UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005

[ ] 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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, PAR VALUE $.01 PER SHARE

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act. Yes [ ] No [X]

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of large accelerated filer and accelerated filer in Rule 12b-2 of the Exchange Act).
Large accelerated filer Yes [ ] No [X] Accelerated filer Yes [X] No [ ]
Non-accelerated filer Yes [ ] No [X]

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

As of June 30, 2005, the aggregate market value of the registrant's common stock held by non-affiliates was approximately $590.0 million based upon the closing sales price of the registrant's common stock on The NASDAQ National Market on such date.

The number of shares of the registrant's Common Stock outstanding as of March 10, 2006 was 28,435,001.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement relating to its scheduled May 17, 2006 Annual Meeting of Stockholders are incorporated by reference in Part III of this report.

PART I

ITEM 1. BUSINESS

OVERVIEW

The terms "we," "our," "us," "Company" and "Integra" refer to Integra LifeSciences Holdings Corporation, a Delaware corporation, and its subsidiaries unless the context suggests otherwise.

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.

Integra was founded in 1989 and since then has leveraged its expertise in regenerative technologies to develop numerous products based on its Ultra Pure Collagen(TM) technology. Early in Integra's history, these regenerative products were sold through a number of private label arrangements with other large medical device companies. In 1999, we entered the neurosurgery market through an acquisition and the launch of our DuraGen(R) Dural Graft Matrix product for the repair of the dura mater. Since our entry into the neurosurgery field in 1999, we have entered the surgical instruments and reconstructive surgery businesses. We have increased our consolidated revenues from $42.9 million in 1999 to $277.9 million in 2005, a compound annual growth rate of 37%, and we have broadened our product offerings to include more than 15,300 products. We have achieved this growth in our business by developing and introducing new products, expanding our sales and distribution channels and acquiring new businesses and product lines.

Financial information about our geographical areas is set forth in our financial statements under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - International Product Revenues and Operations" and Note 15 "Segment and Geographic Information" to our Consolidated Financial Statements.

STRATEGY

Our goal is to become a global leader in the development, manufacturing and marketing of medical devices, implants, biomaterials and instruments in the neurosurgery, reconstructive surgery and general surgery markets. Key elements of our strategy include the following:

- Marketing innovative medical devices to underserved markets
- Investing in sales distribution channels to increase market penetration
- Developing innovative products based on core technologies
- Acquiring businesses that fit existing sales channels or build out new sales channels

Marketing innovative medical devices to underserved markets. We have developed a number of innovative medical devices for neurosurgery and reconstructive surgery. Reconstructive surgery includes treatment of burns and wounds (chronic and trauma-related), peripheral nerve repair, and small bone and joint fixation procedures. Traditionally these markets have been underserved by the largest medical device manufacturers.

Investing in sales distribution channels to increase market penetration. We have a mix of direct and indirect sales distribution channels. We created our first direct sales force in 1999 with the creation of our Integra NeuroSciences sales force. Since then, the number of sales representatives (whom we call neurospecialists) in that sales force has grown to over 100. In 2003, we created our reconstructive surgery sales force, and this group now has over 50 sales representatives. Between these two sales forces, we reach neurosurgeons, plastic and reconstructive surgeons, orthopedic surgeons and podiatrists.

Developing innovative products based on core technologies. We have become a leader in regenerative technology. Our Ultra Pure Collagen(TM) technology is the basis for a number of regenerative products that we sell through both our own sales network and through alliances with other companies in private label arrangements. This technology has been deployed in our products relating to

duraplasty, dermal regeneration, nerve repair and collagen matrices used for bone regeneration in the orthopedic implant market. We are a leading marketer of neurological products used in the diagnosis, monitoring and treatment of chronic diseases and acute injuries, and we are a leading provider of surgical instruments.

Acquiring businesses that fit existing sales channels or build out new sales channels. We have demonstrated that we can quickly integrate acquisitions into our existing distribution channels and drive revenue growth. Since 1999, we have completed more than 20 acquisitions focused primarily on our neurosurgical product lines, reconstructive surgery, surgical instrumentation and orthopedic surgery. We regularly evaluate potential acquisition candidates in these markets and in other specialty medical technology markets characterized by high margins, fragmented competition and focused target customers.

We believe that executing the above strategy will enable us to expand our presence in hospitals and other health care facilities, to integrate acquired products and businesses efficiently and effectively, to create new sales platforms and to drive both long-term and short-term revenue and earnings growth.

PRODUCTS GROUPS, MARKETING AND SALES

We have four distribution channels that sell four groups of products. Our distribution channels include two direct sales organizations (Integra NeuroSciences and Integra Reconstructive Surgery), a network managed by a direct sales organization (JARIT(R) Surgical Instruments) and strategic alliances. Our product groups include Instruments, Implants, Monitoring Products, and Private Label Products. We sell the products in our four product groups through our various distribution channels, as follows:

DISTRIBUTION CHANNELS

PRODUCT GROUPS	Integra NeuroSciences	Integra Reconstructive	JARIT Surgical Instruments	Strategic Alliances
Instruments	X	X	X	
Implants	X	X		
Monitoring	X			
Private Label				X

Distribution Channels

At the heart of our business strategy is creation of and investment in our distribution channels.

Direct Sales Forces. Our direct sales forces include the following:

- Integra NeuroSciences(R). Integra NeuroSciences' direct sales effort in the United States and Europe currently involves more than 150 professionals, including direct sales representatives (called neurospecialists in the United States), sales management, marketing managers and clinical educators who educate and train both our salespeople and customers in the use of our products. Neurospecialists call primarily on neurosurgeons, intensivists, other physicians, nurses, hospitals and surgery centers. Our Integra NeuroSciences sales and marketing team effectively reaches its hospital customers in the United States and those portions of Europe where we sell directly to customers. In certain international markets, we sell through distributors. We plan to create a separate team of 20 intensive care unit specialists in 2006 to provide a greater focus on our neuro-monitoring products.

- Reconstructive Surgery. Our reconstructive surgery sales and marketing organization in the United States and Europe consists of approximately 65 professionals, including direct salespeople, sales management, clinical educators and marketing managers. This sales and marketing organization sells medical devices to orthopedic surgeons, podiatric surgeons, trauma and reconstructive surgeons, burn surgeons, hospitals, surgery centers and other physicians.

- JARIT Surgical Instruments. Our JARIT organization in the United States employs 25 professionals, including sales management, instrument specialists and marketing managers. These individuals work with over 100 manufacturers' representatives. The JARIT organization sells the JARIT line of general and specialty instruments for open and endoscopic surgery and a line of specialty instruments for spinal surgery, neurosurgery and plastic surgery. Our JARIT organization sells its products to more than 6,000 hospitals and surgery centers worldwide.

We have direct sales forces in France, Germany, the United Kingdom and the Benelux (Belgium, Netherlands, Luxembourg) region. Independent distributors market and sell our products in those countries where we do not have a direct sales force. These distributors are managed by our nine distributor sales managers.

Strategic Alliances. We market our private label products through strategic partners or original equipment manufacturer customers. Our private label products address large, diverse markets, and we believe that we can develop and promote these products more cost-effectively through leveraging the product development and distribution systems of our strategic partners than through developing the products ourselves or selling them through our own direct sales infrastructure. We have partnered with market leaders, such as Johnson & Johnson, Medtronic Sofamor Danek, Inc., Wyeth BioPharma and Zimmer Holdings, Inc., for the development and marketing efforts related to many of these products.

Integra NeuroSciences Product Portfolio

Instruments

Ultrasonic Surgery Systems for Tissue Ablation. More than 145,000 primary and metastatic brain tumors are diagnosed annually in the United States alone. Our ultrasonic surgery systems address surgeons' needs for the surgical fragmentation and removal of malignant and non-malignant tumors and other tissue. Our acquisition of the Radionics business has increased our product offerings in this area. We offer certain of our ultrasonic surgery products only outside the United States.

Our ultrasonic surgery systems use very high frequency sound waves to ablate cancer tumors and allow the surgeon to remove the damaged tumor tissue by aspiration. Unlike other surgical techniques, ultrasonic surgery selectively dissects and fragments soft tissue leaving fibrous tissues, such as nerves and blood vessels, intact. Ultrasonic aspiration facilitates the removal of unwanted tissue adjacent or attached to vital structures.

Integra Radionics. The Integra Radionics business, which we acquired in March 2006, 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 CRW(R) stereotactic system, the XKnife(TM) stereotactic radiosurgery system and the OmniSight(R) EXcel image guided surgery system.

The Radionics products are primarily utilized by neurosurgeons in the diagnosis and treatment of cancer and in the treatment of movement disorders. These products are sold in over 75 countries, with approximately 50 percent of sales occurring outside of the United States.

The Radionics business includes the CUSA EXcel(TM) ultrasonic surgical aspirator, which we will continue to sell along with our existing ultrasonic aspirator systems.

Among other benefits, the acquisition of Radionics increases our global neurosurgery product offerings, positions us to offer new stereotactic surgery products, secures entry into new business, adds to our manufacturing and research and development expertise and enhances the efficiency of our global infrastructure and distribution network.

Cranial Stabilization and Brain Retraction Systems. The MAYFIELD(R) Headrest System is the market leader in cranial stabilization equipment. We work closely with surgeons and other health care providers throughout the world to develop unique cranial stabilization products.

Neurosurgical and Spinal Instrumentation. We provide neurosurgeons and spine surgeons with a full line of specialty hand-held spinal and neurosurgical instruments. We sell instruments under the R&B Redmond(TM) name primarily for spinal procedures (including neuro-spine) and under the Ruggles(TM) brand name primarily for cranial surgery.

Implants

Duraplasty Solutions. We provide dural grafts that are indicated for the repair of the dura mater surrounding the brain and spine, which is often penetrated during brain surgery and often damaged during spine surgery. These products serve as an alternative to using a graft of tissue taken from elsewhere in the patient's body. We are committed to providing surgeons with a full compliment of products that provide solutions for a wide variety of possible procedures. We estimate the worldwide market for dural repair, including cranial and spinal applications, to be $120 million.

Our line of duraplasty products includes the DuraGen(R) Dural Graft Matrix, the DuraGen Plus(R) Dural Regeneration Matrix and the Suturable DuraGen(TM) Dural Regeneration Matrix. Clinical trials have shown our duraplasty products to be an effective means for closing the dura mater without the need for suturing. This allows the neurosurgeon to conclude the operation more efficiently. In addition, because the human body ultimately absorbs our duraplasty products and replaces them with new natural tissues, the patient avoids some of the risks associated with a permanent implant inside the cranium or spinal cavity. Our Suturable DuraGenTM Dural Regeneration Matrix grafts have the added benefit of being able to anchor to the patient's dura with sutures. To complement these resorbable products, we also provide the Endura(TM) No-React(R) Dural Substitute, a permanent suture-only graft, which is optimal for more challenging procedures that require a stronger and more permanent graft.

Adhesion Barrier for the Spine. The DuraGen Plus(TM) Adhesion Barrier Matrix is an absorbable collagen product, which is CE marked in the European Union as a barrier against adhesions and for repair and restoration of the dura mater following spinal and cranial surgery. To obtain approval to market this product in the United States, we are initiating a pivotal randomized prospective clinical trial under an Investigational Device Exemption from the Food and Drug Administration (FDA). The trial is anticipated to begin during the third quarter of 2006, with the first patient expected to be enrolled by the fourth quarter of 2006. We estimate that the worldwide market for treatment of spinal adhesions exceeds $300 million.

Hydrocephalus Management. We sell a wide variety of devices, known as shunts, used in the treatment of hydrocephalus. Hydrocephalus is an incurable condition resulting from an imbalance between the amount of cerebrospinal fluid produced by the brain and the rate at which the body absorbs cerebrospinal fluid. Hydrocephalus is most commonly treated by inserting a shunt into the ventricular system of the brain to divert the flow of cerebrospinal fluid out of the brain and using a pressure valve to maintain a normal level of cerebrospinal fluid within the ventricles. We estimate the total United States market for shunts used in hydrocephalus management to be $200 million.

In 2004, we introduced the NPH(TM) Low Flow Hydrocephalus Valve that regulates the flow of cerebrospinal fluid out of the brain. Designed specifically to meet the needs of patients with normal pressure hydrocephalus (NPH), the NPH(TM) Low Flow Hydrocephalus Valve controls cerebrospinal fluid flow at a lower rate than our other flow-control valves. While many surgeons view shunting as the preferred treatment method for patients diagnosed with NPH, only approximately 5% of those with NPH are currently treated with a surgically implanted shunt. Based on these current treatment statistics, we estimate the current market for shunt systems designed to treat NPH to be approximately $35 million. Certain reports estimate that approximately 20% of total cerebrospinal fluid shunt sales address normal pressure hydrocephalus. Based on the NPH population as a whole, we estimate that the potential market opportunity exceeds $500 million.

In 2005, we acquired the intellectual property estate of Eunoe, Inc., including the innovative COGNIShunt(R) system, which was being evaluated under an Investigational Device Exemption for the treatment of Alzheimer's disease

patients. The COGNIShunt(R) system is designed to increase the flow of cerebral spinal fluid (CSF) and improve clearance of potential neurotoxins, which are believed to contribute to the progression of Alzheimer's disease. The COGNIShunt(R) system has not received FDA clearance or approval for sale.

Monitoring Products

Monitoring Of Brain Parameters. Neurosurgeons use intracranial monitors to diagnose and treat cases of severe head trauma and other diseases. There are approximately 500,000 cases of head trauma each year in the United States. We estimate the market for monitoring and intervention to be $110 million.

We sell intracranial monitoring systems under the Camino(R), Ventrix(R) and LICOX(R) names. Currently more than 3,000 of our intracranial monitors are installed and in use worldwide

Cranial Access And External Ventricular Drainage. Neurosurgeons use cranial access kits and external drainage systems to gain access to the cranial cavity and to drain excess cerebrospinal fluid from the ventricles of the brain into an external container. We manufacture and market a broad line of cranial access kits and ventricular and lumbar external drainage systems.

Epilepsy Electrodes. We sell epilepsy electrodes that neurosurgeons use for the intra-operative monitoring of seizures to determine if surgical options can be used in the treatment of epilepsy. We estimate the worldwide market for intra-operative epilepsy electrodes to be $10 million.

Reconstructive Product Portfolio

Implants

Small Bone And Joint Fixation Devices and Instruments. The Newdeal foot and ankle surgery devices address the reconstructive and fracture repair portion of the orthopedic market. The Newdeal line of implants include a wide range of products for the forefoot, the mid-foot and the hind foot, including the Bold(R) Screw, the Uniclip(R) Compression Staple, the Hallu-Fix(R) plate system and the HINTEGRA(R) total ankle prosthesis. These implants and the instruments used to implant them are specifically designed for foot and ankle surgery. We estimate that the current Newdeal products address an approximately $500 million worldwide market. The HINTEGRA(R) total ankle prosthesis has been approved for sale only outside the United States.

Dermal Regeneration and Engineered Wound Dressings. Our skin replacement products address the market need created by severe burns, reconstructive surgery, trauma and chronic wounds. We estimate that the worldwide market now addressable by our skin replacement products exceeds $1.0 billion.

The INTEGRA(R) Dermal Regeneration Template is designed to enable the human body to regenerate functional dermal tissue. We sell this product under a Premarket Approval (PMA) issued by the Food and Drug Administration for the post-excisional treatment of life-threatening deep or full-thickness dermal injury where sufficient autograft is not available at the time of excision or is not desirable due to the physiological condition of the patient and for the repair of scar contractures in patients who have already recovered from their initial wound.

The INTEGRA(R) Bilayer Matrix Wound Dressing and INTEGRA(TM) Matrix Wound Dressing are advanced wound care devices indicated for the management of soft tissue wounds including: partial and full-thickness wounds, pressure ulcers, venous ulcers, diabetic ulcers, chronic vascular ulcers, surgical wounds (donor sites/grafts, post-Moh's surgery, post-laser surgery, podiatric and wound dehiscence), trauma wounds (abrasions, lacerations, second-degree burns and skin tears) and draining wounds. We expect the rapid growth of our reconstructive surgery sales force to drive sales growth of this important product line.

Repair and Protection of Peripheral Nerves. Peripheral nerves may become severed or damaged through traumatic accidents or surgical injuries, often resulting in the permanent loss of motor and sensory function. Although severed peripheral nerves regenerate spontaneously, they do not establish functional connections unless the nerve stumps are surgically reconnected. We estimate the worldwide market for the repair of severed and damaged peripheral nerves to be $110 million.

Our nerve repair products are absorbable collagen implants for the repair and protection of severed and injured peripheral nerves. The NeuraGen(R) Nerve Guide is a collagen conduit designed to provide an environment for the repair and regeneration of severed nerves. The NeuraWrap(TM) Nerve Protector provides a protective environment for the healing of injured, compressed or scarred nerves. Both our Integra NeuroSciences and Integra Reconstructive sales forces sell these products to our hospital-based customers.

Instruments

Dermatomes and Meshers. We sell a range of manual and powered dermatomes and related disposables for harvesting skin grafts under the Padgett Instruments(TM) name. In 2003, we launched our new Padgett Dermatome-S, which is lighter, more ergonomic and more powerful than the other dermatomes in our line. Our variable skin mesher is designed to expand skin grafts prior to implantation to provide for greater coverage.

JARIT(R) Surgical Instruments

For more than 30 years, JARIT has marketed a wide variety of high quality, reusable surgical instruments to virtually all surgical disciplines. With more than 5,000 instrument patterns, the JARIT brand has a strong reputation for high-quality surgical instruments and customer service.

Our Jarit Surgical Instrument channel sells directly to central supply and purchasing at hospitals. This channel has expanded beyond the JARIT(R) product line to sell products under the Padgett Instruments(TM) and R&B Redmond(TM) product lines. More than 25 sales and marketing professionals supervise a group of over 100 manufacturers' representatives.

Strategic Alliances

Orthopedic Biomaterials. Since 1994, we have supplied Wyeth BioPharma with Absorbable Collagen Sponges for use in developing bone regeneration implants, including use with Wyeth BioPharma's recombinant human bone morphogenetic protein-2 (rhBMP-2). Wyeth BioPharma sells Absorbable Collagen Sponges to Medtronic Sofamor Danek. The FDA has approved Medtronic Sofamor Danek's InFUSE(TM) Bone Graft used with the LT-CAGE(TM) Lumbar Tapered Fusion Device for use in spinal fusion procedures and the InFUSE(TM) Bone Graft for the treatment of open, acute tibial shaft fractures. The InFUSE(TM) Bone Graft eliminates the need for a secondary, painful procedure to harvest pieces of bone from the patient's own hip (known as an autograft).

More recently, we developed a compression resistant collagen ceramic matrix for Medtronic Sofamor Danek. The device, the MasterGraftTM Matrix, is a 3-dimensional, osteoconductive, porous implant that allows for bony ingrowth across the graft site while resorbing at a rate consistent with bone healing.

