by the party to be charged.

Failure on the part of LANDLORD to act or complain of any action or nonaction on the part of TENANT shall not be deemed to be a waiver of any of its respective rights hereunder nor constitute a waiver at any subsequent time of the same provision. The consent or approval by LANDLORD to, or of any action by the other requiring consent or approval, shall not be deemed to waive or render unnecessary the consent or approval by LANDLORD of any subsequent similar act.

THIRTY FIVE: Reinstatement - No receipt of monies by LANDLORD for TENANT after the termination or cancellation hereof in any lawful manner shall reinstate, continue or extend the term hereof, or affect any notice theretofore given to TENANT, or operate as a waiver of the right of LANDLORD to enforce the payment of rent, additional rent, or other charges then due or thereafter falling due, or operate as a waiver of the right of LANDLORD to recover possession of the Premises by proper suit, action, proceeding or remedy; it being agreed that, after the service of notice to terminate or cancel this Lease, and the expiration of the time therein specified, if the default has not been cured in the meantime, or after the commencement of suit, action or summary proceedings or of any other remedy, or after a final order, warrant of judgment of the possession of the Premises, LANDLORD may demand, receive and collect any monies then due, or thereafter becoming due, without in any manner affecting such notice, proceeding, suit, action, order, warrant or judgment; and any and all such monies so collected shall be deemed to be payments for the use and occupation of the Premises, or at the election of LANDLORD, on account of TENANT'S liability hereunder. Delivery or acceptance of the keys to the Premises, or any similar act, by the LANDLORD, or its agents or employees, during the term hereof, shall not be deemed to be a delivery or an acceptance of a surrender of the Premises unless LANDLORD shall explicitly consent to it, in the manner set forth hereinbefore.

THIRTY SIX: Subordination and Attornment - This Lease is and shall be subject and subordinate to all liens, or mortgages which may now or hereafter affect the Premises and to all renewals, modifications, consolidations, replacements and extensions thereof and, although this subordination provision shall be deemed for all purposes to be automatic and effective without any further instrument on the part of TENANT, TENANT shall execute any further instrument requested by LANDLORD to confirm such subordination.

TENANT further covenants and agrees that if by reason of a default upon the part of LANDLORD of any mortgage affecting the Premises, the mortgage is terminated or foreclosed by summary proceedings or otherwise, TENANT will attorn to the mortgagee or the purchaser in foreclosure proceedings, as the case may be, and will recognize such mortgage or purchaser, as the TENANT'S landlord under this Lease. TENANT agrees to execute and deliver, at any time and from time to time, upon the request of LANDLORD or of the mortgagee or the purchaser in foreclosure proceedings, as the case may be, any reasonable instrument which may be necessary or appropriate to evidence such attornment. TENANT further waives the provision of any statute or rule of law now or hereafter in effect which may give or purport to give TENANT any right of election to terminate this lease or to surrender possession of the Premises demised hereby in the event any such proceeding is brought by the holder of any such mortgage, and TENANT'S obligations hereunder shall not be affected in any way whatsoever by any such proceeding.

TENANT, covenants and agrees, upon demand of the holder of any mortgage duly recorded or recordable in the corresponding Registry of the Property or of any receiver duly appointed by the foreclose any such mortgage, to pay to the

holder of any such mortgage or to such receiver, as the case may be, all rent becoming due under this Lease after such demand, provided such holder of any such mortgage or any such receiver complies with the obligations of LANDLORD under this Lease.

TENANT, upon request of LANDLORD or any holder of any mortgage or lien affecting the Premises, shall from time to time, deliver or cause to be delivered to LANDLORD or such lien holder or mortgagee, within ten (10) working days from date of demand a certificate duly executed and acknowledged in form for recording, without charges, certifying, if true, or to extent true, that this Lease is valid and subsisting and in full force and effect and LANDLORD is not in default under any of the terms of this Lease.

THIRTY SEVEN: Late Payments and Payment by LANDLORD - In the event that (i) TENANT makes late payment, or fails to make payments to LANDLORD, in whole or in part, of the rent, or of the additional rent, or of any of the other payments of money required to be paid by TENANT to LANDLORD, as stipulated in this Lease, when and as due and payable; or if (ii) LANDLORD, without assuming any obligation to do so, after any notice or grace period provided hereunder, performs or causes to be performed, at the cost and expense of TENANT, any of the acts or obligations agreed to be performed by TENANT, as stipulated in this Lease, and TENANT fails to refund LANDLORD any amounts of money paid or incurred by LANDLORD in performing of causing the performance of such acts or obligations, when and as due and payable, TENANT undertakes and agrees to pay LANDLORD as additional rent, interest on such lately paid or unpaid rents, additional rent, and/or on such other payments of money required to be paid, and/or on any such amounts of money required to be refunded, from and after the date when payment thereof matured or became due and payable, until full payment, at the rate of twelve (12%) per cent per annum, or if such 12% interest, is unlawful, then and in such event, at the highest maximum prevailing rate of interest on commercial unsecured loans as fixed by the Board of Regulatory Rates of Interest and Financial Charges, created under Law #1, approved October 15, 1973 (10 LPRA 998), as amended, or by any successor statute or regulation thereof.

THIRTY EIGHT: Abatement - If any substantial service or facility to be provided by LANDLORD is unavailable for a period exceeding thirty (30) days and LANDLORD has been notified of the same, should time unavailability of such service render all or any portion of the Premises untenable, TENANT after the aforesaid thirty (30) days, shall be entitled to an abatement of a portion of the rent that shall reflect that portion of the Premises which is untenable, provided the damage to the service or facility is not attributable to the act or neglect of TENANT or the employees, servants, licensees, visitors, assigns or under tenants of TENANT.

THIRTY NINE: Fire or other Casualty - If before or during the term of this Lease, the Premises shall be damaged by fire or other casualty, LANDLORD after written notice thereof is given by TENANT, shall repair the same with reasonable dispatch after notice to it of the damage, due allowances being made for any delay due to causes beyond the LANDLORD'S reasonable control, provided, however, that LANDLORD shall not be required to repair or replace any furniture, furnishings or other personal property which TENANT may have placed or installed or which it may be entitled or required to remove from the Premises. LANDLORD shall proceed with due diligence to obtain the corresponding insurance adjustment of the loss and TENANT shall fully cooperate with LANDLORD and assist in the adjustment of the loss. Until such repairs are completed, and provided such damage or other casualty is not attributable to the act or neglect of TENANT or the employees, servants, licensees, visitors, assigns or under tenants of TENANT, the rent required to be paid pursuant to Article FOUR hereof, shall

be abated in proportion to the part of the Premises which are untenable. If the building, be so damaged that LANDLORD shall decide to demolish and/or to reconstruct the building, in whole or in part, LANDLORD may terminate this Lease by notifying TENANT within a reasonable time after such damage of LANDLORD'S election to terminate this Lease, such termination to be effective immediately if the term shall not have commenced or on a date to be specified in such notice if given during the term. In the event of the giving of such notice during the term of this Lease, the rent shall be apportioned and paid up to the time of such fire or other casualty if the Premises are damaged, or up to the specified

date of termination if the Premises are not damaged and LANDLORD shall not be otherwise liable to TENANT for the value of the unexpired term of this Lease.

FORTY: Default Provisions - If, during the term of this Lease, TENANT shall: (i) apply for or consent in writing to, the appointment of a receiver, trustee or liquidator of TENANT or of all or substantially all of its assets or (ii) seek relief under the Bankruptcy Act, or admit in writing its inability to pay its debts as they become due, or (iii) make a general assignment for the benefit of this creditors, or (iv) file a petition case or an answer seeking relief (other than a reorganization not involving the liabilities of TENANT) or arrangement with creditors, or take advantage of any insolvency law, or (v) file an answer admitting the material allegations of a case filed against it in any bankruptcy, reorganization or insolvency proceeding or, if an order, judgment or decree shall be entered by any court of competent jurisdiction on the application of TENANT or creditor adjudicating TENANT a bankrupt or insolvent, or approving a petition seeking reorganization of TENANT (other than a reorganization not involving the liabilities of TENANT) or appointment of a receiver, trustee or liquidator of TENANT, or of all or substantially all its assets, and such order, judgment or decree, shall continue stayed and in effect for any period of sixty (60) consecutive days, the term of this Lease and all right, title and interest of TENANT hereunder shall expire as fully and completely as if that day were the date herein specifically fixed for the expiration of the term, and TENANT will then, quit and surrender the Premises to LANDLORD, but TENANT shall remain liable as hereinafter provided.

If, during the term of this Lease: (i) TENANT shall default in fulfilling any of the covenants of this Lease (other than the covenants for the payment of rent or additional rent), or of any other standing contract with LANDLORD or (ii) if, during the term of this Lease TENANT shall abandon, vacate, or remove from the Premises the major portion of the goods, wares, equipment, or furnishings usually kept on said premises, of (iii) this Lease, without the prior consent of LANDLORD, shall be encumbered, assigned or transferred in any manner in whole or in part or shall, by operation of law, pass to or devolve upon any third party, except as herein provided, or (iv) if TENANT is in violation of laws, rules and regulations regarding minimum wages of its employees, or of any other law, rules and regulations applicable to his operations, but which have not been specifically mentioned in this Lease, LANDLORD may give to TENANT notice of any such default or the happening of any event referred to above and if at the expiration of thirty (30) days after the service of such a notice the default or event upon which said notice was based shall continue to exist, or in the case of a default which cannot with due diligence be cured within a period of thirty (30) days, if TENANT fails to proceed promptly after the service of such notice and with all due diligence to cure the same and thereafter to prosecute the curing of such default with all due diligence (it being intended that in connection with a default not susceptible of being cured with due diligence within thirty (30) days that the time of TENANT within which to cure the same shall be extended for such period as may be necessary to complete the same with all due diligence), LANDLORD may give to TENANT a notice of expiration of the term of this Lease as of the date of the service of such second notice, and upon the giving of said notice of expiration the term of this Lease and all right, title and interest of TENANT hereunder shall expire as full and completely as if that day were the date herein specifically fixed for the expiration of the term, and TENANT or any party holding under his will then quit and surrender the Premises to LANDLORD, but TENANT shall remain liable as hereinafter provided.