Guided Tissue Regeneration In Periodontal Surgery. Our BioMend(R) Absorbable Collagen Membrane and BioMend(R) Extend Absorbable Collagen Membrane are sold through Zimmer Holdings, Inc. They are used for guided tissue regeneration in periodontal surgery. The body absorbs the BioMend(R) products, avoiding the requirement for additional surgical procedures to remove a non-absorbable membrane.

Other Private Label Products. Our current private label products also include the VitaCuff(R) catheter access infection control device and the BioPatch(R) anti-microbial wound dressing.

RESEARCH AND DEVELOPMENT STRATEGY

Integra's research and development activities focus on identifying and evaluating unmet surgical needs and product improvement opportunities to drive the development of innovative solutions and products. We apply our technological and developmental core competencies to develop regenerative products for neurosurgical and reconstructive applications, neuro-monitoring and CSF management, cranial stabilization and closure, tissue ablation, surgical instruments and extremity small bone and joint fixation. Our activities include both internal product development initiatives and the acquisition of proprietary rights to strategic technological platforms.

Our regenerative product development portfolio is focused on applying our expertise in biomaterials and collagen matrices to support the development of innovative products targeted at neurosurgical, orthopedic and spinal surgery applications, as well as dermal regeneration, nerve repair, and wound dressing applications. Our focus on technological advancement, product segmentation and differentiation activities will continue to drive our activities in each of these areas.

Research and development in neuro-monitoring applications remains focused on the improvement of our existing advanced neuromonitors and the evaluation of new and innovative technologies that afford significant advancements in monitoring ability. For CSF management, opportunities for the improvement of long-standing product applications are being explored and existing products are being updated to meet evolving needs. Our industry leading cranial stabilization product expertise is focused on the advancement of mechanical stabilization techniques and the application of new materials to further the state-of-the-art of cranial stabilization. For tissue ablation, our existing development resources will be coupled with those gained through the acquisition of Radionics to drive multi-technology based tissue ablation modalities to offer a broad array of products. Finally, we have an on-going program of identifying, developing and commercializing powered and hand-held surgical instruments.

As our expansion into the orthopedic reconstructive market continues, our research and development activities have targeted extremity small bone and joint fixation. Leveraging the development expertise from our acquisition of Newdeal Technologies, we are developing a robust new product development program that will advance our product offering to both United States and European markets.

We spent $12.8 million, $14.1 million, and $12.0 million in 2003, 2004 and 2005, respectively, on research and development activities. The 2003 amount includes $400,000 of acquired in-process research and development charge recorded in connection with acquisitions. The 2004 amount includes a $1.4 million milestone payment relating to the completion of certain development activities for an advanced neuro-monitoring system and a $0.5 million licensing fee paid for the development of a data acquisition system to support the integration of our advanced monitoring products. The 2005 amount includes a $0.5 million in-process research and development charges recorded in connection with an acquisition. In addition to internal research and development activities, we may continue to acquire businesses that include research and development programs, which could result in additional in-process research and development charges in the future.

COMPETITION

Our largest competitors in the neurosurgery markets are the Medtronic Neurosurgery division of Medtronic, Inc., the Codman division of Johnson & Johnson and the Aesculap division of B. Braun. In addition, many of our neurosurgery product lines compete with smaller specialized companies or larger companies that do not otherwise focus on neurosurgery.

Our competition in reconstructive surgery can be divided into two areas that correspond to our main reconstructive product categories. Our skin and advanced wound healing products compete with those of LifeCell Corporation, Organogenesis Inc. and Wright Medical Group, Inc. Our orthopedic products compete with those of the DePuy division of Johnson & Johnson, Synthes, Inc. and Stryker Corporation, as well as other major orthopedic companies that carry a full line of reconstructive surgery products. We also compete with Wright Medical Group in the orthopedic category.

We believe that we are the second largest re-usable surgical instrument company in the United States. We compete with the largest re-usable instrument company, V. Mueller, a division of Cardinal Healthcare, as well as the Aesculap division of B. Braun. In addition, the Codman division of Johnson & Johnson and many smaller instrument companies compete with both re-usable and disposable specialty instruments. We rely on the depth and breadth of our sales and marketing organization and our procurement operation to maintain our competitive position in surgical instruments.

Our private label products face diverse and broad competition, depending on the market addressed by the product.

Finally, in certain cases our products compete primarily against medical practices that treat a condition without using a medical device, rather than any particular product. Depending on the product line, we compete on the basis of

our products' features, strength of our sales force or marketing partner, sophistication of our technology and cost effectiveness of our solution to the customer's medical requirements.

GOVERNMENT REGULATION

As a manufacturer and marketer of medical devices, we are subject to extensive regulation by the FDA and, in some jurisdictions, by state and foreign governmental authorities. These regulations govern the introduction of new medical devices, the observance of certain standards with respect to the design, manufacture, testing, labeling and promotion of the devices, the maintenance of certain records, the ability to track devices, the reporting of potential product defects, the export of devices and other matters. We believe that we are in substantial compliance with these governmental regulations.

The regulatory process of obtaining product approvals and clearances can be onerous and costly. The Food and Drug Administration requires, as a condition of marketing a medical device in the United States, that we secure a Premarket Notification clearance pursuant to Section 510(k) of the Federal Food, Drug and Cosmetic Act, an approved Premarket Approval (PMA) application (or supplemental PMA application) or an approved Product Development Protocol. Obtaining these approvals and clearances can take up to several years and involve preclinical studies and clinical testing. To perform clinical testing in the United States on an unapproved product, we are required to obtain an Investigational Device Exemption from the FDA. FDA rules may also require a filing and FDA approval prior to marketing products that are modifications of existing products or new indications for existing products. Moreover, after clearance is given, if the product is shown to be hazardous or defective, the FDA and foreign regulatory agencies have the power to withdraw the clearance or require us to change the device, its manufacturing process or its labeling, to supply additional proof of its safety and effectiveness or to recall, repair, replace or refund the cost of the medical device. Because we currently export medical devices manufactured in the United States that have not been approved by the FDA for distribution in the United States, we are required to provide notices to the FDA, to maintain certain records relating to exports and make these records available to the FDA for inspection, if required.

We are also required to register with the FDA as a device manufacturer. As such, we are subject to periodic inspection by the FDA for compliance with the FDA's Quality System Regulations. These regulations require that we manufacture our products and maintain our documents in a prescribed manner with respect to design, manufacturing, testing and control activities. Further, we are required to comply with various FDA requirements and other legal requirements for labeling and promotion. The Medical Device Reporting regulations require that we provide information to the FDA whenever there is evidence to reasonably suggest that one of our devices may have caused or contributed to a death or serious injury or, if a malfunction were to recur, could cause or contribute to a death or serious injury. Under FDA regulations, we are required to submit reports of certain voluntary recalls and corrections to the FDA. If the FDA believes that a company is not in compliance with applicable regulations, it can institute proceedings to detain or seize products, issue a warning letter, issue a recall order, impose operating restrictions, enjoin future violations and assess civil penalties against that company, its officers or its employees and can recommend criminal prosecution to the Department of Justice.

Medical device regulations also are in effect in many of the countries outside the United States in which we do business. These laws range from comprehensive device approval and quality system requirements for some or all of our medical device products to simpler requests for product data or certifications. The number and scope of these requirements are increasing. Under the European Union Medical Device Directive, all medical devices must meet the Medical Device Directive standards and receive CE Mark certification. CE Mark certification requires a comprehensive Quality System program and submission of data on a product to a "Notified Body" in Europe. The Medical Device Directive, ISO 9000 series and ISO 13485 are recognized international quality standards that are designed to ensure that we develop and manufacture quality medical devices. A recognized Notified Body (an organization designated by the national governments of the European Union member states to make independent judgments about whether or not a product complies with the protection requirements established by each CE marking directive) audits our facilities annually to verify our compliance with these standards.

We are subject to laws and regulations that regulate the means by which companies in the health care industry may market their products to hospitals and health care professionals and may compete by discounting the prices of their

products. This requires that we exercise care in structuring our sales and marketing practices and customer discount arrangements.

Our international operations subject us to laws regarding sanctioned countries, entities and persons, customs, import-export and other laws regarding transactions in foreign countries. Among other things, 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. In addition, these laws require that we exercise care in structuring our sales and marketing practices in foreign counties.

Our research, development and manufacturing processes involve the controlled use of certain hazardous materials. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards prescribed by the controlling laws and regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. In the event of this type of an accident, we could be held liable for any damages that result and any liability could exceed our resources. Although we believe that we are in compliance in all material respects with applicable environmental laws and regulations, we could incur significant costs to comply with environmental laws and regulations in the future, and our operations, business or assets could be materially adversely affected by current or future environmental laws or regulations.

In addition to the above regulations, we are and may be subject to regulation under federal and state laws, including, but not limited to, requirements regarding occupational health and safety, laboratory practices and the maintenance of personal health information. As a public company, we are subject to the securities laws and regulations, including the Sarbanes-Oxley Act of 2002. We may also be subject to other present and possible future local, state, federal and foreign regulations.

PATENTS AND INTELLECTUAL PROPERTY

We seek patent protection of our key technology, products and product improvements, both in the United States and in selected foreign countries. When determined appropriate, we have enforced and plan to continue to enforce and defend our patent rights. In general, however, we do not rely on our patent estate to provide us with any significant competitive advantages as it relates to our existing product lines. We rely upon trade secrets and continuing technological innovations to develop and maintain our competitive position. In an effort to protect our trade secrets, we have a policy of requiring our employees, consultants and advisors to execute proprietary information and invention assignment agreements upon commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of their relationship with us must be kept confidential, except in specified circumstances.

ACCU-DISC(TM), BioMend(R), Bold(R), BUDDE(R), CALCANEA(R), Camino(R), COGNIShunt(R), CollaPlug(R), CollaStat(TM), CollaTape(R), CRW(R), CUSA(R), CUSA EXcel(TM), Dissectron(R), DuraGen(R), DuraGen Plus(R), Elektrotom(R), EquiFlow(R), Eunoe, Inc.(R), Hallu-Fix(R), Helistat(R), Helitene(R), Heyer-Schulte(R), HINTEGRA(R), INTEGRA(R), INTEGRA(TM) Bilayer Matrix Wound Dressing(R), INTEGRA(R) Dermal Regeneration Template, Integra LifeSciences Corporation(R), Integra NeuroSciences(R), Integra NeuroSupplies(TM), Integra Supplies(TM), JARIT(R), LICOX(R), LPV(R), Moni-Torr(TM), NeuraGen(R), NeuraWrap(TM), Neurosensor(R), OmniSight(R), Orbis-Sigma(R), Osteoject(R), Padgett Instruments, Inc(R), Pudenz(TM), Radionics(R), Redmond(TM), Ruggles(TM), Selector(R), Sonotom(R), Spetzler(R), Spin(R), Spinal Specialties(TM), Sundt(TM), Suturable DuraGenTM, Ultra Pure Collagen(TM), Uniclip(R), Ventrix(R), VitaCuff(R) and XKnife(TM) are some of the trademarks of Integra and its subsidiaries. All other brand names, trademarks and service marks appearing in this report are the property of their respective holders, including MAYFIELD(R), which is a registered trademark of SM USA, Inc., a wholly owned subsidiary of Schaerer Mayfield USA, Inc.

EMPLOYEES

At December 31, 2005, we had approximately 1,000 full-time employees and 180 temporary employees engaged in production and production support (including warehouse, engineering and facilities personnel), quality assurance/quality

control, research and development, regulatory and clinical affairs, sales, marketing, administration and finance. Except for certain employees at our facilities in France, none of our employees are subject to a collective bargaining agreement.

Many of our employees, including those holding senior positions in our regulatory, operations, research and development, and sales and marketing departments, have prior experience working for large pharmaceutical or medical technology companies. Our sales representatives and regional sales managers attend in-depth product training meetings throughout the year, and our clinical development team consists of medical professionals who specialize in specific therapeutic areas that our products serve. We believe that our clinical development team differentiates us from our competition, as their knowledge and experience as medical professionals allows them to more effectively educate and train both our sales force and the customers who use our products. This team is especially valuable in communicating the clinical benefits of new products.

AVAILABLE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934. In accordance with the Exchange Act, we file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may view our financial information, including the information contained in this report, and other reports we file with the Securities and Exchange Commission, on the Internet, without charge as soon as reasonably practicable after we file them with the Securities and Exchange Commission, in the "SEC Filings" page of the Investor Relations section of our website at www.Integra-LS.com. You may also obtain a copy of any of these reports, without charge, from our investor relations department, 311 Enterprise Drive, Plainsboro, NJ 08536. Alternatively, you may view or obtain reports filed with the Securities and Exchange Commission at the SEC Public Reference Room at 100 F Street, N.E. in Washington, D.C. 20549, or at the SEC's Internet site at www.sec.gov. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this report, including statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," that 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 us including, among other things:

- general economic and business conditions, both nationally and in our international markets;
- our expectations and estimates concerning future financial performance, financing plans and the impact of competition;
- anticipated trends in our business;
- existing and future regulations affecting our business;
- our ability to obtain additional debt and equity financing to fund capital expenditures and working capital requirements and acquisitions;
- physicians' willingness to adopt our recently launched and planned products, third-party payors' willingness to provide reimbursement for these products and our ability to secure regulatory approval for products in development;
- our ability to protect our intellectual property, including trade secrets;
- our ability to complete acquisitions, integrate operations post-acquisition and maintain relationships with customers of acquired entities;
- work stoppages at our facilities; and
- other risk factors described in the section entitled "Factors That May Affect Our Future Performance" in this report.

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.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

ITEM 1A. RISK FACTORS

Our Operating Results May Fluctuate.

Our operating results, including components of operating results, such as gross margin on product sales, may fluctuate from time to time, and such fluctuations could affect our stock price. Our operating results have fluctuated in the past and can be expected to fluctuate from time to time in the future. Some of the factors that may cause these fluctuations include:

- the impact of acquisitions;
- the timing of significant customer orders;
- market acceptance of our existing products, as well as products in development;
- the timing of regulatory approvals;
- changes in the rate of exchange between the U.S. dollar and other currencies of foreign countries in which we do business, such as the euro and the British pound;
- expenses incurred and business lost in connection with product field corrections or recalls;
- increases in the cost of energy and steel;
- our ability to manufacture our products efficiently; and
- the timing of our research and development expenditures.

The Industry And Market Segments in Which We Operate Are Highly Competitive, And We May Be Unable To Compete Effectively With Other Companies.

In general, there is intense competition among medical device companies. We compete with established medical technology and pharmaceutical companies in many of our product areas. Competition also comes from early stage companies that have alternative technological solutions for our primary clinical targets, as well as universities, research institutions and other non-profit entities. Many of our competitors have access to greater financial, technical, research and development, marketing, manufacturing, sales, distribution services and other resources than we do. Our competitors may be more effective at implementing their technologies to develop commercial products. Our competitors may be able to gain market share by offering lower-cost products.

Our competitive position will depend on our ability to achieve market acceptance for our products, develop new products, implement production and marketing plans, secure regulatory approval for products under development, obtain reimbursement under Medicare and obtain patent protection. We may need to develop new applications for our products to remain competitive. Technological advances by one or more of our current or future competitors could render our present or future products obsolete or uneconomical. Our future success will depend upon our ability to compete effectively against current technology as well as to respond effectively to technological advances. Competitive pressures could adversely affect our profitability. For example, two of our largest competitors introduced an onlay dural graft matrix during 2004, and other companies have introduced and may be preparing to introduce similar products. The introduction of such products could reduce the sales, growth in sales and profitability of our duraplasty products.

Our largest competitors in the neurosurgery markets are the Medtronic Neurosurgery division of Medtronic, Inc., the Codman division of Johnson & Johnson, the Aesculap division of B. Braun Medical Inc. and the Valleylab division of Tyco International Ltd. In addition, many of our product lines compete with smaller specialized companies or larger companies that do not otherwise focus on neurosurgery. Our competitors in reconstructive surgery include LifeCell Corporation, Organogenesis Inc., Wright Medical Group, Inc., the DePuy division of Johnson & Johnson, Synthes, Inc. and Stryker Corporation. Some of these are major orthopedic companies that carry a full line of reconstructive products. Our private label products face diverse and broad competition, depending on the market that an individual product addresses.

Finally, in certain cases our products compete primarily against medical practices that treat a condition without using a device, rather than any particular product, such as autograft tissue as an alternative for our dermal regeneration products, our duraplasty products and our nerve repair products.

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 22 businesses or product lines at a total cost of approximately $289 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 potential acquisitions may 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. As we grow by acquisitions, we must integrate and manage the new businesses to 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.

To Market Our Products Under Development We Will First Need To Obtain Regulatory Approval. Further, If We Fail To Comply With The Extensive Governmental Regulations That Affect Our Business, We Could Be Subject To Penalties And Could Be Precluded From Marketing Our Products.

Our research and development activities and the manufacturing, labeling, distribution and marketing of our existing and future products are subject to regulation by numerous governmental agencies in the United States and in other countries. The Food and Drug Administration (FDA) and comparable agencies in other countries impose mandatory procedures and standards for the conduct of clinical trials and the production and marketing of products for diagnostic and human therapeutic use.

Our products under development are subject to FDA approval or clearance prior to marketing for commercial use. The process of obtaining necessary FDA approvals or clearances can take years and is expensive and full of uncertainties. Our inability to obtain required regulatory approval on a timely or acceptable basis could harm our business. Further, approval or clearance may place substantial restrictions on the indications for which the product may be marketed or to whom it may be marketed, the warnings that may be required to accompany the product or additional restrictions placed on the sale and/or use of the product. Further studies, including clinical trials and FDA approvals, may be required to gain approval for the use of a product for clinical indications other than those for which the product was initially approved or cleared or for significant changes to the product. In addition, for products with an approved Pre-Marketing Approval (PMA), the FDA requires annual reports and may require post-approval surveillance programs to monitor the products' safety and effectiveness. Results of post-approval programs may limit or expand the further marketing of the product.

Another risk of application to the FDA relates to the regulatory classification of new products or proposed new uses for existing products. In the filing of each application, we make a legal judgment about the appropriate form and content of the application. If the FDA disagrees with our judgment in any particular case and, for example, requires us to file a PMA application rather than allowing us to market for approved uses while we seek broader approvals or requires extensive additional clinical data, the time and expense required to obtain the required approval might be significantly increased or approval might not be granted.

Approved products are subject to continuing FDA requirements relating to quality control and quality assurance, maintenance of records, reporting of adverse events and product recalls, documentation, and labeling and promotion of medical devices.

The FDA and foreign regulatory authorities require that our products be manufactured according to rigorous standards. These regulatory requirements may significantly increase our production or purchasing costs and may even prevent us from making or obtaining our products in amounts sufficient to meet market demand. If we or a third-party manufacturer change our approved manufacturing process, the FDA may require a new approval before that process may be used. Failure to develop our manufacturing capability may mean that even if we develop promising new products, we may not be able to produce them profitably, as a result of delays and additional capital investment costs. Manufacturing facilities, both international and domestic, are also subject to inspections by or under the authority of the FDA. In addition, failure to comply with applicable regulatory requirements could subject us to enforcement action, including product seizures, recalls, withdrawal of clearances or approvals, restrictions on or injunctions against marketing our product or products based on our technology, cessation of operations and civil and criminal penalties.