If, (i) TENANT shall default in the payment of the rent, the additional rent, or of any other payment as required under this Lease and such default shall continue for ten (10) working days after notice thereof by LANDLORD, of (ii) if the default of the payment of the rent, continues for thirty (30) days from the date any such payment became due and payable (AUTOMATIC DEFAULT TERMINATION), or (iii) if this Lease shall terminate as in Paragraph one and two of this Article provided, this Lease shall terminate and TENANT will then quit and surrender the Premises to LANDLORD, but TENANT shall remain liable as hereinafter provided, LANDLORD or LANDLORD's agents and servants may immediately or at any time thereafter re-enter the Premises and remove all persons and all or any property therefrom, whether by summary dispossess proceedings or by any

suitable action or proceeding at law, or with the license and permission of

TENANT, which shall under this Contract be deemed given upon expiration of the strict thirty (30) days notice period of subdivision of paragraph Two of this Article, without LANDLORD being liable to indictment, prosecution or damages therefor and repossess and enjoy the Premises with all additions, alterations and improvements.

If TENANT shall fail to take possession of the Premises within ten (10) days after the commencement of the term of this Lease, or if TENANT shall vacate and abandon the Premises, LANDLORD shall have the right, at LANDLORD'S option, to terminate this Lease and the term hereof, as well as all the right, title and interest of TENANT hereunder, by giving TENANT five (5) days notice in writing of such intention, and upon the expiration of the time fixed in such latter notice, if such default be not cured prior thereto, this lease and the term hereof, as well as all the right, title and interest of TENANT hereunder, shall wholly cease and expire in the same manner and with the same force and effect (except as to TENANT'S liability) as if the date fixed by such latter notice were the expiration of the term herein originally granted; and TENANT shall immediately quit and surrender to LANDLORD the Premises and each and every part thereof and LANDLORD may enter into or repossess the Premises, either by force, summary proceedings or otherwise. The right granted to LANDLORD in this Article or any other Article of this Lease to terminate this Lease, shall apply to any extension or renewal of the term hereby granted, and the exercise of any such right by LANDLORD during the term hereby granted, shall terminate any extension or renewal of the term hereby granted and any right on the part of TENANT thereto.

Upon the termination of this Lease by reason of any of the foregoing event, or in the event of the termination of this Lease by summary dispossess proceedings or under any provisions of law, now or at any time hereafter, in force by reason of, or based upon, or arising out of a default under or breach of this Lease on the part of TENANT, or upon LANDLORD recovering possession of the Premises in the manner or in any of the circumstances hereinbefore mentioned, or in any other manner or circumstances whatsoever , whether with or without legal proceedings, by reason of, or based upon, or arising out of a default under or breach of this Lease on the part of TENANT, LANDLORD, at its option, but without assuming any obligation to do so in any case, may at any time, and from time to time, relet the Premises or any part or parts thereof for the account of TENANT or otherwise on such terms as LANDLORD may elect, including the granting of concessions, and receive and collect the rents therefor, applying the same at a rental not higher than the one stipulated in this Contract, first to the payment of such reasonable expenses as LANDLORD may have incurred in recovering possession of the Premises, including reasonable legal expenses, and for putting the same into good order or condition or preparing or altering the same for re-rental, and expenses, commissions and

charges paid, assumed, or incurred by LANDLORD in and about the reletting of the Premises or any portion thereof and then to the fulfillment of the covenants of TENANT hereunder. Any such reletting herein provided for, may be for the remainder of the term of this Lease or for a longer or shorter period or at a higher or lower rental. In any such case, whether or not, the Premises or any part thereof be relet, TENANT shall pay to LANDLORD the rent required to be paid by TENANT up to the time of such termination of this Lease, and/or the full rent provided for in the agreement for any holdover of such period after termination and up to the surrender or recovery of possession of the Premises by LANDLORD, as the case may be, and thereafter TENANT covenants and agrees, to pay to LANDLORD until the end of the term of this Lease as originally demised the equivalent of any deficiency amount of all the rent reserved herein, less the net avails of reletting, if any, as specified hereinabove in this Article and the same shall be due and payable by TENANT to LANDLORD as provided herein, that is to say, TENANT shall pay to LANDLORD the amount of any deficiency then existing.

FORTY ONE: LANDLORD'S Remedies - In the event TENANT shall default in the performance of any of the terms, covenants or provisions herein contained, LANDLORD may, but without the obligation to do so, perform the same for the account of TENANT and any amount paid or expense incurred by LANDLORD in the performance of the same shall be repaid by TENANT on demand. In the event of a breach or threatened breach by TENANT or any subtenant or other person holding or claiming under TENANT of any of the covenants, conditions or provisions hereof, LANDLORD shall have the right of injunction to restrain the same, and the right to invoke any remedy allowed by law or in equity as if specific remedies, indemnity or reimbursement were not herein provided for. The rights

and remedies given to LANDLORD in this Lease are distinct, separate and cumulative, and no one of them, whether or not exercised by LANDLORD, shall be deemed to be a waiver, or an exclusion of any of the others.

FORTY TWO: Notice of Default - Anything in this Lease to the contrary notwithstanding, it is specifically agreed that there shall be no enforceable default against LANDLORD under any provisions of this Lease, unless notice of such default be given by TENANT to LANDLORD in which TENANT shall specify the default or omission complained of, and LANDLORD shall have thirty (30) days after receipt of such notice in which to remedy such default, or if said default or omission shall be of such a nature that the same cannot be cured within said

period, then the same shall not be an enforceable default if LANDLORD shall have commenced taking the necessary steps to cure or remedy said default within the said thirty (30) days and diligently proceeds with the correction thereof.

FORTY THREE: Capitalization - For the purpose of this Contract, specifically of Article SIX, Capitalization includes the total of owner's equity sources (preferred stock, common stock and surplus accounts) plus long-term debts, it being agreed and understood that the amortization of any such debt shall in no way diminish the amount originally determined as capitalization.

FORTY FOUR: Disclosure of Information - TENANT agrees to furnish to LANDLORD within ninety (90) days after the expiration of each fiscal year of TENANT, an annual statement certified by an independent Certified Public Accountant showing as of the end of each such fiscal year: (i) TENANT'S paid-in capital, (ii) long-term debts and capitalization as required by Articles SIX and FORTY THREE hereof, (iii) investment in machinery and its capacity to provide employment, (iv) taxes (including Social Security taxes) paid, and (v) any other information as required by this Lease.

In the event such statement is not filed with LANDLORD as herein provided, LANDLORD may obtain such information from TENANT at TENANT'S expense, and for such purpose TENANT shall make available to LANDLORD'S designated representatives, its books of accounts and other necessary data and facilities, all of which shall be provided and made available at TENANT'S principal office in Puerto Rico.

FORTY FIVE: Automatic Renewal - In the event TENANT does not vacate the Premises in the manner and under the conditions hereinbefore provided, within ninety (90) days after the normal expiration of the term hereof, LANDLORD shall have the option to be exercised at any time thereafter, to notify TENANT that the lease herein has been renewed for an additional term of five (5) years from the date of the last normal expiration of the term hereof and, in such event, the parties agree that this Contract shall be held to have been renewed and to continue in full force and effect for such additional term of five (5) years upon the mere mailing of such notice by LANDLORD to TENANT. This provision shall in no way prejudice, affect or deny any right which LANDLORD may otherwise have because, or at the time, of any such termination of the term hereof,

particularly whenever LANDLORD does not exercise such option; it being agreed and understood that such renewal shall be upon the same terms and conditions contained herein except that the rental rate to be charged shall be the rate then currently being charged by LANDLORD for similar building in the area, but in no event shall it be less than the rate herein stipulated.

FORTY SIX: Partial Invalidity and Applicable Law - If any term or provisions of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease and the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law. This Contract is entered into and shall be interpreted in accordance with the laws of the Commonwealth of Puerto Rico.

FORTY SEVEN: Lease Termination and Holding Over - Upon the expiration or termination of this Lease:

(i) TENANT shall inform LANDLORD in writing of TENANT'S activities affecting each or any environmental area of concern during the period of TENANT'S operation, including a description from an environmental standpoint of the physical conditions of the premises and landsite. TENANT shall also inform to LANDLORD in writing of any environmental regulatory violations, compliance plans, permits, closure plans, clean-up actions or any other regulatory procedures related to the operation. In the event that the information reveals TENANT'S noncompliance of any of the above, or in the event that a physical inspection of the Premises and adjacent areas by LANDLORD, or any other source of information reveal the possibility of contamination, in that event, TENANT shall, at LANDLORD'S request submit a plan of action with the appropriate financial provisions to execute it. LANDLORD shall hold TENANT responsible for any and all environmental damage, or any damage to third parties as a result of any environmental damage, or any remedial action (including monitoring) to be performed at landsite or otherwise as a result of TENANT'S operations after termination of Lease and until such a time as complete remediation or fulfillment of TENANT'S obligations is effected. In case TENANT fails to comply with the foregoing provisions, LANDLORD may elect to effect them at TENANT'S expense and responsibility.