We are also subject to the regulatory requirements of countries outside of the United States where we do business. For example, Japan is in the process of reforming its medical device regulations. A recent amendment to Japan's Pharmaceutical Affairs Law went into effect on April 1, 2005. New regulations and requirements exist for obtaining approval of medical devices, including new requirements governing the conduct of clinical trials, the manufacturing of products and the distribution of products in Japan. Significant resources also may be needed to comply with the extensive auditing of and requests for documentation relating to all manufacturing facilities of our company and our vendors by the Ministry of Health, Labor and Welfare in Japan to comply with the amendment to the Pharmaceutical Affairs Law. These new regulations may affect our ability to obtain approvals of new products for sale in Japan.

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 may require 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. 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, the acceptance of our Newdeal products, which previously were distributed by third parties, faces similar competition.

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 of third-party payors could harm acceptance 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.

Our Intellectual Property Rights May Not Provide Meaningful Commercial Protection For Our Products, Which Could Enable Third Parties To Use Our Technology Or Very Similar Technology And Could Reduce Our Ability To Compete In The Market.

Our ability to compete effectively depends in part, on our ability to maintain the proprietary nature of our technologies and manufacturing processes, which includes the ability to obtain, protect and enforce patents on our technology and to protect our trade secrets. We own or have licensed patents that cover aspects of some of our product lines. However, you should not rely on our patents to provide us with any significant competitive advantage. Others may challenge our patents and, as a result, our patents could be narrowed, invalidated or rendered unenforceable. Competitors may develop products similar to ours that our patents do not cover. In addition, our current and future patent applications may not result in the issuance of patents in the United States or foreign countries. Further, there is a substantial backlog of patent applications at the U.S. Patent and Trademark Office, and the approval or rejection of patent applications usually takes approximately two years.

Our Competitive Position Depends, In Part, Upon Unpatented Trade Secrets Which We May Be Unable To Protect.

Our competitive position also depends upon unpatented trade secrets. Trade secrets are difficult to protect. We cannot assure you that others will not independently develop substantially equivalent proprietary information and

techniques or otherwise gain access to our trade secrets, that our trade secrets will not be disclosed or that we can effectively protect our rights to unpatented trade secrets.

In an effort to protect our trade secrets, we require our employees, consultants and advisors to execute proprietary information and invention assignment agreements upon commencement of employment or consulting relationships with us. These agreements provide that, except in specified circumstances, all confidential information developed or made known to the individual during the course of their relationship with us must be kept confidential. We cannot assure you, however, that these agreements will provide meaningful protection for our trade secrets or other proprietary information in the event of the unauthorized use or disclosure of confidential information.

Our Success Will Depend Partly On Our Ability To Operate Without Infringing Or Misappropriating The Proprietary Rights Of Others.

We may be sued for infringing the intellectual property rights of others. In addition, we may find it necessary, if threatened, to initiate a lawsuit seeking a declaration from a court that we do not infringe the proprietary rights of others or that their rights are invalid or unenforceable. If we do not prevail in any litigation, in addition to any damages we might have to pay, we would be required to stop the infringing activity or obtain a license for the proprietary rights involved. Any required license may be unavailable to us on acceptable terms, or at all. In addition, some licenses may be nonexclusive and allow our competitors to access the same technology we license. If we fail to obtain a required license or are unable to design our product so as not to infringe on the proprietary rights of others, we may be unable to sell some of our products, which could have a material adverse effect on our revenues and profitability.

We May Be Involved In Lawsuits Relating To Our Intellectual Property Rights And Promotional Practices, Which May Be Expensive.

To protect or enforce our intellectual property rights, we may have to initiate legal proceedings, such as infringement suits or interference proceedings, against third parties. For example, in December 2005 our Newdeal subsidiary sued Wright Medical Group, Inc. and Wright Medical's French subsidiary alleging that certain products within Wright Medical's "Charlotte System" of foot and ankle products infringe upon Newdeal's foot-and-ankle system. In addition, we may have to institute proceedings regarding our competitors' promotional practices. Litigation is costly, and, even if we prevail, the cost of that litigation could affect our profitability. In addition, litigation is time consuming and could divert management attention and resources away from our business. We may also provoke these third parties to assert claims against us.

It May Be Difficult To Replace Some Of Our Suppliers.

Outside vendors, some of whom are sole-source suppliers, provide key components and raw materials used in the manufacture of our products. Although we believe that alternative sources for many of these components and raw materials are available, any supply interruption in a limited or sole source component or raw material could harm our ability to manufacture our products until a new source of supply is identified and qualified. In addition, an uncorrected defect or supplier's variation in a component or raw material, either unknown to us or incompatible with our manufacturing process, could harm our ability to manufacture products. We may not be able to find a sufficient alternative supplier in a reasonable time period, or on commercially reasonable terms, if at all, and our ability to produce and supply our products could be impaired. We believe that these factors are most likely to affect the following products that we manufacture:

- our collagen-based products, such as the INTEGRA(R) Dermal Regeneration Template and wound dressing products, the DuraGen(R) family of products, and our Absorbable Collagen Sponges;
- our products made from silicone, such as our neurosurgical shunts and drainage systems and hemodynamic shunts; and
- products which use many different electronic parts from numerous suppliers, such as our intracranial monitors and catheters.

If we were suddenly unable to purchase products from one or more of these companies, we would need a significant period of time to qualify a replacement, and the production of any affected products could be disrupted. While it is our policy to maintain sufficient inventory of components so that our production

will not be significantly disrupted even if a particular component or material is not available for a period of time, we remain at risk that we will not be able to qualify new components or materials quickly enough to prevent a disruption if one or more of our suppliers ceases production of important components or materials.

If Any Of Our Manufacturing Facilities Were Damaged And/Or Our Manufacturing Or Business Processes Interrupted, We Could Experience Lost Revenues And Our Business Could Be Seriously Harmed.

We manufacture our products in a limited number of facilities. Damage to our manufacturing, development or research facilities due to fire, natural disaster, power loss, communications failure, unauthorized entry or other events could cause us to cease development and manufacturing of some or all of our products. In particular, our San Diego, California facility that manufactures our Camino(R), Ventrix(R) and LICOX(R) catheter product lines is as susceptible to earthquake damage, wildfire damage and power losses from electrical shortages as are other businesses in the Southern California area. Our Anasco, Puerto Rico plant, where we manufacture collagen, silicone and our private label products, is vulnerable to hurricane, storm and wind damage. Although we maintain property damage and business interruption insurance coverage on these facilities, our insurance might not cover all losses under such circumstances and we may not be able to renew or obtain such insurance in the future on acceptable terms with adequate coverage or at reasonable costs.

In addition, we began implementing an enterprise business system in 2004, which we intend to use in all of our facilities. This system, the hosting and maintenance of which we outsource, replaces several systems on which we previously relied and will be implemented in several stages. We have outsourced our product distribution function in the United States and in the fourth quarter of 2005 began to outsource our European product distribution function. A delay or other problem with the system or in our implementation schedule for any of these initiatives could have a material adverse effect on our operations.

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. In 2004 and 2005, the cost of products we manufactured in our European facilities or purchased in foreign currencies exceeded our foreign currency-denominated revenues. We expect this imbalance to continue. Accordingly, a weakening of the dollar against the euro and British pound could negatively affect future gross margins and operating margins.

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.

Changes In The Health Care Industry May Require Us To Decrease The Selling Price For Our Products Or May Reduce The Size Of The Market For Our Products, Either Of Which Could Have A Negative Impact On Our Financial Performance.

Trends toward managed care, health care cost containment and other changes in government and private sector initiatives in the United States and other countries in which we do business are placing increased emphasis on the delivery of more cost-effective medical therapies that could adversely affect the sale and/or the prices of our products. For example:

- major third-party payors of hospital services and hospital outpatient services, including Medicare, Medicaid and private health care insurers, annually revise their payment methodologies, which can result in stricter standards for reimbursement of hospital charges for certain medical procedures;
- Medicare, Medicaid and private health care insurer cutbacks could create downward price pressure on our products;
- potential legislative proposals have been considered that would result in major reforms in the U.S. health care system that could have an adverse effect on our business;
- there has been a consolidation among health care facilities and purchasers of medical devices in the United States who prefer to limit the number of suppliers from whom they purchase medical products, and these entities may decide to stop purchasing our products or demand discounts on our prices;
- we are party to contracts with group purchasing organizations, which negotiate pricing for many member hospitals, that require us to discount our prices for certain of our products and limit our ability to raise prices for certain of our products, particularly surgical instruments;
- there is economic pressure to contain health care costs in domestic and international markets;
- there are proposed and existing laws, regulations and industry policies in domestic and international markets regulating the sales and marketing practices and the pricing and profitability of companies in the health care industry;
- proposed laws or regulations that will permit hospitals to provide financial incentives to doctors for reducing hospital costs (known as gainsharing) and to award physician efficiency (known as physician profiling) could reduce prices; and
- there have been initiatives by third-party payors to challenge the prices charged for medical products that could affect our ability to sell products on a competitive basis.

Both the pressures to reduce prices for our products in response to these trends and the decrease in the size of the market as a result of these trends could adversely affect our levels of revenues and profitability of sales.

Regulatory Oversight Of The Medical Device Industry Might Affect The Manner In Which We May Sell Medical Devices

There are laws and regulations that regulate the means by which companies in the health care industry may market their products to health care professionals and may compete by discounting the prices of their products. Although we exercise care in structuring our sales and marketing practices and customer discount arrangements to comply with those laws and regulations, we cannot assure you that:

- government officials charged with responsibility for enforcing those laws will not assert that our sales and marketing practices or customer discount arrangements are in violation of those laws or regulations; or
- government regulators or courts will interpret those laws or regulations in a manner consistent with our interpretation.

In January 2004, ADVAMED, the principal U.S. trade association for the medical device industry, put in place a model "code of conduct" that sets forth standards by which its members should abide in the promotion of their products. We have in place policies and procedures for compliance that we believe are at

least as stringent as those set forth in the ADVAMED Code, and we provide routine training to our sales and marketing personnel on our policies regarding sales and marketing practices. Nevertheless, the sales and marketing practices of our industry has been the subject of increased scrutiny from government agencies, and we believe that this trend will continue.

Our Private Label Business Depends Significantly On Key Relationships With Third Parties, Which We May Be Unable To Establish And Maintain.

Our private label business depends in part on our entering into and maintaining collaborative or alliance agreements with third parties concerning product marketing, as well as research and development programs. Our most important alliance is our agreement with the Wyeth BioPharma division of Wyeth for the development of collagen matrices to be used in conjunction with Wyeth BioPharma's recombinant bone protein, a protein that stimulates the growth of bone in humans. The third parties with whom we have entered into agreements might terminate these agreements for a variety of reasons, including developing other sources for the product supplied by us. Termination of any of our alliances would require us to develop other means to distribute the affected products and could adversely affect our expectations for the growth of private label products.

We May Have Significant Product Liability Exposure And Our Insurance May Not Cover All Potential Claims.

We are exposed to product liability and other claims in the event that our technologies or products are alleged to have caused harm. We may not be able to obtain insurance for the potential liability on acceptable terms with adequate coverage or at reasonable costs. Any potential product liability claims could exceed the amount of our insurance coverage or may be excluded from coverage under the terms of the policy. Our insurance may not be renewed at a cost and level of coverage comparable to that then in effect.

We Are Subject To Regulatory Requirements Relating To The Use Of Hazardous Substances Which May Impose Significant Compliance Costs On Us.

Our research, development and manufacturing processes involve the controlled use of certain hazardous materials. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and certain waste products. Although we believe that our safety procedures for handling and disposing of those materials comply with the standards prescribed by the applicable laws and regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. In the event of such an accident, we could be held liable for any damages that result and any related liability could exceed the limits or fall outside the coverage of our insurance and could exceed our resources. We may not be able to maintain insurance on acceptable terms or at all.

The Loss Of Key Personnel Could Harm Our Business.

We believe our success depends on the contributions of a number of our key personnel, including Stuart M. Essig, our President and Chief Executive Officer. If we lose the services of key personnel, those losses could materially harm our business. We maintain key person life insurance on Mr. Essig and two other members of management.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in Plainsboro, New Jersey. Principal manufacturing and research facilities are located in New Jersey, Massachusetts, Ohio, California, Puerto Rico, England and France. Our instrument procurement operations are located in Germany. Our primary distribution centers are located in Nevada, New York, England, France and Belgium. In addition, we lease several smaller facilities to support additional administrative, assembly, and distribution operations. The Sparkes, Nevada and Ghent, Belgium facilities are owned and operated by third parties. We lease all of our facilities other than our facilities in England, and Biot, France, which we own.

All of our manufacturing facilities (other than one outside of the United States) are registered with the FDA. Our facilities are subject to FDA inspection to assure compliance with Quality System Regulations. We believe that our manufacturing facilities are in substantial compliance with Quality System Regulations, suitable for their intended purposes and have capacities adequate for current and projected needs for existing products. Some capacity of the plants is being converted, with any needed modification, to meet the current and projected requirements of existing and future products.

ITEM 3. LEGAL PROCEEDINGS

In July 1996, we filed a patent infringement lawsuit in the United States District Court for the Southern District of California (the "Trial Court") against Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps, seeking damages and injunctive relief. The complaint charged, among other things, that the defendant Merck KGaA willfully and deliberately induced, and continues willfully and deliberately to induce, defendants Scripps Research Institute and Dr. Cheresh to infringe certain of our patents. These patents are part of a group of patents granted to The Burnham Institute and licensed by us 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 defendants filed a countersuit asking for an award of defendants' reasonable attorney fees.

In March 2000, a jury returned a unanimous verdict in our favor and awarded us $15.0 million in damages, finding that Merck KGaA had willfully infringed and induced the infringement of our patents. The Trial Court dismissed Scripps and Dr. Cheresh from the case.

In October 2000, the Trial Court entered judgment in our favor and against Merck KGaA in the case. In entering the judgment, the Trial Court also granted to us pre-judgment interest of $1.4 million, bringing the total award to $16.4 million, plus post-judgment interest. Merck KGaA filed various post-trial motions requesting a judgment as a matter of law notwithstanding the verdict or a new trial, in each case regarding infringement, invalidity and damages. In September 2001, the Trial Court entered orders in favor of us and against Merck KGaA on the final post-judgment motions in the case, and denied Merck KGaA's motions for judgment as a matter of law and for a new trial.

Merck KGaA and we each appealed various decisions of the Trial Court to the United States Court of Appeals for the Federal Circuit (the "Circuit Court"). In June 2003, the Circuit Court affirmed the Trial Court's finding that Merck KGaA had infringed our patents. The Circuit Court also held that the basis of the jury's calculation of damages was not clear from the trial record, and remanded the case to the Trial Court for further factual development and a new calculation of damages consistent with the Circuit Court's decision. In September 2004, the Trial Court ordered Merck KgaA to pay us $6.4 million in damages following the Circuit Court's order. Merck KgaA filed a writ for 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 will review the evidence under a reasonableness test that does not provide categorical exclusions of certain types of activities.

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.

Three of our French subsidiaries that were acquired from the neurosciences division of NMT Medical, Inc. received a tax reassessment notice from the French tax authorities seeking in excess of 1.7 million euros in back taxes, interest and penalties. NMT Medical, the former owner of these entities, has agreed to indemnify us against direct damages and liability arising from misrepresentations in connection with these tax claims. In April 2005, NMT Medical, Inc. negotiated a settlement agreement with the French authorities that

satisfied the outstanding tax assessments. In connection with this settlement, we recognized net operating loss carryforwards in France and recorded this benefit as a $0.5 million tax benefit in 2005.

In addition to these matters, we are subject to various claims, lawsuits and proceedings in the ordinary course of our business, including claims by current or 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

ADDITIONAL INFORMATION:

The following information is furnished in this Part I pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

Executive Officers of the Company

Our executive officers are appointed annually and serve at the discretion of the Board of Directors. The only family relationship between any of our executive officers and directors is that Mr. Holtz is the nephew of Richard E. Caruso, Ph.D., the Chairman of the Board of Directors. The following information indicates the position and age of our executive officers as of the date of this report and their previous business experience.

NAME	AGE	POSITION
Stuart M. Essig	44	President, Chief Executive Officer and Director
Maureen B. Bellantoni	56	Executive Vice President and Chief Financial Officer
Gerard S. Carlozzi	50	Executive Vice President and Chief Operating Officer
John B. Henneman, III	44	Executive Vice President, Chief Administrative Officer and Secretary
David B. Holtz	39	Senior Vice President, Finance
Deborah A. Leonetti	50	Senior Vice President, Global Marketing
Donald R. Nociolo	43	Senior Vice President, Operations
Judith E. O'Grady	55	Senior Vice President, Regulatory, Quality Assurance and Clinical Affairs
Robert D. Paltridge	48	Senior Vice President, Global Sales

Stuart M. Essig has served as President and Chief Executive Officer and a director of Integra since December 1997. Before joining Integra, Mr. Essig supervised the medical technology practice at Goldman, Sachs & Co. as a managing director. Mr. Essig had ten years of broad health care experience at Goldman Sachs serving as a senior merger and acquisitions advisor to a broad range of domestic and international medical technology, pharmaceutical and biotechnology clients. Mr. Essig also serves on the Board of Directors of St. Jude Medical

Corporation, Zimmer Holdings, Inc. and ADVAMED, the Advanced Medical Technology Association. Mr. Essig received an A.B. degree from the Woodrow Wilson School of Public and International Affairs at Princeton University and an M.B.A. and a Ph.D. degree in Financial Economics from the University of Chicago, Graduate School of Business.

Maureen B. Bellantoni is Integra's Executive Vice President and Chief Financial Officer, and is responsible for the company's finance department, including the corporate controller, financial reporting, internal audit, tax, and treasury functions of the company. Ms. Bellantoni joined Integra in January 2006. Ms. Bellantoni served as Senior Vice President and Chief Financial Officer of CP Kelco, a global leader in the hydrocolloids market from 2003 through its sale to J.M. Huber in October 2004. From 2000 to 2002, Ms. Bellantoni served as Chief Financial Officer North America and Senior Vice President of Finance of Burger King. During 1999 to 2000, she served as Executive Vice President Finance, for Rohn Industries Inc. a publicly traded telecommunications company. From 1993 to 1998, she served at Sara Lee Corporation as President and Chief Operating Officer for their Bil Mar Foods division, Vice President, Finance and Chief Financial Officer for Sara Lee Meats, and Vice President, Finance and Chief Financial Officer for PYA/Monarch, Inc. From 1985 to 1993, Ms. Bellantoni was with Emerson Electric Company, as Vice President, Finance and Chief Financial Officer for their Automatic Switch Division and Vice President, Far East and Vice President, Finance and Chief Financial Officer for the Branson Ultrasonics Corporation. Ms. Bellantoni received a B.S. degree in finance from the University of Bridgeport and an M.B.A. from the University of Connecticut.

Gerard S. Carlozzi is Integra's Executive Vice President and Chief Operating Officer, and is responsible for the company's marketing, sales, manufacturing, distribution and research and development functions. Mr. Carlozzi joined Integra in September 2003, after serving as a consultant to the Company from March 2003 to September 2003. Prior to joining Integra, Mr. Carlozzi had spent over 25 years in the medical device industry. From 1999 to 2003, he was President, Chief Executive Officer and a director of Bionx Implants, a company focused on the development of novel biomaterial devices for various surgical specialties. Prior to 1999, he held various management positions with Synthes USA, Acufex microsurgical and Infusaid Corporation. Mr. Carlozzi also serves on the Board of Directors of Cascade Medical Corporation and Scandius Biomedical, Inc., privately held companies. Mr. Carlozzi received a B.S. degree in engineering and an M.B.A. from Northeastern University.

John B. Henneman, III is Integra's Executive Vice President, Chief Administrative Officer and Secretary, and is responsible for the law department, regulatory affairs, corporate quality systems, clinical affairs, business development, human resources, information management and investor relations. Mr. Henneman was our General Counsel from September 1998 until September 2000 and our Senior Vice President, Chief Administrative Officer and Secretary from September 2000 until February 2003. Prior to joining Integra in August 1998, Mr. Henneman served Neuromedical Systems, Inc., a public company developer and manufacturer of in vitro diagnostic equipment, in various capacities for more than four years. Mr. Henneman received an A.B. degree from Princeton University and a J.D. from the University of Michigan Law School.

David B. Holtz joined Integra as Controller in 1993, served as Vice President, Finance and Treasurer from March 1997 to January 2001, was promoted to Senior Vice President, Finance and Treasurer in February 2001 and served as Treasurer until 2004. From August 2002 through October 2003, Mr. Holtz was given responsibility for managing Integra's European operations to support the transition of our acquisitions in Europe. His current responsibilities include managing all financial reporting and accounting functions. Before joining Integra, Mr. Holtz was an associate with Coopers & Lybrand, L.L.P. in Philadelphia and Cono Leasing Corporation, a private leasing company. Mr. Holtz received a B.S. degree in Business Administration from Susquehanna University and has been certified as a public accountant.

Deborah A. Leonetti joined Integra in May of 1997 as Director of Marketing, was promoted to Vice President, Global Marketing in April 1999 and to Senior Vice President, Global Marketing in May 2004. Her responsibilities include worldwide strategic marketing for all Integra products. From September 1989 through May 1997, Ms. Leonetti worked for Cabot Medical, which was later acquired by Circon Corporation, and held positions in sales, sales training, and marketing. Prior to her experience at Cabot Circon, Ms. Leonetti completed fifteen years of clinical practice as a registered nurse at St. Christopher's Hospital for Children in Philadelphia. Ms. Leonetti received a nursing degree from St. Joseph's Hospital School of Nursing and La Salle University.

Donald R. Nociolo joined Integra as Director of Manufacturing in 1994, and was promoted to Vice President, Operations in March 1997 and to Senior Vice President, Operations in May 2000. He is responsible for managing Integra's

worldwide manufacturing operations. Mr. Nociolo has approximately 20 years experience working in engineering and manufacturing management in the medical device industry. Six of those years were spent working at ETHICON, Inc., a division of Johnson & Johnson. Mr. Nociolo received a B.S. degree in Industrial Engineering from Rutgers University and an M.B.A. in Industrial Management from Fairleigh Dickinson University.

Judith E. O'Grady joined Integra as Senior Vice President of Regulatory Affairs, Quality Assurance and Clinical Affairs in 1985. Ms. O'Grady has worked in the areas of medical devices and collagen technology for over 20 years. Prior to joining Integra, Ms. O'Grady worked for Colla Tec, Inc., a Marion Merrell Dow Company. During her career she has held positions with Surgikos, a Johnson & Johnson Company, and was on the faculty of Boston University College of Nursing and Medical School. Ms. O'Grady led the team that obtained the FDA approval for INTEGRA(R) Dermal Regeneration Template, the first regenerative product approved by the FDA, and has led teams responsible for approvals of the Company's other regenerative product lines as well as more than 500 FDA and international submissions. Ms. O'Grady received a B.S. degree from Marquette University and M.S.N. in Nursing from Boston University.

Robert D. Paltridge joined Integra as National Sales Director in February 1995 and was appointed Vice President, North American Sales in September 1997. He was promoted to Vice President, Global Sales in October 2002 and Senior Vice President, Global Sales in January 2003. His responsibilities include managing the worldwide sales activities of Integra's three sales organizations and third party distributors. Mr. Paltridge has over 20 years of sales and sales management experience in the medical device industry. Before joining Integra, he was National Sales Manager at Strato Medical, a division of Pfizer, Inc. He received a B.S. degree in Business Administration from Rutgers University.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information, Holders and Dividends

Our common stock trades on The NASDAQ National Market under the symbol "IART". The following table lists the high and low sales prices for our common stock for each quarter for the last two years:

	2005		2004	
	HIGH	LOW	HIGH	LOW
Fourth Quarter	$ 38.89	$ 32.00	$ 37.36	$ 29.41
Third Quarter	$ 38.26	$ 28.74	$ 35.79	$ 27.14
Second Quarter	$ 37.31	$ 28.69	$ 36.00	$ 29.76
First Quarter	$ 39.87	$ 34.75	$ 33.86	$ 28.74

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. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Requirements and Capital Resources." Any future determinations to pay cash dividends on the common stock will be at the discretion of our Board of Directors and will depend upon our results of operations and financial condition and other factors deemed relevant by the Board of Directors.

The number of stockholders of record as of March 11, 2006 was approximately 530, which includes stockholders whose shares were held in nominee name.

Issuer Purchases of Equity Securities

In May 2005, our Board of Directors authorized us to repurchase shares of our common stock for an aggregate purchase price not to exceed $40 million through December 31, 2006. We were authorized to repurchase no more than 1.5 million shares under this program. During the quarter ended June 30, 2005, we repurchased 750,000 shares of our common stock for $24.7 million under the May 2005 repurchase program. In October 2005, our Board of Directors terminated the May 2005 repurchase program and adopted a new program that authorized us to repurchase shares of our common stock for an aggregate purchase price not to exceed $50 million through December 31, 2006. During the quarter ended December 31, 2005, we repurchased 900,000 shares of our common stock for $31.7 million under the October 2005 repurchase program. In February 2006, our Board of Directors terminated the October 2005 repurchase program and adopted a new program that authorizes 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 December 31, 2005 under the October 2005 repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Program	Dollar Value of Shares that May Yet be Purchased Under the Program
October 1, 2005 - October 31, 2005	37,000	34.14	37,000	$48,736,713
November 1, 2005 - November 30, 2005	798,107	35.15	798,107	20,682,146
December 1, 2005 - December 31, 2005	64,893	36.56	64,893	18,309,396
Total	900,000	$ 35.21	900,000	$18,309,396

ITEM 6. SELECTED FINANCIAL DATA

The information set forth below should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report. We have acquired numerous businesses and product lines during the previous five years. As a result of these acquisitions, the consolidated financial results and balance sheet data for certain of the periods presented below may not be directly comparable.

	Years Ended December 31,				
	2005	2004	2003	2002	2001
	(in thousands, except per share data)				
Operating Results:					
Total revenues (1)	$277,935	$229,825	$185,599	$117,822	$ 93,442
Total operating costs and expenses (2)	221,830	205,046	145,952	98,635	79,156
Operating income	56,105	24,779	39,647	19,187	14,286
Interest income (expense), net	(265)	555	471	3,535	1,393
Other income (expense), net (3)	(739)	2,674	3,071	3	(392)
Income before income taxes	55,101	28,008	43,189	22,725	15,287
Income tax expense (benefit) (4)	17,907	10,811	16,328	(12,552)	(10,876)
Net income	$37,194	$17,197	$26,861	$35,277	$ 26,163
Diluted net income per share	$ 1.15	$ 0.55	$ 0.86	$ 1.14	$ 0.92
Weighted average shares outstanding	34,565	31,102	33,104	30,720	27,196

	December 31,				
	2005	2004	2003	2002	2001
	(in thousands)				
Financial Position:					
Cash, cash equivalents, and marketable securities (5)	$143,384	$195,982	$206,743	$132,311	$131,036
Total assets	448,432	456,713	412,526	274,668	227,588
Long-term debt (5)	118,378	118,900	119,427	--	--
Retained earnings/(accumulated deficit)	36,929	(265)	(17,462)	(44,323)	(79,600)
Stockholders' equity	289,818	307,823	268,530	247,597	204,056

(1) In 2003, we recorded $11.0 million of other revenue related to the acceleration of the recognition of unused minimum purchase payments and deferred license fee revenue from ETHICON, Inc., a division of Johnson & Johnson, following the termination of the supply distribution and collaboration agreement with ETHICON in December 2003.

(2) In 2004, we recorded $23.9 million in share based compensation charges incurred in connection with the extension of the employment agreement of our President and Chief Executive Officer.

(3) In 2004, we recorded a $1.4 million gain in other income related to an unrealized gain on a foreign currency collar which was used to reduce our exposure to fluctuations in the exchange rate between the euro and the US dollar as a result of our commitment to acquire Newdeal Technologies SAS for 38.5 million euros. The collar contract expired on January 3, 2005, concurrent with our acquisition of Newdeal Technologies. In 2003, we recorded a $2.0 million gain in other income (expense) associated with a termination payment received from ETHICON.

(4) In 2002 and 2001, we recognized a deferred income tax benefit of $20.4 million and $11.5 million, respectively, primarily related to the reduction of a portion of the valuation allowance recorded against our deferred tax assets.

(5) In 2003, we issued $120.0 million of 2.5% contingent convertible subordinated notes due 2008. The net proceeds generated by the notes, after expenses, were $115.9 million. The notes are convertible into approximately 3.5 million shares of our common stock.

ITEM 7. 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 together with the selected consolidated financial data and our financial statements and the related notes appearing elsewhere in this report. This discussion and analysis contains forward looking statements that involve risks, uncertainties and assumptions. 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 under the heading "Factors That May Affect Our Future Performance."

Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for the use of certain non-GAAP financial information. In Management's Discussion and Analysis of Financial Condition and Results of Operations, we provide information regarding growth in product revenues excluding recently acquired product lines, which is a non-GAAP financial measure. A reconciliation of this non-GAAP financial measure to the most comparable GAAP measure is provided in this annual report.

This non-GAAP financial measure should not be relied upon to the exclusion of GAAP financial measures. Management believes that this non-GAAP financial measure constitutes important supplemental information to investors which reflects an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the accompanying reconciliations, provides a more complete understanding of factors and trends affecting our ongoing business and operations. Management strongly encourages investors to review our financial statements and publicly filed reports in their entirely and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names.

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), one network of manufacturer's representatives managed by a direct sales organization (JARIT Surgical Instruments) 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, 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.

Our product groups include Instruments, Implants, Monitoring Products, and Private Label Products. Our Instruments product group includes ultrasonic surgery systems for tissue ablation, cranial stabilization and brain retraction systems, and instrumentation used in general, neurosurgical, spinal and plastic and reconstructive surgery. Our Implants product group includes dural grafts that are indicated for the repair of the dura mater, dermal regeneration and engineered wound dressings, and implants used in small bone and joint fixation, repair of peripheral nerves, and hydrocephalus management. Our Monitoring Products group includes 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. Our Private Label product group includes implants used in bone regeneration and in guided tissue regeneration in periodontal surgery.

We manufacture many of our implant, monitoring and private label products in various plants located in the United States, Puerto Rico, France, the United Kingdom and Germany. We also manufacture the 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 facility in Plainsboro, New Jersey. Taken together, these products accounted for approximately 31%, 31% and 27% of product revenues in the years ended December 31, 2005, 2004 and 2003, respectively.

We manage these multiple 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.

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 both 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 tend to support the view that our profitability can grow for a period of years. These measurements include revenue growth, derived through acquisitions and products developed internally, gross margins on products revenues, which we aim to increase to more than 65% over a period of several years, 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 year ended December 31, 2005 not directly comparable to those of the corresponding prior year periods. Since the beginning of 2003, we have acquired the following businesses, assets and product lines:

In March 2006, Integra acquired the assets of the Radionics Division of Tyco Healthcare Group, L.P. for approximately $76 million in cash, subject to certain adjustments. 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 the 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 likely to use distributors in many of the markets in which Tyco Healthcare sold direct. As a result, we expect that revenue and pre tax income attributable to the acquired product lines will be reduced from the 2005 reported levels. 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. Overall, the acquired business has been growing at rates below our corporate growth rate targets.

In September 2005, we acquired the intellectual property estate of Eunoe, Inc. for $0.5 million in cash. Prior to ceasing operations, Eunoe, Inc. was engaged in the development of its innovative COGNIShunt(R) system for the treatment of Alzheimer's disease patients. The acquired intellectual property has not been developed into a product that has been approved or cleared by the FDA and has no future alternative use other than in clinical applications involving the regulation of cerebrospinal fluid. Accordingly, we recorded the entire acquisition price as an in-process research and development charge in 2005.

In January 2005, we acquired all of the outstanding capital stock of Newdeal Technologies SAS. We paid $51.9 million (38.3 million euros) in cash at closing, a $0.7 million working capital adjustment paid in January 2006, and $0.8 million of acquisition related expenses.

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. At the time of the acquisition, Newdeal sold its products through a direct sales force in France, Belgium and the Netherlands, and through distributors in more than 30 countries, including the United States and Canada. During 2005, we began to market the Newdeal products directly in the United States through our Integra Reconstructive Surgery sales force. Newdeal's target physicians include orthopedic surgeons specializing in injuries of the foot, ankle and extremities, as well as podiatric surgeons.

In May 2004, we acquired the MAYFIELD(R) Cranial Stabilization and Positioning Systems and the BUDDE(R) Halo Retractor System business from Schaerer Mayfield USA, Inc. (formerly Ohio Medical Instrument Company) for $20.0 million in cash paid at closing, a $0.3 million working capital adjustment and $0.3 million of acquisition related expenses. The MAYFIELD(R) and BUDDE(R) lines include skull clamps, headrests, reusable and disposable skull pins, blades, retractor systems and spinal implants. MAYFIELD systems are the market leader in the United States and have been used by neurosurgeons for over thirty years. The products are sold in the United States through our Integra NeuroSciences(TM) direct sales organization and in international markets through distributors.

In May 2004, we acquired all of the capital stock of Berchtold Medizin-Elektronik GmbH, now named Integra ME GmbH, from Berchtold Holding GmbH for $5.0 million in cash. Integra ME manufactures and markets the ELEKTROTOM(R) line of electrosurgery generators and the SONOTOM(R) ultrasonic surgical aspirator, as well as a broad line of related handpieces, instruments and disposables used in many surgical procedures, including neurosurgery.

In January 2004, we acquired two small instruments businesses: the R&B instrument business from R&B Surgical Solutions, LLC for $2.0 million in cash and the Sparta disposable critical care devices and surgical instruments business from Fleetwood Medical, Inc. for $1.6 million in cash. The R&B instrument line is a complete line of high quality handheld surgical instruments used in neuro- and spinal surgery. The Sparta product line includes products used in plastic and reconstructive, ear, nose and throat (ENT), neuro, ophthalmic and general surgery.

In December 2003, we acquired the assets of Reconstructive Technologies, Inc. for $0.4 million in cash and an agreement to make future payments based on product sales. Reconstructive Technologies was the developer of the Automated Cyclic Expansion System (ACE System(TM)), a tissue expansion device. As the ACE system was not yet approved for sale, we recorded a $0.4 million in process research and development charge in connection with this acquisition. We are evaluating the regulatory, engineering, and clinical efforts necessary to develop and launch the ACE System.

RESTRUCTURING ACTIVITIES

During the second quarter of 2005, we announced plans to restructure certain of our European operations. The restructuring plan included closing our Integra ME production facility in Tuttlingen, Germany and reducing the manufacturing overhead workforce in our production facility located in Biot, France, both of which were completed in December 2005. We transitioned the manufacturing operations of Integra ME to our production facility in Andover, England. During the second quarter of 2005, we also eliminated some duplicative sales and marketing positions, primarily in Europe. Approximately 68 individuals were identified for termination under the European restructuring plan. As of December 31, 2005, we terminated 65 of these individuals.

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.

In connection with these restructuring activities, we recorded $4.0 million of charges in 2005 for the estimated costs of employee termination benefits to be provided to the affected employees and related facility exit costs.

While we expect a positive impact of the restructuring and integration activities, such results remain uncertain. We expect to reinvest most of the savings from these restructuring and integration activities in further expanding our European sales, marketing and distribution organization, and adding the Newdeal group's business to our existing sales and distribution network.

RESULTS OF OPERATIONS

Net income in 2005 was $37.2 million, or $1.15 per diluted share, as compared to net income of $17.2 million, or $0.55 per diluted share, in 2004 and net income of $26.9 million, or $0.86 per diluted share, in 2003. These amounts include the following charges:

(in thousands)	2005	2004	2003
CHARGES:			
Involuntary employee termination costs	$ 3,861	$	$ 120
Facility consolidation, acquisition integration and related costs	2,340		987
Acquired in-process research and development	500	--	400
Costs associated with discontinued products lines	478	--	--
Inventory fair market value purchase accounting adjustments	466	270	1,261
Cash donation to the Integra Foundation	250		2,000
Acquired technology licensing and milestone payments		1,855	
Tax charge incurred in connection with the reorganization of certain European operations.	--	1,300	--
Total	$ 7,895	$ 3,425	$ 4,768

In 2004, we recognized $1.4 million of other income related to an unrealized gain on a foreign currency collar, which was used to reduce our exposure to fluctuations in the exchange rate between the euro and the US dollar as a result of our commitment to acquire Newdeal Technologies for 38.5 million euros. The foreign currency collar expired in January 2005, concurrent with our acquisition of Newdeal Technologies.

We believe that, given our ongoing, active strategy of seeking acquisitions, our current focus on rationalizing our existing manufacturing and distribution infrastructure, and our recent review of various product lines in relation to our current business strategy, the charges and amounts recorded to other income 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 also includes the following amounts:

In 2005, we recognized an additional $1.3 million of royalty revenue related to a change in the manner we use to estimate royalties earned based on Medtronic's sales of its INFUSE(TM) bone graft product. Prior to 2005, we recognized this royalty revenue when Wyeth paid us royalties because Wyeth did not provide information to us about the royalty amount earned each quarter prior to us reporting our quarterly financial results and we did not have a reliable basis for otherwise estimating and recording royalty revenue in the same quarter it was earned. However, we now receive quarterly royalty revenue information from Wyeth more quickly, we have sufficient historical information available to help us estimate, and the volatility in the royalty earned each quarter has decreased significantly. Accordingly, we started recognizing this royalty on an accrual basis in the quarter earned.

In 2004, we recognized a $23.9 million non-cash compensation charge related to the renewal of our Chief Executive Officer's employment agreement.

In 2003, we recorded $11.0 million of other revenue related to the acceleration of the recognition of unused minimum purchase payments and unamortized license fee revenue from ETHICON following the termination of the Supply, Distribution and Collaboration agreement in December 2003. We also received a $2.0 million payment from ETHICON from the termination of our agreement with them, which is included in other income.