(ii) TENANT shall remove all hazardous and toxic substances belonging to TENANT or to a third party. TENANT shall also remove all other property of TENANT and that of any third party and failing so to do, TENANT hereby appoints LANDLORD its agent so that LANDLORD may cause all of the said property to be removed at the expense and risk of TENANT. TENANT covenants and agrees to give full and timely observance and compliance to this covenant to remove all its property and surrender the Premises broom clean. TENANT hereby agrees to pay all reasonable necessary cost and expenses thereby incurred by LANDLORD. If, as the sole result of the removal of TENANT'S property any portion of the Additional Premises or of the building of which they are a part, are damaged, TENANT shall pay to LANDLORD the reasonable cost of repairing such damages unless due to the gross negligence of LANDLORD, its agents, servants, employees and contractors. TENANT'S obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this Lease.

FORTY EIGHT: Change of Address - TENANT shall promptly notify LANDLORD of any change in the addresses other than those required from it in Article SEVEN hereof.

FORTY NINE: TENANT will indemnify LANDLORD for any and all liability, loss, damages, expenses, penalties and/or fines, and any additional expenses including any attorney fees LANDLORD may suffer as a result of claims, lawsuits, demands, administrative orders, costs, resolutions or judgements against it arising out of negligence and/or failure of TENANT or those acting under TENANT to conform to the statutes, ordinances, or other regulations or requirements of any governmental authority, be it Federal, of the Commonwealth of Puerto Rico, its instrumentalities or public corporations, in connection with the performance of this Lease.

FIFTY: Inasmuch as TENANT is currently in possession of Project No. T-0810-0-68 pursuant to a Lease Contract dated June 30, 1994 and Project No. T-0994-0-70 pursuant to a Supplement and Amendment to Lease Contract dated October 4, 2005 entered into between LANDLORD and Integra NeuroSciences PR, Inc., TENANT accepts Project Nos. T-0810-0-68, T-0810-1-02, T-0810-2-03, Lot No. 6 of L-154-2-62, and Project No. T-0994-0-70 in their respective present conditions.

FIFTY ONE: Anything contained in this Contract to the contrary notwithstanding, in the event that TENANT requires additional volume of water and/or pressure as is now available within the area wherein the demised premises are located, it shall be at its own cost and expense the construction and/or installation of such improvements and/or facilities as may be necessary to or convenient and/or required by the Puerto Rico Aqueduct and Sewer Authority to increase such volume and/or pressure; it being agreed and understood, however, that such construction and/or installation shall in no event be commenced until after LANDLORD'S written approval has first been requested and obtained.

FIFTY TWO: TENANT hereby acknowledges that in the industrial park there are other industries; therefore TENANT hereby specifically agrees and undertakes

to take such steps and install such equipment as may be necessary to prevent that any hazard and/or noise which may be created by its operations may in any way or manner unduly affect the operations of the other industries and therefore TENANT hereby releases and saves LANDLORD harmless from any and all claims or demands arising therefrom or in connection therewith.

FIFTY THREE: TENANT shall, at its own cost and expense, install a fire protection system and shall obtain the endorsement and approval from said Fire Department for such installation. TENANT must also provide security measures to prevent or reduce fire hazard due to the storage of inflammable materials and products.

FIFTY FOUR: TENANT shall procure and obtain a permit for the operation of a solid waste emission source from the Environmental Quality Board and authorization for the Office of Solid Waste and/or from the Municipality of Anasco for the final disposition of wastes.

FIFTY FIVE: TENANT, at its own cost and expense, shall implement the necessary measures and install the control equipment to maintain the atmospheric air quality levels in compliance with the environmental laws and regulations of the Environmental Quality Board and the Environmental Protection Agency, as promulgated by any succeeding law or regulations.

FIFTY SIX: It is hereby agreed and understood that TENANT shall take the necessary steps to comply with the regulations and law requirements of the PUERTO RICO OCCUPATIONAL SAFETY AND HEALTH OFFICE (PROSHO).

FIFTY SEVEN: TENANT shall, at is own cost and expense, construct and/or install all necessary equipment required to connect the building's electrical system to the Puerto Rico Electrical Power Authority's electrical distribution lines, such connection to be made in compliance with the requirement of PREPA.

FIFTY EIGHT: TENANT must comply with the rules and regulations of pre-treatment established by the Puerto Rico Aqueduct and Sewer Authority, the Environmental Quality Board and the Environmental Protection Agency related to the effluent industrial discharge in the sanitary sewer system and their final disposition. Also, any improvement necessary to provide pre-treatment facilities for the above mentioned effluents shall be at TENANT'S own cost and expense and in coordination and with the approval of LANDLORD's Engineering and Maintenance Departments.

FIFTY NINE: It is hereby agreed and understood that TENANT, at its own cost and expense, shall install an air conditioning system in the demised premises, in the event TENANT needs to use and/or install it in his process. Such air conditioning system shall be considered as a special facility from LANDLORD, and it shall be installed in coordination with LANDLORD'S Engineering and Maintenance Departments.