These amounts represent revenues, gains, and charges resulting from facts and circumstances that, based on our recent history and future expectations, are not expected to recur with similar materiality or impact on continuing operations.

We believe that the identification of these revenues, charges and gains that meet these criteria promotes comparability of reported financial results for the periods presented.

Total Revenues and Gross Margin on Product Revenues (Exclusive of Amortization Related to Acquired Intangible Assets)

(in thousands, except per share data)	2005	2004	2003
Monitoring products	$ 48,940	$ 48,217	$ 44,229
Implant products	108,156	78,418	53,301
Instruments	91,918	77,667	47,168
Private label products	28,757	24,188	21,997
Total product revenues	277,771	228,490	166,695
Other revenue	164	1,335	18,904
Total revenues	277,935	229,825	185,599
Cost of product revenues (exclusive of amortization related to acquired intangible assets)	105,536	87,299	70,597
Gross margin on product revenues	172,235	141,191	96,098
Gross margin as a percentage of product revenues	62%	62%	58%

In 2005, total revenues increased 21% over 2004 to $277.9 million, led by a $49.3 million, or 22%, increase in product revenues to $277.8 million. Domestic product revenues increased $26.4 million in 2005 to $207.2 million, or 75% of total product revenues, as compared to 79% and 80% of product revenues in 2004 and 2003, respectively. Sales of instruments and implant products, which reported a 38% and 18% increase, respectively, in sales over 2004, led our growth in product revenues in 2005.

In 2004, total revenues increased 24% over 2003 to $229.8 million, led by a $61.8 million, or 37%, increase in product revenues to $228.5 million. Domestic product revenues increased $48.1 million in 2004 to $180.9 million. Sales of instruments and implant products, which reported a 65% and 47% increase, respectively, in sales over 2003, led our growth in product revenues in 2004.

Reported product revenues for 2005 and 2004 included the following amounts in revenues from acquired product lines:

	2005 Revenues	2004 Revenues	% change
	(in thousands)		
Total Product Revenues			
Products acquired during 2005	$ 17,033	$	N/M
Products acquired during 2004	9,343	2,770	N/M
All other product revenues	251,395	225,720	11%
Total product revenues	277,771	228,490	22%

All of the products acquired in 2005 were added to the implants product group, while all of the products acquired in 2004 were added to the instrument product group.

Product revenues excluding 2005 and 2004 acquisitions grew at 11% for the year ended December 31, 2005 as compared to 2004. Increased sales of our implant products used for skin replacement and wound dressings, dural repair, and repair and protection of peripheral nerves, our surgical instrumentation and ultrasonic surgery systems for tissue ablation, and revenues from our Absorbable Collagen Sponge product sold to Wyeth accounted for a significant portion of this growth. Changes in foreign currency exchange rates did not have a significant effect on the year-over-year increase in product revenues.

Product revenues in 2004 and 2003, included $53.5 million and $24.5 million, respectively, in sales of products acquired in either 2003 or 2004. Increased sales of our implant products used for skin replacement and wound dressings and dural repair and increased revenues from our Absorbable Collagen Sponge product sold to Wyeth drove this revenue growth. Changes in foreign currency exchange rates in 2004 had a $2.8 million favorable effect on the year over year increase in product revenues.

We have developed a new targeted account sales and marketing strategy for products in the monitoring category and expect that it will contribute to improvements in the performance of our monitoring products in future periods.

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. Overall, we expect our revenues to continue to grow in the range of 20% to 30% per annum. We expect organic revenue growth in excess of 15% per annum.

Gross margin as a percentage of product revenues (exclusive of amortization related to acquired intangible assets) was 62% in 2005, 62% in 2004 and 58% in 2003. Cost of product revenues included $0.5 million, $0.3 million, and $1.3 million in fair value inventory purchase accounting adjustments recorded in connection with acquisitions in 2005, 2004 and 2003, respectively. Our gross margin in 2005 was also negatively affected by $2.6 million of termination costs incurred in connection with our European restructuring activities, $0.9 million of charges associated with facility consolidations and $0.3 million of charges associated with a discontinued product line. Continued growth in sales of higher margin products, including our skin replacement and wound dressing implants, dural repair implants, cranial stabilization systems, and recently acquired foot and ankle implant products offset the impact of the charges recorded in 2005.

In 2006, we expect our consolidated gross margin to increase. We expect that sales of our higher gross margin products will continue to increase as a proportion of total product revenues. Also, we have begun to bill hospital customers directly for sales of JARIT instruments to them, rather than distributors. We expect that this will result in increased product revenues, a higher gross margin, and increased selling expenses. We anticipate that the relatively lower gross margin generated from sales of Radionics products will offset some of these benefits.

Gross margins in 2004 improved as compared to 2003 as a result of increased sales of higher margin products, including our skin replacement and wound dressing implants and dural repair implants and the cranial stabilization systems acquired in 2004, and from the negative impact of the $1.3 million in fair value inventory purchase accounting adjustments recorded in 2003.

Other Operating Expenses

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

	2005	2004	2003
Research and development	4%	6%	7%
Selling, general and administrative	35%	43%	32%

We reported in-process research and development charges of $0.5 million and $0.4 million in 2005 and 2003, respectively. The $0.5 million in process research and development charge in 2005 related to intellectual property acquired from Eunoe, Inc in September 2005. Prior to ceasing operations, Eunoe, Inc. was engaged in the development of its innovative COGNIShunt(R) system for the treatment of Alzheimer's disease patients. The acquisition of the Eunoe intellectual property estate and clinical trial data extends Integra's technology to regulate the flow of cerebrospinal fluid within the brain. The acquired intellectual property has not been developed into a product that has been approved or cleared by the FDA and has no future alternative use other than in clinical applications involving the regulation of cerebrospinal fluid.

Research and development costs have continued to decline as a percentage of total revenue as we continue to restructure our research and development activities. The percentage declines are also the result of significant increases in hand held instrument sales, which by their nature require less research and development expenditures compared to our other product lines. In 2005, our research and development expenses decreased $2.2 million to $12.0 million because of decreased development efforts related to our next generation ultrasonic aspirator and from the impact of the $1.4 million milestone payment related to the completion of certain development activities for an advanced neuro-monitoring system made in 2004. Our 2004 research and development expenses increased $1.3 million to $14.1 million and included the $1.4 million milestone payment and a $0.5 million licensing fee paid for the development of a data acquisition system to support the integration of our advanced monitoring products. In 2003, we incurred $1.1 million of expenses related to the consolidation of our San Diego research center with our other facilities.

In 2006, we expect our research and development expenses as a percentage of total revenues to increase slightly as we increase expenditures on research and clinical activities directed toward 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 in the United States. The recently acquired Radionics business also spends proportionately more on research and development.

We capitalize inventory costs associated with certain products prior to regulatory approval, based on management's judgment of probable future commercialization. We 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. At December 31, 2005, we capitalized approximately $0.9 million of pre-approval inventory.

In 2004, our selling, general and administrative expenses included a $23.9 million share-based compensation charge related to the renewal of our President and Chief Executive Officer's employment agreement. Excluding the impact of this charge, selling, general and administrative expenses increased in 2005 because of the continued expansion of our direct sales and marketing organizations around all three direct selling platforms, increased corporate staff to support the recent growth in our business and costs associated with our restructuring, acquisition integration and systems implementation activities. Since 2004, we have been investing resources in the implementation of a new global enterprise business system. In 2004 and 2005, we relocated and expanded most of our domestic and international distribution capabilities through third-party service providers.

In 2005, we recorded $1.1 million of employee termination costs and $1.4 million of charges associated with facility consolidations, acquisition integrations and related costs incurred in connection with our restructuring activities in selling, general and administrative expenses. We do not expect that the costs to complete these activities in 2006 will be as significant, although there may be additional significant costs incurred to integrate the Radionics business.

In 2005, we also recorded $8.3 million of selling, general and administrative expenses associated with the recently acquired Newdeal businesses. These costs included a $1.4 million compensation charge related to the sellers' obligation to continue their employment with Integra through the end of 2005.

In 2006, we expect our selling, general and administrative costs as a percentage of revenue to increase as compared to 2005 as a result of the impact of expensing all share-based compensation following the adoption of SFAS No. 123(R) and from higher commissions associated with the conversion of JARIT domestic sales from a distributor billing model to a direct billing model.

Amortization expense increased to $6.1 million in 2005 because of amortization on intangible assets acquired through our business acquisitions. Including the impact of intangible assets acquired in the Radionics acquisition, we expect annual amortization expense to be approximately $8.1 million in 2006, $8.3 million in 2007, $8.0 million in 2008, $7.3 million in 2009 and $6.7 million in 2010.

Non Operating Income and Expenses

In 2003, we received approximately $115.9 million of net proceeds from the sale of $120.0 million of our 2 1/2% contingent convertible subordinated notes due in March 2008. In 2005, 2004, and 2003, we recorded interest expense of $3.9 million, $3.5 million, and $2.7 million, respectively, in connection with these notes, which was offset by $3.9 million, $4.0 million, and $3.2 million, respectively, of interest income on our invested cash and marketable debt securities.

We will pay additional interest ("contingent interest") on our convertible notes if, at thirty days prior to maturity, our common stock price is greater than $37.56 per share. We recorded a $0.4 million liability related to the estimated fair value of the contingent interest obligation at the time the notes were issued. The contingent interest obligation is marked to its fair value at each balance sheet date, with changes in the fair value recorded to interest expense. At December 31, 2005, the estimated fair value of the contingent interest obligation was $0.7 million. In 2005, interest expense associated with changes in the estimated fair value of the contingent interest obligation was not significant. In 2004, and 2003, respectively, we recorded $0.3 million and $0.1 million of interest expense associated with changes in the estimated fair value of the contingent interest obligation.

In August 2003, we entered into an interest rate swap agreement with a $50.0 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. We receive a 2 1/2% fixed rate from the counterparty, payable on a semi annual basis, and pay to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points, payable on a quarterly basis. The interest rate swap agreement terminates in March 2008, subject to early termination upon the occurrence of certain events, including redemption or conversion of the convertible notes.

The interest rate swap agreement qualifies 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 is recorded as a component of interest expense. In 2005, we recorded an additional $0.2 million of interest expense associated with the interest rate swap, while we recorded a $0.7 million and $0.3 million reduction in interest expense in 2004 and 2003, respectively.

The net fair value of the interest rate swap at December 31, 2005 was $2.0 million. We recorded the following changes in the net fair values of the interest rate swap and the hedged portion of the contingent convertible notes:

	2005	2004	2003
	(in thousands)		
Interest rate swap	$ 690	$ 287	$ 305
Contingent convertible notes	(821)	(430)	(433)
Net increase (decrease) in liabilities	$ (131)	$ (143)	$ (128)

The net decrease in liabilities represents the ineffective portion of the hedging relationship, and these amounts are recorded in other income (expense), net.

Our net other income (expense) declined in 2005 by $3.4 million to $0.7 million of expense. In 2004, we recorded a $1.4 million unrealized gain associated with a 38.5 million euro foreign currency collar contract that expired on January 3, 2005. We entered into this contract to reduce our exposure to fluctuations in the exchange rate between the euro and the dollar as a result of our commitment to acquire Newdeal in January 2005 for euro 38.5 million. The collar contract did not qualify as a hedge under SFAS No. 133. Accordingly, the collar contract was recorded at fair value and changes in fair value were recorded in other income (expense), net. The foreign currency collar expired in January 2005, concurrent with our acquisition of Newdeal Technologies.

Income Taxes

In 2005, our effective income tax rate was 32.5% of income before income taxes, compared to 38.6% in 2004 and 37.8% in 2003. Our 2004 rate includes a $1.3 million tax charge related to the transfer of intangible assets. The reduction in our effective tax rate from 2004 to 2005 was primarily related to the impact of this charge on our 2004 effective rate and the favorable impact of various planning and reorganization initiatives that we recently implemented.

Our effective tax rate may vary from year to year 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 realize deferred tax assets.

The net decrease in our tax asset valuation allowance was $0.2 million, $0, and $2.3 million in 2005, 2004 and 2003, respectively.

A valuation allowance of $5.1 million is recorded against the remaining $27.3 million of net deferred tax assets recorded at December 31, 2005. This valuation allowance relates to deferred tax assets for certain expenses which will be deductible for tax purposes in very limited circumstances and for which we believe it is unlikely that we will recognize the associated tax benefit. We do not anticipate additional income tax benefits through future reductions in the valuation allowance. However, if we determine that we would be able to realize more or less than the recorded amount of net deferred tax assets, we will record an adjustment to the deferred tax asset valuation allowance in the period such a determination is made.

At December 31, 2005, we had net operating loss carryforwards of $15.8 million for federal income tax purposes and $0.4 million for foreign income tax purposes to offset future taxable income. The federal net operating loss carryforwards expire through 2024 and the foreign net operating loss carryforwards have no expiration. We expect to use all of our remaining unrestricted net operating loss carryforwards in 2006.

At December 31, 2005, several of our subsidiaries had unused net operating loss carryforwards and tax credit 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 or tax credits.

We do not provide income taxes on undistributed earnings of non-U.S. subsidiaries because such earnings are expected to be permanently reinvested. Undistributed earnings of foreign subsidiaries totaled $8.5 million and $2.6 million, at December 31, 2005 and 2004, respectively.

The American Jobs Creation Act of 2004 was signed into law in October 2004 and has several provisions that may impact our income taxes in the future, including the repeal of the extraterritorial income exclusion and a deduction related to qualified production activities income. The qualified production activities deduction is a special deduction and will have no impact on deferred taxes existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which the deduction is claimed on our tax return. Pursuant to United States Department of Treasury Regulations issued in October 2005, we believe that we will realize a tax benefit on qualified production activities income once we have completely utilized our unrestricted net operating losses, which is expected to occur in 2006.

INTERNATIONAL PRODUCT REVENUES AND OPERATIONS

Product revenues by major geographic area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Consolidated
			(in thousands)		
2005	$207,245	$ 48,645	$ 11,403	$ 10,478	$277,771
2004	180,887	30,941	8,535	8,127	228,490
2003	132,805	21,433	5,828	6,629	166,695

In 2005, product revenues from customers outside the United States totaled $70.5 million, or 25% of consolidated product revenues, of which approximately 69% were to European customers. Revenues from customers outside the United States included $55.2 million of revenues generated in foreign currencies.

In 2004, product revenues from customers outside the United States totaled $47.6 million, or 21% of consolidated product revenues, of which approximately 65%

were to European customers. Revenues from customers outside the United States included $33.6 million of revenues generated in foreign currencies.

In 2003, product revenues from customers outside the United States totaled $33.9 million, or 20% of consolidated product revenues, of which approximately 63% were to European customers. Revenues from customers outside the United States included $21.3 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 will experience currency exchange risk with respect to those foreign currency denominated revenues or expenses.

In 2005, 2004 and 2003, the cost of products we manufactured in our European facilities or purchased in foreign currencies exceeded our foreign currency denominated revenues. We expect this imbalance to continue into 2006.

We currently do not hedge our exposure to operating foreign currency risk. Accordingly, a weakening of the dollar against the euro and British pound could negatively affect future gross margins and operating margins. 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 December 31, 2005, we had cash, cash equivalents and marketable securities totaling $143.4 million. Investments consist almost entirely of highly liquid, interest bearing debt securities.

Cash Flows

We generated positive operating cash flows of $57.0 million, $39.0 million and $34.8 million in 2005, 2004 and 2003, respectively. Operating cash flows continued to improve primarily as a result of higher pre-tax income, improved working capital management, and the benefits from the continued utilization of our net operating loss carryforwards and tax deductions generated by employee stock option exercises. In 2005 and 2004, changes in working capital items reduced operating cash flows by $4.7 million and $20.2 million, respectively. In 2004, we experienced delays in customer collections related to business systems transitions. The improvement in working capital in 2005 relates to an improvement in the collection cycle for accounts receivable. In 2006, we are targeting a decrease in days on hand in inventory to further improve operating cash flows. We expect to use all of our remaining unrestricted net operating loss carryforwards in 2006. Accordingly, we do not expect to realize the same level of benefits to our operating cash flows in 2006 as compared to prior years.

In 2005, we used $56.3 million to repurchase 1.7 million shares of our common stock, which was partially offset by $9.4 million in cash flows generated from the issuance of common stock under employee benefit plans. Other principal uses of funds in 2005 were $50.6 million for acquisitions and $8.1 million for capital expenditures. In 2005, we generated $27.8 million of cash flows from the net sales and maturities of our investments in marketable debt securities.

In 2004, we generated $6.1 million from the issuance of common stock under employee benefit plans. We used $29.3 million of cash for acquisitions, $50.6 million for the net purchases of marketable debt securities, $14.2 million for the repurchase of 500,000 shares of our common stock and $8.5 million for capital expenditures.

In 2003, we generated $14.2 million from the issuance of common stock under employee benefit plans and $115.9 million of net proceeds from the sale of $120.0 million of our contingent convertible subordinated notes. We used $50.4 million of cash for acquisitions, $72.9 million for the net purchases of marketable debt securities, $35.4 million for the repurchase of 1.5 million shares our common stock and $3.8 million for capital expenditures. The significant repurchase of our common stock in 2003 was made simultaneously with the issuance of our convertible notes.

Working Capital

At December 31, 2005 and 2004, working capital was $234.7 million and $192.0 million, respectively. The increase in working capital in 2005 was primarily due to increases in short term investments as our non-current investment portfolio came closer to maturity in 2005.

Convertible Debt and Related Hedging Activities

We pay interest on our contingent convertible subordinated notes at an annual rate of 2 1/2% each September 15th and March 15th. We will also pay contingent interest on the notes if, at thirty days prior to maturity, our common stock price is 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 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 more than $37.56 per share, based on an initial conversion price of $34.15 per share.

The notes are general, unsecured obligations of Integra and will be subordinate to any future 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.

We entered into 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 the notes. See "- Results of Operations - Non-Operating Income and Expenses." We receive a 2 1/2% fixed rate from the counterparty and pay to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points. Our effective interest rate on the hedged portion of the notes was 3.7% as of December 31, 2005.

Share Repurchase Plans

During 2005, 2004 and 2003, we repurchased 1.7 million, 0.5 million, and 1.5 million shares, respectively, of our common stock under authorized share repurchase programs.

In May 2005, our Board of Directors authorized us to repurchase shares of our common stock for an aggregate purchase price not to exceed $40 million through December 31, 2006. We were authorized to repurchase no more than 1.5 million shares under this program. In October 2005, our Board of Directors terminated the May 2005 repurchase program and adopted a new program that authorized us to repurchase shares of our common stock for an aggregate purchase price not to exceed $50 million through December 31, 2006. During 2005, we repurchased approximately 1.7 million shares of our common stock for $56.3 million under the May 2005 and October 2005 repurchase programs. In February 2006, our Board of Directors terminated the October 2005 repurchase program and adopted a new program that authorizes 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.

Dividend Policy

We have not paid any cash dividends on our common stock since our formation. 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

We believe that our cash and marketable securities are sufficient to finance our operations and capital expenditures in the near term.

In March 2006, we used approximately $76.0 million in cash to complete the acquisition of the Radionics Division of Tyco Healthcare Group, L.P. and pay related transaction expenses. Given the significant level of liquid assets and our objective to grow by acquisition and alliances, our financial position could change significantly if we were to complete another business acquisition by utilizing a significant portion of our liquid assets.

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 did not draw any amounts against this credit facility in 2005.

The indebtedness under the credit facility is guaranteed by the Company's 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.

In March 2006, we borrowed $16.0 million under the credit facility in connection with the acquisition of Radionics.

Contractual Obligations and Commitments

As of December 31, 2005, we were obligated to pay the following amounts under various agreements:

	Total	Less than 1 year	1 3 Years	3 5 Years	More than 5 years
			(in millions)		
Long Term Debt.....	$120.0	$	$120.0	$	$
Interest on Long Term Debt...	7.5	3.0	4.5		
Operating Leases.....	12.3	2.4	2.3	1.1	6.5
Purchase Obligations.....	2.8	2.8			
Pension Contributions	0.3	0.3	--	--	--
Total.....	$142.9	$ 8.5	$126.8	$ 1.1	$ 6.5

In addition, under other agreements we are required to make payments based on sales levels of certain products.

The above table does not include contingent interest that we may be obligated to pay on our contingent convertible subordinated notes due in March 2008. See "- Results of Operations - Non Operating Income and Expenses."

OFF BALANCE SHEET ARRANGEMENTS

The $120.0 million of outstanding contingent convertible subordinated notes we have outstanding at December 31, 2005 are convertible into approximately 3.5 million shares of our common stock. If all these notes were converted, our stockholders could experience significant dilution. We would not receive any additional cash proceeds upon the conversion of the notes.

CRITICAL ACCOUNTING ESTIMATES

Our discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts 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 and allowances, net realizable value of inventories, amortization periods for acquired intangible assets, 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.

We believe the following accounting policies, which form the basis for developing these estimates, are those that are most critical to the presentation of our financial statements and require the most difficult, subjective and complex judgments:

Allowances For Doubtful Accounts And Sales Returns and Allowances

We evaluate the collectibility of accounts receivable based on a combination of factors. In circumstances where a specific customer is unable to meet its financial obligations to us, we record an allowance against amounts due to reduce the net recognized receivable to the amount that we reasonably expect to collect. For all other customers, we record allowances for doubtful accounts based on the length of time the receivables are past due, the current business environment and our historical experience. If the financial condition of customers or the length of time that receivables are past due were to change, we may change the recorded amount of allowances for doubtful accounts in the future through charges or reductions to selling, general and administrative expense.

We record a provision for estimated sales returns and allowances on product revenues in the same period as the related revenues are recorded. We base these estimates on historical sales returns and allowances and other known factors. If actual returns or allowances are different from our estimates and the related provisions for sales returns and allowances, we may change the sales returns and allowances provision in the future through an increase or decrease in product revenues.

Inventories

Inventories, consisting of purchased materials, direct labor and manufacturing overhead, are stated at the lower of cost (determined by the first in, first out method) or market. At each balance sheet date, we evaluate ending inventories for excess quantities, obsolescence or shelf life expiration. Our evaluation includes an analysis of historical sales levels by product, projections of future demand by product, the risk of technological or competitive obsolescence for our products, general market conditions, a review of the shelf life expiration dates for our products, and the feasibility of reworking or using excess or obsolete products or components in the production or assembly of other

products that are not obsolete or for which we do not have excess quantities in inventory. To the extent that we determine there are excess or obsolete quantities or quantities with a shelf life that is too near its expiration for us to reasonably expect that we can sell those products prior to their expiration, we record valuation reserves against all or a portion of the value of the related products to adjust their carrying value to estimated net realizable value. If future demand or market conditions are different from our projections, or if we are unable to rework excess or obsolete quantities into other products, we may change the recorded amount of inventory valuation reserves through a charge or reduction in cost of product revenues in the period the revision is made.

We capitalize inventory costs associated with certain products prior to regulatory approval, based on management's judgment of probable future commercialization. We 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. At December 31, 2005, we capitalized approximately $0.9 million of pre-approval inventory. If management decides to discontinue the related development program or we are not able to get the required approvals from regulatory bodies to market these products, we would expense the value of the capitalized pre approval inventory to research and development expense.

Amortization Periods

We provide for amortization using the straight line method over the estimated useful lives of acquired intangible assets. We base the determination of these useful lives on the period over which we expect the related assets to contribute to our cash flows or a shorter period such that recognition of the amortization better corresponds with the distribution of expected revenues. If our assessment of the useful lives of intangible assets changes, we may change future amortization expense.

Loss Contingencies

We are subject to claims and lawsuits in the ordinary course of our business, including claims by employees or former employees, with respect to our products and involving commercial disputes. Our financial statements do not reflect any material amounts related to possible unfavorable outcomes of claims and lawsuits to which we are currently a party because we currently believe that such claims and lawsuits 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 these contingencies could materially affect our results of operations, financial position and cash flows in a particular period if we change our assessment of the likely outcome of these matters.

OTHER MATTERS

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board issued Statement No. 123 (revised 2004), "Share Based Payment," which is a revision of Statement No. 123, "Accounting for Stock Based Compensation." Statement 123(R) replaces APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends Statement No. 95, "Statement of Cash Flows." Statement 123(R) requires all share based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair value. Pro forma footnote disclosure will no longer be an alternative to financial statement recognition. We adopted Statement 123(R) on January 1, 2006 using the "modified prospective" method. We expect to record $14 million of share based compensation expense in 2006 as a result of the adoption of FAS 123R. However, our estimate of future share based compensation expense is affected by our stock price, the number of share based awards that we may grant in 2006, as well as a number of complex and subjective valuation assumptions and the related tax effects. These valuation assumptions include, but are not limited to, the volatility of our stock price and employee stock option exercise behavior.

Information about the historical impact of Statement 123 on our reported financial information can be found in Note 2 to the Consolidated Financial Statements, which are included herein under Item 8. We expect that the most

significant impact of the adoption of Statement 123(R) in 2006 will be to our selling, general and administrative expenses.

Information about other recently issued accounting standards is included in Note 2 to the Consolidated Financial Statements.

ITEM 7A. 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 affect 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

Because we have operations based in Europe and we generate revenues and incur operating expenses in euros and British pounds, we will experience currency exchange risk with respect to those foreign currency denominated revenues or expenses. In 2005, the total cost of products we manufacture in or purchase in foreign currencies and other operating expenses that we incur in foreign currencies exceeded our total foreign currency denominated revenues. We expect this imbalance to continue into 2006. A weakening of the dollar against the euro and British pound could positively affect future revenues and negatively affect future gross margins and operating margins, while strengthening of the dollar against the euro and the British pound could negatively affect future revenues and positively affect future gross margins and operating margins.

In November 2004, we entered into a collar contract that expired on January 3, 2005 for 38.5 million euros to reduce our exposure to fluctuations in the exchange rate between the euro and the US dollar as a result of our commitment to acquire Newdeal in January 2005 for 38.5 million euros. The collar contract did not qualify as a hedge under SFAS No. 133. Accordingly, the collar contract was recorded at fair value and changes in fair value were recorded in other income (expense), net. In 2004, we recorded a $1.4 million unrealized gain related to the change in the fair value of the collar contract as of December 31, 2004. The foreign currency collar expired in January 2005, concurrent with our acquisition of Newdeal Technologies.

Other than this foreign currency collar, we have not used derivative financial instruments to manage foreign currency risk. As the volume of our business transacted in foreign currencies increases, 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 additional derivative financial instruments to mitigate this risk.

Interest Rate Risk - Marketable Debt 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 December 31, 2005 would increase or decrease interest income by approximately $1.4 million on an annual basis. We are not subject to material foreign currency exchange risk with respect to these investments.

Interest Rate Risk - Long Term Debt and Related Hedging Instruments

We are exposed to the risk of interest rate fluctuations on the net interest received or paid under the terms of an interest rate swap. At December 31, 2005, we had outstanding a $50.0 million notional amount interest rate swap used to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of our $120.0 million principal amount fixed rate 2 1/2% contingent convertible subordinated notes due March 2008. We receive a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and pay to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points, payable on a quarterly basis. The floating rate resets each quarter. The interest rate swap agreement terminates on March 15, 2008, subject to early termination upon the occurrence of certain events, including redemption or conversion of our contingent convertible notes. Our effective interest rate payable on the floating rate portion of the swap was 3.7% as of December 31, 2005.

Our interest rate swap agreement qualifies as a fair value hedge under SFAS No. 133, as amended, "Accounting for Derivative Instruments and Hedging Activities." At December 31, 2005, the net fair value of the interest rate swap approximated $2.0 million and is included in other liabilities. The net fair value of the interest rate swap represents the estimated receipts or payments that would be made to terminate the agreement. A hypothetical 100 basis point movement in interest rates applicable to the interest rate swap would increase or decrease interest expense by $0.5 million on an annual basis.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and the financial statement schedules specified by this Item, together with the reports thereon of PricewaterhouseCoopers LLP, are presented following Item 15 of this report.

Information on quarterly results of operations is set forth in our financial statements under Note 16 "Selected Quarterly Information - Unaudited" to the Consolidated Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. 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 Exchange Act Rule 13a-15(b), 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 December 31, 2005. 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.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2005. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

In conducting our evaluation of the effectiveness of our internal control over financial reporting, we have excluded the acquisition of Newdeal Technologies SAS, which was completed on January 3, 2005. The total assets and total revenues

associated with transactions and balances accounted for under Newdeal Technologies' internal controls over financial reporting represent 13% and 6%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005.

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.

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 December 31, 2005, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

INCORPORATED BY REFERENCE

The information called for by Item 10. Directors and Executive Officers of the Registrant (other than the information concerning executive officers set forth after Item 4 of Part I herein), Item 11. Executive Compensation, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, Item 13. Certain Relationships and Related Transactions and Item 14. Principal Accountant Fees and Services is incorporated herein by reference to the Company's definitive proxy statement for its Annual Meeting of Stockholders scheduled to be held on May 17, 2006, which definitive proxy statement is expected to be filed with the Commission not later than 120 days after the end of the fiscal year to which this report relates.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as a part of this report.

1. Financial Statements.

The following financial statements and financial statement schedules are filed as a part of this report.

2. Financial Statement Schedules.

All other schedules not listed above have been omitted, because they are not applicable or are not required, or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits required to be filed by Item 601 of Regulation S K.

3.1(a)	Amended and Restated Certificate of Incorporation of the Company
3.1(b)	Certificate of Amendment to Amended and Restated Certificate of Incorporation dated May 22, 1998 (Incorporated by reference to Exhibit 3.1(b) to the Company's Annual Report on Form 10 K for the year ended December 31, 1998)
3.1(c)	Certificate of Amendment to Amended and Restated Certificate of Incorporation dated May 17, 1999 (Incorporated by reference to Exhibit 3.1(c) to the Company's Annual Report on Form 10 K for the year ended December 31, 2004)
3.2	Amended and Restated By laws of the Company (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8 K filed on February 24, 2005)
4.1	Indenture, dated as of March 31, 2003, between the Company and Wells Fargo Bank Minnesota, National Association (Incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10 Q for the quarter ended March 31, 2003)
4.2	Registration Rights Agreement, dated as of March 31, 2003, between the Company and Credit Suisse First Boston, LLC, Banc of America Securities LLC and U.S. Bancorp Piper Jaffray Inc. (Incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S 3 filed on June 30, 2003 (File No. 333 106625))
4.3(a)	Credit Agreement, dated as of December 22, 2005, among Integra LifeSciences Holdings Corporation, the lenders party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Citibank FSB and SunTrust Bank, as Co Syndication Agents, and Royal Bank of Canada and Wachovia Bank, National Association, as Co Documentation Agents (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8 K filed on December 29, 2005)
4.3(b)	First Amendment, dated as of February 15, 2006, among Integra LifeSciences Holdings Corporation, the lenders party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, Citibank FSB and SunTrust Bank, as Co Syndication Agents, and Royal Bank of Canada and Wachovia Bank, National Association, as Co Documentation Agents
4.4	Security Agreement, dated as of December 22, 2005, among Integra LifeSciences Holdings Corporation and the additional grantors party thereto in favor of Bank of America, N.A., as administrative and collateral agent
4.5	Pledge Agreement, dated as of December 22, 2005, among Integra LifeSciences Holdings Corporation and the additional grantors party thereto in favor of Bank of America, N.A., as administrative and collateral agent
4.6	Subsidiary Guaranty Agreement, dated as of December 22, 2005, among the guarantors party thereto and individually as a "Guarantor"), in favor of Bank of America, N.A., as administrative and collateral agent

10.1(a)	Lease between Plainsboro Associates and American Biomaterials Corporation dated as of April 16, 1985, as assigned to Colla-Tec, Inc. on October 24, 1989 and as amended through November 1, 1992 (Incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form 10/A (File No. 0 26224) which became effective on August 8, 1995)
10.1(b)	Lease Modification #2 entered into as of the 28th day of October, 2005, by and between Plainsboro Associates and Integra LifeSciences Corporation (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 2, 2005)
10.2	Equipment Lease Agreement between Medicus Corporation and the Company, dated as of June 1, 2000 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000)
10.3	Form of Indemnification Agreement between the Company and [ ] dated August 16, 1995, including a schedule identifying the individuals that are a party to such Indemnification Agreements (Incorporated by reference to Exhibit 10.37 to the Company's Registration Statement on Form S-1 (File No. 33-98698) which became effective on January 24, 1996)
10.4	1993 Incentive Stock Option and Non Qualified Stock Option Plan (Incorporated by reference to Exhibit 10.32 to the Company's Registration Statement on Form 10/A (File No. 0 26224) which became effective on August 8, 1995)
10.5	1996 Incentive Stock Option and Non Qualified Stock Option Plan (as amended through December 27, 1997) (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on February 3, 1998)
10.6	1998 Stock Option Plan (amended and restated as of July 26, 2005)(Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)
10.7	1999 Stock Option Plan (amended and restated as of July 26, 2005) (Incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)
10.8(a)	Employee Stock Purchase Plan (as amended on May 17, 2004) (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (Registration No. 333-127488) filed on August 12, 2005)
10.8(b)	First Amendment to the Company's Employee Stock Purchase Plan, dated October 26, 2005 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 1, 2005)
10.9	Deferred Compensation Plan (Incorporated by reference to Exhibit 10.15 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)
10.10	2000 Equity Incentive Plan (amended and restated as of July 26, 2005)(Incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)
10.11	2001 Equity Incentive Plan (amended and restated as of July 26, 2005)(Incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)

10.12	2003 Equity Incentive Plan (amended and restated as of July 26, 2005)(Incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005)
10.13	Second Amended and Restated Employment Agreement dated July 27, 2004 between the Company and Stuart M. Essig (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)
10.14	Indemnity letter agreement dated December 27, 1997 from the Company to Stuart M. Essig (Incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on February 3, 1998)
10.15(a)	Registration Rights Provisions for Stuart Essig (Incorporated by reference to Exhibit B of Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 3, 1998)
10.15(b)	Registration Rights Provisions for Stuart Essig (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on January 8, 2001)
10.15(c)	Registration Rights Provisions for Stuart Essig (Incorporated by reference to Exhibit B of Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004)
10.16	Amended and Restated 2005 Employment Agreement between John B. Henneman, III and the Company dated December 19, 2005
10.17	Amended and Restated 2005 Employment Agreement between Gerard S. Carlozzi and the Company dated December 19, 2005
10.18	Employment Agreement between Judith O'Grady and the Company dated February 20, 2003 (Incorporated by reference to Exhibit 10.17 to the Company's Report on Form 10-K for the year ended December 31, 2002)
10.19	Amended and Restated 2005 Employment Agreement between David B. Holtz and the Company dated December 19, 2005
10.20	Employment Agreement between Donald Nociolo and the Company dated February 20, 2003 (Incorporated by reference to Exhibit 10.20 to the Company's Report on Form 10-K for the year ended December 31, 2003)
10.21	Retention Agreement between Robert Paltridge and the Company dated February 20, 2003 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003)
10.22	Severance Agreement between Deborah Leonetti and the Company dated February 20, 2003 (Incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.23(a)	Lease Contract dated June 30, 1994 between the Puerto Rico Industrial Development Company and Heyer Schulte NeuroCare, Inc. (Incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)
10.23(b)	Construction and Lease Contract dated April 11, 2003 between the Puerto Rico Industrial Development Company and Integra NeuroSciences P.R., Inc. (Incorporated by reference to Exhibit 10.23(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.23(c)	Supplement and Amendment to Lease Contract, dated October 24, 2005, to the Construction and Lease Contract dated April 11, 2003 between Integra NeuroSciences PR, Inc. and the Puerto Rico Industrial Development Company (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 22, 2005)
10.24(a)	Industrial Real Estate Triple Net Sublease dated July 1, 2001 between Sorrento Montana, L.P. and Camino NeuroCare, Inc. (Incorporated by reference to Exhibit 10.24(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)

10.24(b)	First Amendment to Sublease dated as of July 1, 2003 by and between Sorrento Montana, L.P. and Camino NeuroCare, Inc. (Incorporated by reference to Exhibit 10.24(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.24(c)	Second Amendment to Sublease dated as of June 1, 2004 by and between Sorrento Montana, L.P. and Camino NeuroCare, Inc. (Incorporated by reference to Exhibit 10.24(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.24(d)	Third Amendment to Sublease dated as of June 15, 2004 by and between Sorrento Montana, L.P. and Integra LifeSciences Corporation (Incorporated by reference to Exhibit 10.24(d) to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.25	Restricted Units Agreement dated December 27, 1997 between the Company and Stuart M. Essig (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 3, 1998)
10.26	Stock Option Grant and Agreement dated December 22, 2000 between the Company and Stuart M. Essig (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 8, 2001)
10.27	Stock Option Grant and Agreement dated December 22, 2000 between the Company and Stuart M. Essig (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on January 8, 2001)
10.28	Restricted Units Agreement dated December 22, 2000 Between the Company and Stuart M. Essig (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on January 8, 2001)
10.29	Stock Option Grant and Agreement dated July 27, 2004 between the Company and Stuart M. Essig (Incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.30	Contract Stock/Restricted Units Agreement dated July 27, 2004 between the Company and Stuart M. Essig (Incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.31	Form of Stock Option Grant and Agreement between the Company and Stuart M. Essig (Incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.32	Share Purchase Agreement dated November 10, 2004 between Integra LifeSciences Corporation and Eric Fourcault, Theo Knevels, Jean Christophe Giet and Bertrand Gauneau (Incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.33	Form of Notice of Grant of Stock Option and Stock Option Agreement* (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 29, 2005)
10.34	Form of Non-Qualified Stock Option Agreement (Non-Directors) (Incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)

10.35	Form of Incentive Stock Option Agreement (Incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.36	Form of Non-Qualified Stock Option Agreement (Directors) (Incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)
10.37	Compensation of Directors of the Company (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 28, 2006)
10.38	Form of Restricted Stock Agreement for Non-Employee Directors under the Integra LifeSciences Holdings Corporation 2003 Equity Incentive Plan (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 17, 2005)
10.39	Form of Restricted Stock Agreement for Executive Officers (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 9, 2006)
10.40	Asset Purchase Agreement, dated as of September 7, 2005, by and between Tyco Healthcare Group LP and Sherwood Services, AG and Integra LifeSciences Corporation and Integra LifeSciences (Ireland) Limited (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 13, 2005)
10.41	Restricted Stock Agreement by and between David B. Holtz and the Company dated December 19, 2005
10.42	Performance Stock Agreement by and between John B. Henneman, III and the Company dated January 3, 2006
10.43	Performance Stock Agreement by and between Gerard S. Carlozzi and the Company dated January 3, 2006
10.44	Employment Agreement by and between Maureen Bellantoni and the Company dated January 10, 2006
10.45	Performance Stock Agreement by and between Maureen Bellantoni and the Company dated January 10, 2006
21	Subsidiaries of the Company
23	Consent of PricewaterhouseCoopers LLP
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

The Company's Commission File Number for Reports on Form 10-K, Form 10-Q and Form 8-K is 0-26224.