SIXTY: TENANT agrees to submit to LANDLORD within thirty (30) days from the date of execution of this Contract: (a) evidence of its registration in the Department of State of the Commonwealth of Puerto Rico and the name and address of its resident agent; and (b) a certificate of a resolution of its Board of Directors either authorizing or ratifying the execution of this Contract.

SIXTY ONE: TENANT certifies and guarantees that at the date of subscribing this Contract it has submitted the Corporate Tax Returns Forms during the last five (5) years and does not have any tax debt pending with the Commonwealth of Puerto Rico, or is complying with the terms of a payment plan duly approved.

TENANT also certifies and guarantees that at the date of execution of this contract it has paid unemployment insurance compensation, temporary disability insurance, and the driver's social security (as applicable); or is complying with a payment plan duly approved.

TENANT acknowledges that this is an essential condition of the Contract and if the above certification is incorrect in any of its parts, LANDLORD may cancel this contract.

SIXTY TWO: LANDLORD reserves the right to audit the leased premises from time to time during the term of this contract, as LANDLORD may deem necessary, in order to assess all aspects of the environmental condition of said premises and TENANT's compliance with all environmental legislation and regulations, under Commonwealth and federal law; TENANT hereby agrees to provide access to all areas and structures of the premises for these purposes, upon LANDLORD's request, and to also provide access to all books, records, documents and instruments which LANDLORD may deem necessary in order to fully audit the premises as herein stated.

SIXTY THREE: TENANT shall furnish to LANDLORD, in addition to any other Information, documents or instruments that may be required in this contract:

a) Prompt written notice of the occurrence of any event that by law or regulation would require any oral, telephonic or written notice or communication to the US Environmental Protection Agency and/or to the Puerto Rico Environmental Quality Board, or any successor agency, and copies of all orders, notices or other communications and reports received, made or given in connection with any such event, and any enforcement action taken against TENANT or against any property owned, occupied or used by TENANT;

b) Quarterly certifications subscribed by an authorized representative designated by TENANT, as to the environmental condition of the leased premises, containing the information required by LANDLORD, which is specified in the form included as Schedule "B" of this contract, or any subsequent modification thereto;

c) Any other information and documents relating to TENANT's compliance with environmental legislation and regulations under federal and commonwealth laws.

SIXTY FOUR: TENANT hereby guarantees to LANDLORD that, neither he, or any of its stockholders, in case of a corporation, owes any money to LANDLORD under its corporate name or any other corporate name and/or person.

SIXTY FIVE: TENANT shall not transfer, lease, burden or dispose of in any way of the equipment used on its operations without prior written notice to LANDLORD, except in the ordinary course of business.

SIXTY SIX: TENANT shall not sell, lease or transfer in any way its operations to any other tenant without the previous written consent of LANDLORD, except as established on clause Twenty Six.

SIXTY SEVEN: TENANT recognizes and accepts that this Lease Contract is subject to the endorsements of the Puerto Rico Aqueduct and Sewer Authority (PRASA). Said endorsements have been obtained by LANDLORD and TENANT.

SIXTY EIGHT: LANDLORD agrees to indemnify and save harmless TENANT, TENANT's successors and assigns and TENANT's present and future officers, directors, employees and agents (collectively "Indemnitees") from and against any and all liabilities, penalties, fines, forfeitures, demands, damages, losses, claims, causes of action, suits, judgments, and costs and expenses incidental thereto (including cost of defense, settlement, reasonable attorney's fees, reasonable consultant's fees and reasonable expert fees), which TENANT or any or all of the Indemnitees may hereafter suffer, incur, be responsible for or disburse as a result of Environmental Liabilities directly or indirectly cause by LANDLORD when the premises were in its control (collectively "Environmental Liabilities") directly or indirectly caused by or arising out of any Environmental Hazards existing on or about the premises except to the extent that any such existence is caused by TENANT's activities on the premises. The term "Environmental Hazardous" shall be defined as hazardous substances, hazardous wastes, pollutants, asbestos, polycholinated biphenyls (PCBs), petroleum or other fuels (including crude oil or any faction or derivative thereof) and underground storage tanks. The term "hazardous substances" shall be as defined in the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601 et sq) (CERCLA), and any regulations promulgated pursuant thereto. The term "hazardous wastes" shall be as defined in the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq) (RCRA), and any regulations promulgated pursuant thereto. The term "pollutants" shall be as defined in the Clean Water Act (33 U.S.C. Section 1251 et seq), and any regulations promulgated pursuant thereto. This provision shall survive

termination of the lease.

TENANT agrees to indemnify and save harmless LANDLORD, LANDLORD's successors and assigns and LANDLORD'S present and future officers, directors, employees and agents (collectively "Indemnities") from and against any and all liabilities, penalties, fines forfeitures, demands, damages, losses, claims, causes of action, suits, judgments, and costs and expenses incidental thereto (including cost of defense, settlement, reasonable attorney's fees, reasonable consultant fees and reasonable expert fees), which LANDLORD or any or all of the Indemnitees may hereafter suffer, incur, be responsible for or disburse as a result of any Environmental Liabilities directly or indirectly caused by or arising out of any Environmental Hazardous existing on or about the premises but only to the extent that any such existence is caused by TENANT's activities on the premises. This provision shall survive termination of the Lease.