SIGNATURES

Pursuant to the requirements of Section 13 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: March 15, 2006 By: /s/ Stuart M. Essig

Stuart M. Essig
President and Chief Executive Officer

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

Signature	Title	Date
/s/ Stuart M. Essig Stuart M. Essig	President, Chief Executive Officer and Director (Principal Executive Officer)	March 15, 2006
/s/ Maureen B. Bellantoni Maureen B. Bellantoni	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 15, 2006
/s/ David B. Holtz David B. Holtz	Senior Vice President, Finance (Principal Accounting Officer)	March 15, 2006
/s/ Richard E. Caruso, Ph.D. Richard E. Caruso, Ph.D.	Chairman of the Board	March 15, 2006
/s/ David Auth David Auth	Director	March 15, 2006
/s/ Keith Bradley, Ph.D. Keith Bradley, Ph.D.	Director	March 15, 2006
/s/ James M. Sullivan James M. Sullivan	Director	March 15, 2006
/s/ Anne M. VanLent Anne M. VanLent	Director	March 15, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Board of Directors and Stockholders of Integra LifeSciences Holdings Corporation and Subsidiaries:

We have completed integrated audits of Integra LifeSciences Holdings Corporation's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(1) "Exhibits and Financial Statement Schedules" present fairly, in all material respects, the financial position of Integra LifeSciences and its subsidiaries (the "Company") at December 31, 2005 and December 31, 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing in Item 9A "Controls and Procedures", that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted

accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

As described in Management's Report on Internal Control Over Financial Reporting appearing in Item 9A "Controls and Procedures", management has excluded Newdeal Technologies SAS ("Newdeal") from its assessment of internal control over financial reporting as of December 31, 2005 because it was acquired by the Company in a purchase business combination during 2005. We have also excluded Newdeal from our audit of internal control over financial reporting. New Deal is a wholly owned subsidiary whose total assets and total revenues represent 13% and 6%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005.

/s/ PricewaterhouseCoopers LLP
Florham Park, New Jersey
March 15, 2006

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands, except per share amounts

	Years Ended December 31,		
	2005	2004	2003
Total revenues	$277,935	$229,825	$185,599
COSTS AND EXPENSES			
Cost of product revenues (exclusive of amortization related to acquired intangible assets)	105,536	87,299	70,597
Research and development	11,960	14,121	12,814
Selling, general and administrative	98,273	99,360	59,461
Amortization	6,061	4,266	3,080
Total costs and expenses	221,830	205,046	145,952
Operating income	56,105	24,779	39,647
Interest income	3,900	4,030	3,195
Interest expense	(4,165)	(3,475)	(2,724)
Other income (expense), net	(739)	2,674	3,071
Income before income taxes	55,101	28,008	43,189
Provision for income taxes	17,907	10,811	16,328
Net income	$ 37,194	$ 17,197	$ 26,861
Basic net income per share	$ 1.23	$ 0.57	$ 0.92
Diluted net income per share	$ 1.15	$ 0.55	$ 0.86
Weighted average common shares outstanding:			
Basic	30,195	30,064	29,071
Diluted	34,565	31,102	33,104

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS

In thousands, except per share amounts

	December 31,	
ASSETS	2005	2004
Current Assets:		
Cash and cash equivalents	$ 46,889	$ 69,855
Short-term investments	80,327	30,955
Trade accounts receivable, net of allowances of $3,508 and $2,749	49,007	46,765
Inventories	67,476	55,947
Deferred tax assets	10,842	3,966
Prepaid expenses and other current assets	11,411	8,750
Total current assets	265,952	216,238
Non current investments	16,168	95,172
Property, plant, and equipment, net	27,451	25,461
Deferred tax assets		15,787
Intangible assets, net	64,569	59,817
Goodwill	68,364	39,237
Other assets	5,928	5,001
Total assets	$ 448,432	$ 456,713
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable, trade	$ 8,978	$ 10,160
Income taxes payable	715	1,022
Accrued compensation	8,761	4,212
Accrued expenses and other current liabilities	12,833	8,840
Total current liabilities	31,287	24,234
Long term debt	118,378	118,900
Deferred tax liabilities	2,520	
Other liabilities	6,429	5,756
Total liabilities	158,614	148,890
Commitments and contingencies		
Stockholders' Equity:		
Common stock; $.01 par value; 60,000 authorized shares; 29,823 and 29,202 issued	298	292
Additional paid in capital	333,179	320,602
Treasury stock, at cost; 2,368 and 718 shares	(75,815)	(19,474)
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on available for sale securities, net of tax	(801)	(818)
Foreign currency translation adjustment	(2,300)	9,266
Minimum pension liability adjustment, net of tax	(1,672)	(1,780)
Retained earnings/(accumulated deficit)	36,929	(265)
Total stockholders' equity	289,818	307,823
Total liabilities and stockholders' equity	$ 448,432	$ 456,713

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands

	Years Ended December 31,		
	2005	2004	2003
OPERATING ACTIVITIES:			
Net income	$ 37,194	$ 17,197	$ 26,861
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,313	9,087	7,030
In process research and development charge	500		400
Deferred income tax provision	9,895	6,101	12,357
Amortization of discount/premium on investments	1,908	2,505	2,013
Share-based compensation	146	23,572	26
Other, net	779	696	776
Changes in assets and liabilities, net of business acquisitions:			
Accounts receivable	491	(13,287)	(4,819)
Inventories	(9,984)	(9,738)	(1,829)
Prepaid expenses and other current assets	30	(1,949)	(505)
Non-current assets	(66)	(169)	480
Accounts payable, accrued expenses and other liabilities	4,800	6,029	2,537
Customer advances and deposits		(959)	(6,431)
Deferred revenue	(158)	(110)	(4,070)
Net cash provided by operating activities	$ 56,848	$ 38,975	$ 34,826
INVESTING ACTIVITIES:			
Proceeds from the sales/maturities of investments	93,315	241,440	287,558
Purchases of available for sale investments	(65,499)	(190,888)	(360,470)
Purchases of property and equipment	(8,053)	(8,508)	(3,843)
Payment of product license fee			(1,500)
Cash used in acquisitions, net of cash acquired	(50,602)	(29,302)	(50,405)
Net cash provided by (used in) investing activities	$(30,839)	$ 12,742	$(128,660)
FINANCING ACTIVITIES:			
Fees paid in connection with bank line of credit	(1,132)		
Repayment of bank loans	(245)		
Proceeds from exercised stock options and warrants	9,382	6,123	14,152
Purchases of treasury stock	(56,341)	(14,238)	(35,402)
Proceeds from issuance of convertible notes, net			115,923
Net cash provided by (used in) financing activities	$(48,336)	$ (8,115)	$ 94,673
Effect of exchange rate changes on cash and cash equivalents	(639)	199	232
Net increase (decrease) in cash and cash equivalents	$(22,966)	43,801	1,071
Cash and cash equivalents at beginning of period	69,855	26,054	24,983
Cash and cash equivalents at end of period	$ 46,889	$ 69,855	$ 26,054
Cash paid during the year for interest	$ 3,275	$ 2,331	$ 1,476
Cash paid during the year for income taxes	7,721	1,789	1,309
Supplemental non-cash disclosure:			
Acquisition fees included in liabilities	$ 1,123		
Property and equipment purchases included in liabilities	199	969	2,000

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

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

In thousands

	Preferred Stock	Common Stock	Treasury Stock	Additional Paid In Capital	Accumulated Other	Retained Comprehensive Income (Loss)	Earnings/ (Accumulated Deficit)	Total Equity
Balance, December 31, 2002	--	272	(1,812)	292,007	(15)	1,468	(44,323)	$ 247,597
Net income							26,861	26,861
Realized gains on investments						(210)		(210)
Unrealized losses on investments, net of tax						(588)		(588)
Foreign currency translation						3,673		3,673
Minimum pension liability adjustment, net of tax						(112)		(112)
Total comprehensive income								$ 29,624
Issuance of 1,788 shares of common stock through employee benefit plans		4	31,978	(17,880)				14,102
Warrants exercised for cash				50				50
Conversion of 1,000 Restricted Units into 1,000 shares of common stock		10		(10)				
Share based compensation				16	10			26
Tax benefit related to stock option exercises				12,533				12,533
Repurchase 1,503 shares of common stock			(35,402)					(35,402)
Balance, December 31, 2003	$	$ 286	$(5,236)	$ 286,716	$ (5)	$ 4,231	$ (17,462)	$ 268,530
Net income							17,197	17,197
Realized gains on investments						88		88
Unrealized losses on investments, net of tax						(969)		(969)
Foreign currency translation						3,683		3,683
Minimum pension liability adjustment, net of tax						(365)		(365)
Total comprehensive income								$ 19,634
Issuance of 592 shares of common stock through employee benefit plans		6		6,492				6,498
Issuance of contract stock unit award for 750 shares of common stock				23,535				23,535
Other share based compensation				30	5			35
Tax benefit related to stock option exercises				3,829				3,829
Repurchase 500 shares of common stock			(14,238)					(14,238)
Balance, December 31, 2004	$ --	$ 292	$(19,474)	$ 320,602	$ --	$ 6,668	$ (265)	$ 307,823
Net income							37,194	37,194
Realized gains on investments						18		18
Unrealized losses on investments, net of tax						(1)		(1)
Foreign currency translation						(11,375)		(11,375)
Minimum pension liability adjustment, net of tax						(83)		(83)
Total comprehensive income								$ 25,753
Issuance of 621 shares of common stock through employee benefit plans		6		9,170				9,176
Share based compensation				146				146
Tax benefit related to stock option exercises				3,261				3,261
Repurchase 1,650 shares of common stock			(56,341)					(56,341)
Balance, December 31, 2005	$	$ 298	$(75,815)	$ 333,179	$	$ (4,773)	$ 36,929	$ 289,818

A significant portion of the foreign currency translation adjustment recorded in 2005 was related to the appreciation of the U.S. dollar against the euro following the Company's acquisition of Newdeal Technologies, whose functional currency is the euro, on January 3, 2005.

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

1. BUSINESS

Integra LifeSciences Holdings Corporation (the "Company") 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. The Company focuses on cranial and spinal procedures, peripheral nerve repair, small bone and joint injuries, and the repair and reconstruction of soft tissue.

The Company sells its products directly through various sales forces and through a variety of other distribution channels.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany accounts and transactions are eliminated in consolidation.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

FINANCIAL INSTRUMENTS

Investments in marketable debt and equity securities are classified and accounted for as available for sale securities and are carried at fair value, which is based on quoted market prices. Unrealized gains and losses are reported as a component of accumulated other comprehensive income (loss). Realized gains and losses are determined on the specific identification cost basis and reported in other income (expense), net. Investment balances as of December 31, 2005 and 2004 were as follows:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(in thousands)		
2005				
Marketable Securities, current				
Corporate Debt Securities with continuous unrealized losses greater than 1 year	$ 37,248	$ --	$ (372)	$ 36,876
Auction Rate Securities	2,650			2,650
U.S. Government Debt Securities with continuous unrealized losses greater than 1 year	39,201		(427)	38,774
Other Securities with continuous unrealized losses greater than 1 year	2,054		(27)	2,027
Total marketable securities, current	$ 81,153	$ --	$ (826)	$ 80,327
Marketable Securities, non-current				
Corporate Debt Securities with continuous unrealized losses greater than 1 year	$ 10,330	$	$ (277)	10,053
U.S. Government Debt Securities with continuous unrealized losses greater than 1 year	6,252		(137)	6,115
Total marketable securities, non current	$ 16,582	$	$ (414)	$ 16,168
2004:				
Marketable securities, current	$31,191	$	$ (236)	$ 30,955
Marketable securities, non current	96,278	30	(1,136)	95,172
	$ 127,469	$ 30	$(1,372)	$126,127

The unrealized losses on the Company's marketable debt securities are primarily related to the increase in interest rates since the Company acquired these investments. Management does not believe that the unrealized losses on these marketable securities are other than temporary because of its intent and ability to hold these investments for a sufficiently long period of time such that recovery of these unrealized losses is expected as the investments get closer to their maturity. The maturity dates or interest rate reset periods for marketable debt securities classified as current are less than one year. The maturity dates for marketable debt securities classified as non-current are less than 31 months and less than 45 months as of December 31, 2005 and 2004, respectively.

The fair value of the Company's $120.0 million principal amount 2 1/2% contingent convertible subordinated notes outstanding at December 31, 2005 and 2004 was $114.3 million and $115.5 million, respectively.

The carrying values of all other financial instruments were not materially different from their estimated fair values.

TRADE ACCOUNTS RECEIVABLE, ALLOWANCES FOR DOUBTFUL ACCOUNTS RECEIVABLE AND SALES RETURNS

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company grants credit to customers in the normal course of business, but generally does not require collateral or any other security to support its receivables.

The Company evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances where a specific customer is unable to meet its financial obligations to the Company, a provision to the allowances for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount that is reasonably expected to be collected. For all other customers, a provision to the allowances for doubtful accounts is recorded based on the length of time the receivables are past due, the current business environment and the Company's historical experience. Provisions to the allowances for doubtful accounts are recorded to selling, general and administrative expenses. Account balances are charged off against the allowance when the Company feels it is probable the receivable will not be recovered.

The Company records a provision for estimated returns and allowances on product revenues in the same period as the related revenues are recorded. These estimates are based on historical sales returns and discounts and other known factors. The provisions are recorded as a reduction to revenues.

INVENTORIES

Inventories, consisting of purchased materials, direct labor and manufacturing overhead, are stated at the lower of cost, the value determined by the first in, first out method, or market. Inventories consisted of the following:

	December 31,	
	2005	2004
	(in thousands)	
Finished goods	$ 44,500	$ 36,490
Work in process	9,801	7,496
Raw materials	13,175	11,961
	$ 67,476	$ 55,947

At each balance sheet date, the Company evaluates ending inventories for excess quantities, obsolescence or shelf life expiration. This evaluation includes analyses of historical sales levels by product, projections of future demand, the risk of technological or competitive obsolescence for products, general market conditions, a review of the shelf life expiration dates for products, and the feasibility of reworking or using excess or obsolete products or components

in the production or assembly of other products that are not obsolete or for which there are not excess quantities in inventory. To the extent that management determines there are excess or obsolete or expired inventory quantities or quantities with a shelf life that is too near its expiration for the Company to reasonably expect that it can sell those products prior to their expiration, valuation reserves are recorded against all or a portion of the value of the related products to adjust their carrying value to estimated net realizable value.

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. At December 31, 2005, we capitalized approximately $0.9 million of pre-approval inventory.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. The Company provides for depreciation using the straight line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or the useful life. The cost of major additions and improvements is capitalized, while maintenance and repair costs that do not improve or extend the lives of the respective assets are charged to operations as incurred.

Property, plant and equipment balances and corresponding lives were as follows:

	December 31,		
	2005	2004	Lives
	(in thousands)		
Land	$ 890	$ 941	
Buildings and leasehold improvements	15,208	12,886	2 - 40 years
Machinery and equipment	20,732	19,369	3 - 15 years
Furniture ,fixtures and information systems	15,310	11,569	5 - 7 years
Construction in progress	2,007	3,252	
	54,147	48,017	
Less: Accumulated depreciation	(26,696)	(22,556)	
	$ 27,451	$ 25,461	

Depreciation expense associated with property, plant and equipment was $5.3 million, $4.8 million, and $3.9 million, in 2005, 2004, and 2003 respectively.

GOODWILL AND OTHER INTANGIBLE ASSETS

The excess of the cost over the fair value of net assets of acquired businesses is recorded as goodwill. Goodwill is not subject to amortization, but is reviewed for impairment at the reporting unit level annually, or more frequently if impairment indicators arise. The Company's assessment of the recoverability of goodwill is based upon a comparison of the carrying value of goodwill with its estimated fair value. The Company conducted its annual impairment review for goodwill as of June 30, 2005 and determined that its goodwill was not impaired.

Changes in the carrying amount of goodwill in 2005 and 2004 were as follows:

	2005	2004
	(in thousands)	
Goodwill, beginning of year	$ 39,237	$ 26,683
Acquisitions	35,668	11,596
Foreign currency translation and other	(6,541)	958
Goodwill, end of year	$ 68,364	$ 39,237

The components of the Company's identifiable intangible assets were as follows:

	Weighted Average Life	December 31, 2005 Cost	December 31, 2005 Accumulated Amortization	December 31, 2004 Cost	December 31, 2004 Accumulated Amortization
		(in thousands)			
Completed technology	14 years	$ 18,921	$ (5,691)	$ 17,108	$ (4,505)
Customer relationships	18 years	22,550	(4,823)	17,417	(3,214)
Trademarks / brand names	36 years	31,175	(2,802)	28,689	(1,862)
Noncompetetion agreements	5 years	6,943	(2,607)	6,352	(1,198)
All other	11 years	2,233	(1,330)	2,233	(1,203)
		$ 81,822	$(17,253)	$ 71,799	$(11,982)
Accumulated amortization		(17,253)		(11,982)	
		$ 64,569		$ 59,817	

The Company does not have any indefinite life intangible assets.

The Company discontinued a product line in June 2005. As a result, the Company recorded a $215,000 charge to amortization expense related to the impairment of a technology based intangible asset associated with this discontinued product line.

Excluding the impact of intangible assets acquired in the Radionics acquisition discussed in Note 17, annual amortization expense is expected to approximate $5.6 million in 2006, $5.3 million in 2007, $5.0 million in 2008, $4.3 million in 2009, and $3.7 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.

LONG LIVED ASSETS

Long lived assets held and used by the Company, including property, plant and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long lived assets to be held and used, a recoverability test is performed using projected undiscounted net cash flows applicable to the long lived assets. If an impairment exists, the amount of such impairment is calculated based on the estimated fair value of the asset. Impairments to long lived assets to be disposed of are recorded based upon the fair value of the applicable assets.