In the event any Environmental Hazards are found at any time to be in existence or about the premises other than any Environmental Hazards whose existence is caused by TENANT's activities on the premises, TENANT shall have the right to terminate this Lease by so notifying LANDLORD in writing. Notwithstanding anything to the contrary contained herein, TENANT shall not be required to pay for any environmental Liability as operating expenses, additional rental or otherwise if TENANT is not responsible for such expenses pursuant to this paragraph.

SIXTY NINE: TENANT agrees to be responsible for certain special facilities located in Project T-0994-0-70, and to remove the same upon the request of the LANDLORD upon the expiration or sooner termination of the lease term, in accordance with the terms and conditions of the Lease Contract, including the following:

1. Fluorescent lamps throughout building.

2. Metal Halide exterior lamps.

3. Fire alarm system.

4. Electrical Power System.

5. Air conditioning system throughout the building, including seven (7) air conditioning units, with ducts and flashing.

6. Water sprinkler system.

SEVENTY: On June 7, 2005, the TENANT executed an agreement with Caribe GE International of Puerto Rico, Inc., in order to share the entranceway and guard services to the Additional Leased Premises, and the TENANT agrees to be bound by the terms of that agreement, identified as Exhibit C hereof.

Furthermore, the TENANT agrees to comply with the accords contained in the letters dated November 23, 2004, May 23, 2005 and July 8, 2005, identified as Exhibit II hereof.

IN WITNESS WHEREOF, LANDLORD and TENANT have respectively signed upon proper authority this Construction and Lease Contract, this 1 day of April, 2005

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY
SSP #66-0292871

[unreadable]
BY:-----------------------------------
[unreadable]

INTEGRA CI, INC. D/B/A INTEGRA NEUROSCIENCES PR
SSP# 98-0476814

BY:/s/ David B. Holtz

David B. Holtz
Vice President, Finance

SCHEDULE "A"

DESCRIPTION OF PARCEL OF LAND
LOT NO. 6 LOCATED AT URBAN ZONE INDUSTRIAL AREA
ANASCO, PUERTO RICO
SITE FOR PROJECT NO. L-154-2-62

==

Parcel of land, Lot No. 6, located at urban Zone Industrial Area, Anasco, Puerto Rico.

It bounds: by the North with Street "A" of the same industrial area, by the south with Lot No. 6-1 of the same industrial area, by the East with State Road No. 402; and by the West with Lot No. 8 of the same industrial area.

It has an approximate surface area of 2,518.59 square meters equivalent to 0.6408 cuerdas.

It is affected by a 5.0 feet wide strip in favor of PREPA, running along the western boundary.

DESCRIPTION OF PARCEL OF LAND, LOT NUMBER 8
LOCATED AT URBAN ZONE INDUSTRIAL AREA
ANASCO, PUERTO RICO
SITE FOR PROJECT NO. T-0994-0-70

==

GENERAL:

Parcel of land, lot number 8, located at Urban Zone Industrial Area, Anasco, Puerto Rico.

It bounds: By the North, with Street A of the same industrial area; by the South, with land owned by Sucn. Arraras; by the East, with Lot number 6 and 8-1 of the same industrial area; and by the West, with land owned by Sucn. Arraras.

It has an approximate surface area of 9,459.68 square meters, equivalent to 2.4068 cuerdas.

It is affected by the following right of way:

- A 5' - 0"feet wide strip in favor of PREPA running along the Eastern boundary.

DESCRIPTION OF BUILDING T-0994-0-70
AT ANASCO, PUERTO RICO

==

This is a pitched roof type building consisting of reinforced concrete foundations, structural steel columns and girders supporting 30 feet long steel joists which in turn support gauge #22 standard galvanized steel deck, covered

by 1.3" isocianurate insulation and a 3 plies built up roofing. Roof ventilators are provided.

The structure consists of a main floor 181'- 0"x 120'- 6"out to out dimension for an area 21,810.50 of sq. ft. of manufacturing space, a lean-to 60'-0"x 10'- 0" for an area of 635.25 sq. ft. This amounts to the total area of 22,445.75 sq. ft. of covered space.

The floor consists of a 3 1/2" thick reinforced concrete slab. Designed for a live load of 150 pounds per square feet.

Exterior walls are of concrete blocks, plastered and painted on both sides.

Interior walls at the lean-to area plastered and painted.

The wainscoat is 6'- 1"high sprayed-on glazed finished.

Windows are Miami aluminum type throughout the building.

Interior doors are made of plywood and exterior doors are industrial metal type.

Clearance in the manufacturing area from finish floor to lowest part of beams at the side's eaves is 12'- 9".

DESCRIPTION PROJECT NO. T-0810-2-03
ANASCO, P.R.

===

This is a pitched roof type building consisting of reinforced concrete foundations, columns & girders supporting 15'- 11"; 17'- 11"1/2 & 23'- 09"feet long steel joists, which in turn support gauge #22 standard galvanized steel deck covered by an 2 inches rigid board insulation with 2 plies cold weatherproofing system. Four exhaust fans are installed.

The structure consist of a main floor (34'- 10"x 129'- 07"& 38'- 04 1/2"x 54"-10 1/2") for an area of 6,619.56 sq. ft. of manufacturing space; a lean-to 14'-07"for an area of 416.70 sq. ft. This amounts to a total area of 7,036.26 sq. ft.

The floor consists of a five (5) inches thick concrete slab with a monolithic cement finish. Floor slab is designed for a live load of 150 psf. Exterior walls are six (6) and eight (8) inches thick reinforced concrete plastered and with spray on and painted. Interior walls at lean-to area plastered and painted with epoxy.

Metal deck ceiling is painted throughout the building. Windows are glass ones. Exterior doors area industrial type. One rolling door 14'- 00"x 12'- 00"is provided at loading area.

Clearance at the manufacturing area from finish floor to lowest part of beams at the side eaves is 27'- 00".

DESCRIPTION OF BUILDING T-0810-1
AT ANASCO, P.R.

===

This is a pitched roof type building consisting of reinforced concrete foundations, steel columns and steel girders supporting 30 feet long steel joists which in turn support gage #22 standard galvanized steel deck covered by 1.3# isocianurate insulation and a 3 plies built-up roof.

The structure consists of a main floor 60'- 0"x 90'- 6"out to out dimension for an area of 5,430 sq. ft. This amounts to a total area of 5,430 sq. ft. of covered floor space.

The floor consists of a 3 1/2"thick reinforced concrete slab designed for a load capacity of 150 pounds p.s.f. with monolithic cement finish.

Exterior walls are of concrete blocks, plastered and painted on both sides.

Exterior walls are of concrete blocks, plastered and painted on both sides.
Exterior doors are industrial.

Clearance in the manufacturing area from finish floor to lowest part of beams at the side's eaves is 16'- 0".

DESCRIPTION OF BUILDING T-0810-0-68
AT ANASCO, PUERTO RICO

==

This is a pitched roof type building consisting of reinforced concrete foundations, steel columns and steel girders supporting 30 feet long steel joists which in turn support gage #22 standard galvanized steel deck covered by 1.3# isocianurate insulation and a 3 plies built-up roof.

The structure consists of a main floor 120'- 11"x 90'- 6"out to out dimension for an area of 10,943.26 sq. ft. of manufacturing space. A lean-to area 30'- 8"x 10'- 6"for an area of 322.04 sq. ft. for sanitary facilities and a loading platform 16-0"x 10'- 0"for an area of 160 sq. ft. This amounts to a total area of 11,425.30 sq. ft. of covered floor space.

The floor consists of a 3 1/2" thick reinforced concrete slab designed for a load capacity of 150 pounds p.s.f. with monolithic cement finish.

Exterior walls are of concrete blocks, plastered and painted on both sides.

Ceiling is rubbed and painted throughout the building.

Interior walls at the lean-to are plastered and painted.

Windows are Miami louvers throughout the building.

Interior doors are made of plywood and exterior ones are industrial type metal.

Clearance in the manufacturing area from finish floor to lowest part of beams at the side's eaves is 12'- 2".

SCHEDULE "B"

COMPLIANCE REPORT OF WITH
ENVIRONMENTAL REQUIREMENTS

In the period of ___________ to ___________

I. PERMITS

PERMITS NUMBER	EXPIRATION	RENEWAL DATE DATE (IF APPLY)

II. COMPLIANCE ACTIONS

REFERENCE/CASE NUMBER	DATE	RESPONSE OF DATE OF

III. CERTIFICATION

I certify, under penalty of law, that this document was prepared under my supervision and direction; and that was based in my investigation by the persons directly responsible of gathering the information, that the information here submitted is, according to my best judgment, certain, complete and precise.

Certification of Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stuart M. Essig, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integra LifeSciences Holdings Corporation;

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 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 we 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 materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 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: November 9, 2006

/s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Certification of Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Maureen B. Bellantoni, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Integra LifeSciences Holdings Corporation;

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 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 we 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 materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer 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 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: November 9, 2006

/s/ Maureen B. Bellantoni

Maureen B. Bellantoni
Executive Vice President and
Chief Financial Officer

Certification of Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Stuart M. Essig, President and Chief Executive Officer of Integra LifeSciences Holdings Corporation (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2006 (the "Report") fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2006

/s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

Certification of Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Maureen B. Bellantoni, Executive Vice President and Chief Financial Officer of Integra LifeSciences Holdings Corporation (the "Company"), hereby certify that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2006 (the "Report") fully complies with the requirement of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2006

/s/ Maureen B. Bellantoni

Maureen B. Bellantoni
Executive Vice President and
Chief Financial Officer