INTEGRA FOUNDATION

The Company may periodically, at the discretion of its Board of Directors, make a contribution to the Integra Foundation, Inc. The Integra Foundation was incorporated in 2002 exclusively for charitable, educational, and scientific purposes and qualifies under IRC 501(c)(3) as an exempt private foundation. Under its charter, the Integra Foundation engages in activities that promote health, the diagnosis and treatment of disease, and the development of medical science through grants, contributions and other appropriate means. The Integra Foundation is a separate legal entity and is not a subsidiary of the Company.

Therefore, its results are not included in these consolidated financial statements. The Company contributed $0.3 million and $2.0 million to the Integra Foundation in 2005 and 2003, respectively. These contributions were recorded in selling, general, and administrative expense.

DERIVATIVES

The Company reports all derivatives at their estimated fair value and records changes in fair value in current earnings or defers these changes until a related hedged item is recognized in earnings, depending on the nature and effectiveness of the hedging relationship. The designation of a derivative as a hedge is made on the date the derivative contract is executed. On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the fair value or cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, the Company discontinues hedge accounting. All hedge ineffectiveness is included in current period earnings in other income (expense), net.

The Company documents all relationships between hedged items and derivatives. The Company's overall risk management strategy describes the circumstances under which it may undertake hedge transactions and enter into derivatives. The objective of the Company's current risk management strategy is to hedge the risk of changes in fair value attributable to interest rate risk with respect to a portion of fixed rate debt.

The determination of fair value of derivatives is based on valuation models that use observable market quotes or projected cash flows and the Company's view of the creditworthiness of the derivative counterparty.

FOREIGN CURRENCY

All assets and liabilities of foreign subsidiaries are translated at the rate of exchange at year-end, while elements of the income statement are translated at the average exchange rates in effect during the year. The net effect of these translation adjustments is shown as a component of accumulated other comprehensive income (loss). These currency translation adjustments are not currently adjusted for income taxes as they relate to permanent investments in non U.S. subsidiaries. Foreign currency transaction gains and losses are reported in other income (expense), net.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted.

REVENUE RECOGNITION

Total revenues include product sales and product royalties and other operating revenues, such as fees received under research, licensing, and distribution arrangements, research grants, and technology related royalties. Total revenues for 2005, 2004 and 2003 consisted of the following:

	2005	2004	2003
Product sales and product royalties	$ 277,771	$ 228,490	$ 166,695
Other operating revenues	164	1,335	18,904
Total revenues	$ 277,935	$ 229,825	$ 185,599

Product sales are recognized when delivery has occurred and title and risk of loss has passed to the customer, there is a fixed or determinable sales price, and collectibility of that sales price is reasonably assured.

Product royalties are estimated and recognized in the same period that the royalty products are sold by our customers. The Company estimates and recognizes royalty revenue based upon communication with licensees, historical information, and expected sales trends. Differences between actual revenues and estimated royalty revenues are adjusted for in the period in which they become known, which is typically the following quarter. Historically, such adjustments have not been significant.

In the fourth quarter ended December 31, 2005, the Company recognized an additional $1.3 million of royalty revenue related to a change in the manner used to estimate royalties earned based on Medtronic's sales of its INFUSE(TM) bone graft product. Prior to the quarter ended December 31, 2005, the Company recognized this royalty revenue when paid by Wyeth because Wyeth did not provide information to the Company about the royalty amount earned each quarter prior to the Company reporting its quarterly financial results and the Company did not have a reliable basis for otherwise estimating and recording royalty revenue in the same quarter it was earned. However, the Company now receives quarterly royalty revenue information from Wyeth more quickly, sufficient historical information is available to help the Company estimate, and the volatility in the royalty earned each quarter has decreased significantly. Accordingly, the Company started recognizing this royalty on an accrual basis in the quarter earned starting in the quarter ended December 31, 2005.

Other operating revenues include fees received under research, licensing, and distribution arrangements, technology related royalties, and research grants. Non refundable fees received under research, licensing and distribution arrangements or for the licensing of technology are recognized as revenue when received if the Company has no continuing obligations to the other party. For those arrangements where the Company has continuing performance obligations, revenue is recognized using the lesser of the amount of non refundable cash received or the result achieved using the proportional performance method of accounting based upon the estimated cost to complete these obligations. Research grant revenue is recognized when the related expenses are incurred.

SHIPPING AND HANDLING FEES AND COSTS

Amounts billed to customers for shipping and handling are included in product revenues. The related shipping and freight charges incurred by the Company are included in cost of product revenues. Distribution and handling costs of $5.9 million, $3.8 million, and $2.6 million are recorded in selling, general and administrative expense during 2005, 2004, and 2003, respectively.

PRODUCT WARRANTIES

Certain of the Company's medical devices, including monitoring systems and neurosurgical systems, are reusable and are designed to operate over long periods of time. These products are sold with warranties generally extending for up to two years from date of purchase. The Company accrues estimated product warranty costs at the time of sale based on historical experience. Any additional amounts are recorded when such costs are probable and can be reasonably estimated.

Accrued warranty expense consisted of the following:

	December 31,	
	2005	2004
	(in thousands)	
Beginning balance	$ 748	$ 403
Liability acquired through acquisition		255
Charged to expense	191	258
Deductions	(243)	(168)
Ending balance	$ 696	$ 748

RESEARCH AND DEVELOPMENT

Research and development costs, including salaries, depreciation, consultant and other external fees, and facility costs directly attributable to research and development activities, are expensed in the period in which they are incurred.

In process research and development charges recorded in connection with acquisitions represent the value assigned to acquired assets to be used in research and development activities and for which there is no alternative use. Value is generally assigned to these assets based on the net present value of the projected cash flows expected to be generated by those assets.

In 2005, the Company recorded a $0.5 million in process research and development charge from its acquisition of intellectual property and clinical trial data related to technology that can be used in the management of cerebrospinal fluid flow within the brain. In 2004, the Company recorded to research and development expense a $1.4 million charge for a milestone payment related to the completion of certain development activities for an advanced neuro monitoring system and a $0.5 million charge for a licensing fee paid for the development of a data acquisition system to support the integration of the Company's advanced monitoring products. The Company recorded $0.4 million of in process research and development charges in connection with acquisitions during 2003.

EMPLOYEE TERMINATION BENEFITS AND OTHER EXIT RELATED COSTS

The Company does not have a written severance plan, and it does not offer similar termination benefits to affected employees in all restructuring initiatives. Accordingly, in situations where minimum statutory termination benefits must be paid to the affected employees, the Company records employee severance costs associated with these restructuring activities in accordance with SFAS No. 112, "Employer's Accounting for Postemployment Benefits." Charges associated with these activities are recorded when the payment of benefits is probable and can be reasonably estimated. In all other situations where the Company pays out termination benefits, including supplemental benefits paid in excess of statutory minimum amounts and benefits offered to affected employees based on management's discretion, the Company records these termination costs in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities."

The timing of the recognition of charges for employee severance costs depends on whether the affected employees are required to render service beyond their legal notification period in order to receive the benefits. If affected employees are required to render service beyond their legal notification period, charges are recognized ratably over the future service period. Otherwise, charges are recognized when management has approved a specific plan and required employee communication requirements have been met.

For leased facilities and equipment that have been abandoned, the Company records estimated lease losses based on the fair value of the lease liability, as measured by the present value of future lease payments subsequent to abandonment, less the present value of any estimated sublease income. For owned facilities and equipment that will be disposed of, the Company records impairment losses based on fair value less costs to sell. The Company also reviews the remaining useful life of long lived assets following a decision to exit a facility and may accelerate depreciation or amortization of these assets, as appropriate.

STOCK BASED COMPENSATION

Employee stock based compensation is recognized using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" and Financial Accounting Standards Board Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25".

Had the compensation cost for the Company's stock option plans been determined based on the fair value at the grant consistent with the provisions of Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation", the Company's net income and basic and diluted net income per share would have been as follows:

	2005	2004	2003
	(in thousands, except per share amounts)		
Net income:			
As reported	$ 37,194	$ 17,197	$ 26,861
Add back: Total share based employee compensation expense determined under the intrinsic value based method for all awards, net of related tax effects	103	15,372	--
Less: Total share based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(7,264)	(21,799)	(5,537)
Pro forma	$ 30,033	$ 10,770	$ 21,324
Net income per share:			
Basic			
As reported	$ 1.23	$ 0.57	$ 0.92
Pro forma	$ 0.99	$ 0.36	$ 0.73
Diluted			
As reported	$ 1.15	$ 0.55	$ 0.86
Pro forma	$ 0.94	$ 0.35	$ 0.70

As options vest over a varying number of years and awards are generally made each year, the pro forma impacts shown above may not be representative of future pro forma expense amounts. The pro forma additional compensation expense related to all options granted prior to October 1, 2004 was calculated based on the fair value of each option grant using the Black Scholes model, while the pro forma additional compensation expense related to all options granted on or after October 1, 2004 was calculated based on the fair value of each option grant using the binomial distribution model. The following weighted-average assumptions were used in the calculation of fair value:

	2005	2004	2003
Dividend yield	0%	0%	0%
Expected volatility	43%	48%	61%
Risk free interest rate	3.8%	3.2%	2.9%
Expected life of option from grant date	5.4 years	4.7 years	4.5 years

The effect of the change in estimate related to the use of the bionomial distribution model has been accounted for on a prospective basis. The Company will value all future stock option grants using the binomial distribution model. Management believes 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.

In December 2004, the Financial Accounting Standards Board issued Statement No. 123 (revised 2004), "Share Based Payment," which is a revision of Statement No. 123, "Accounting for Stock Based Compensation." Statement 123(R) replaces APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends Statement No. 95, "Statement of Cash Flows." Statement 123(R) requires all share based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair value. Pro forma footnote disclosure will no longer be an alternative to financial statement recognition. The Company adopted Statement 123(R) on January 1, 2006 using the "modified prospective" method. The Company expects to record $14 million of share based compensation expense in 2006 in connection with the adoption of FAS 123R. However, this estimate of future share based compensation expense is affected by the Company's stock price, the number of share based awards that the

Company may grant in 2006, as well as a number of complex and subjective valuation assumptions and the related tax effects. These valuation assumptions include, but are not limited to, the volatility of the Company's stock price and employee stock option exercise behavior.

CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and cash equivalents, which are held at major financial institutions, investment grade marketable debt securities and trade receivables. The Company's products are sold on an uncollateralized basis and on credit terms based upon a credit risk assessment of each customer.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 and allowances, net realizable value of inventories, estimates of projected cash flows and discount rates used to value and test impairments of long lived assets, depreciation and amortization periods for long lived assets, valuation allowances recorded against deferred tax assets, loss contingencies, and in process research and development charges. 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.

RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2005, the Financial Accounting Standards Board (FASB) issued FSP FAS 115-1, which nullifies the guidance in paragraphs 10-18 of Emerging Issues Task Force Issue 03-1, "The Meaning of Other Than Temporary Impairment and Its Application to Certain Investments" and references existing other than temporary impairment guidance. FSP FAS 115-1 clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other than temporary, even if a decision to sell the security has not been made, and also provides guidance on the subsequent accounting for an impaired debt security. FSP FAS 115-1 is effective for reporting periods beginning after December 15, 2005. Management does not expect that the adoption of FSP FAS 115-1 will have a material impact on the Company's financial statements.

In May 2005, the FASB issued Statement No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle. Previously, voluntary changes in accounting principles were accounted for by including a one-time cumulative effect in the period of change. This statement is effective January 1, 2006. Management anticipates that this standard will have no impact on our financial statements.

In November 2004, the FASB issued Statement No. 151, "Inventory Costs an amendment of ARB No. 43, Chapter 4" (Statement 151), which is effective beginning January 1, 2006. Statement 151 requires that abnormal amounts of idle facility expense, freight, handling costs and wasted material be recognized as current period charges. Statement 151 also requires that the allocation of fixed production overhead be based on the normal capacity of the production facilities. Management does not expect that Statement 151 will have a material impact on our financial position or results of operations.

The American Jobs Creation Act of 2004 was signed into law in October 2004 and has several provisions that may affect the Company's income taxes in the future, including the repeal of the extraterritorial income exclusion and a new deduction related to qualified production activities income. The qualified production activities income deduction is a special deduction and will have no

impact on deferred taxes existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which the deduction is claimed on the Company's tax return. Pursuant to United States Department of Treasury Regulations issued in October 2005, management believes that the Company will realize a tax benefit on qualified production activities income once the Company has completely utilized its unrestricted net operating losses, which is expected to occur in 2006.

3. ACQUISITIONS

BUSINESS COMBINATIONS

In January 2005, the Company acquired all of the outstanding capital stock of Newdeal Technologies SAS ("Newdeal Technologies") for $51.9 million (38.3 million euros) 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 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.

Based in Lyon, France, 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. At the time of the acquisition, Newdeal sold its products through a direct sales force in France, Belgium and the Netherlands, and through distributors in more than 30 countries, including the United States and Canada. During 2005, Integra began to market the Newdeal products directly in the United States through its Integra Reconstructive Surgery sales force. Newdeal's target physicians include orthopedic surgeons specializing in injuries of the foot, ankle and extremities, as well as podiatric surgeons.

In connection with this acquisition, the Company recorded $35.7 million of goodwill and $13.1 million of intangible assets, consisting primarily of trade name, customer relationships, and technology, which are being amortized on a straight line basis over lives ranging from 5 to 40 years. The goodwill recorded in connection with this acquisition is based on the benefits the Company expects to generate from the synergy between Newdeal's reconstructive foot and ankle fixation products and the Company's regenerative products that are used in the treatment of chronic and traumatic wounds of the foot and ankle. The fair value of assets acquired was determined with the assistance of a third party valuation firm.

In May 2004, the Company acquired the MAYFIELD(R) Cranial Stabilization and Positioning Systems and the BUDDE(R) Halo Retractor System business from Schaerer Mayfield USA, Inc. (formerly Ohio Medical Instrument Company) for $20.0 million in cash paid at closing, a $0.3 million working capital adjustment, and $0.3 million of acquisition related expenses. The MAYFIELD and BUDDE lines include skull clamps, headrests, reusable and disposable skull pins, blades, retractor systems, and spinal implants. MAYFIELD systems are the market leader in the United States and have been used by neurosurgeons for over thirty years.

The products are sold in the United States through the Integra NeuroSciences direct sales organization and in international markets through distributors. In connection with this acquisition, the Company recorded $8.4 million of goodwill and $8.1 million of intangible assets, consisting of a non-compete agreement, trade name, and technology, which are being amortized on a straight line basis over lives ranging from 5 to 30 years. The fair value of assets acquired was determined with the assistance of a third party valuation firm.

In May 2004, the Company acquired all of the capital stock of Berchtold Medizin Elektronik GmbH, now named Integra ME GmbH, from Berchtold Holding GmbH for $5.0 million in cash. Integra ME manufactures and markets the ELEKTROTOM(R) line of electrosurgery generators and the SONOTOM(R) ultrasonic surgical aspirator, as well as a broad line of related handpieces, instruments and disposables used in many surgical procedures, including neurosurgery. Integra ME markets and sells its products to hospitals and physicians primarily through a network of distributors. This acquisition provided Integra with additional devices for the European and international markets and an existing infrastructure through which it can sell certain of its other products directly into Germany. In connection with this acquisition, the Company recorded $1.7 million of goodwill and $1.3 million of intangible assets, consisting primarily of trade name, technology, and customer relationships, which are being amortized on a straight line basis over lives ranging from 3 to 10 years.

The acquired business included a facility located in Tuttlingen, Germany that manufactured, packaged and distributed the ELEKTROTOM and SONOTOM products. The Company closed the Tuttlingen facility in December 2005 and transferred all of the Tuttlingen operations to its facility located in Andover, England.

In January 2004, the Company acquired the R&B instrument business from R&B Surgical Solutions, LLC for $2.0 million in cash. The R&B instrument line is a complete line of high quality handheld surgical instruments used in neuro- and spinal surgery. The Company markets these products through its JARIT sales organization. In connection with this acquisition, the Company recorded $1.5 million of intangible assets and goodwill. The acquired intangible assets are being amortized on a straight line basis over lives ranging from 5 to 20 years.

In January 2004, the Company acquired the Sparta disposable critical care devices and surgical instruments business from Fleetwood Medical, Inc. for $1.6 million in cash. The Sparta product line includes products used in plastic and reconstructive, ear, nose and throat (ENT), neuro, ophthalmic and general surgery. The Company sells the Sparta products through a direct marketing organization and an existing distributor network. In connection with this acquisition, the Company recorded $1.6 million of intangible assets and goodwill. The acquired intangible assets are being amortized on a straight line basis over 5 years.

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

The following table summarizes the fair value of the assets acquired and liabilities assumed as a result of 2005 and 2004 acquisitions:

(All amounts in thousands)

2005 Acquisitions	Newdeal	
Current assets	$10,925	
Property, plant and equipment	1,026	Wtd. Avg. Life
Intangible assets:		
Tradename	2,926	37 years
Customer relationships	6,032	10 years
Technology	3,387	10 years
Non competition agreement	745	5 years
Goodwill	35,668	
Other assets	38	
Total assets acquired	60,747	
Liabilities assumed, excluding debt	7,560	
Debt assumed	530	
Net assets acquired	$52,657	

2004 Acquisitions	MAYFIELD/ BUDDE	Integra ME	R&B/Sparta
Current assets	$ 3,489	$ 3,151	$ 817
Property, plant and equipment	1,400	78	10
Intangible assets	8,030	1,320	1,639
Goodwill	8,397	1,775	1,478
Total assets acquired	21,316	6,324	3,944
Current liabilities	768	837	340
Deferred tax liabilities		240	
Other non current liabilities		265	
Total liabilities assumed	768	1,342	340
Net assets acquired	$20,548	$ 4,982	$ 3,604

The goodwill acquired in the MAYFIELD/BUDDE, R&B, and Sparta acquisitions is expected to be deductible for tax purposes.

The following unaudited pro forma financial information summarizes the results of operations for the year ended December 31, 2004 as if the acquisitions consummated in 2005 and 2004 had been completed as of the beginning of 2004. 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 depreciation expense, increased intangible asset amortization, and increased income taxes at a rate consistent with Integra's marginal 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 acquisition had taken place on the basis assumed above, nor are they indicative of the results of future combined operations.

	2004
	(in thousands)
Total revenue	$250,191
Net income	17,922
Basic net income per share	$ 0.60
Diluted net income per share	$ 0.58

Pro forma financial information for the year ended December 31, 2005 would not be materially different from actual reported amounts because the Newdeal acquisition was consummated on January 3, 2005.

ASSET ACQUISITIONS

In September 2005, the Company acquired the intellectual property estate of Eunoe, Inc. for $500,000 in cash. Prior to ceasing operations, Eunoe, Inc. was engaged in the development of its innovative COGNIShunt(R) system for the treatment of Alzheimer's disease patients. The acquisition of the Eunoe intellectual property estate and clinical trial data extends the Company's technology base relevant to the management of conditions that require regulation of cerebrospinal fluid flow within the brain. The traditional application of this technology is for the treatment of hydrocephalus, a market in which Integra currently competes. The acquired intellectual property has not been developed into a product that has been approved by the FDA and has no future alternative use other than in clinical applications involving the regulation of cerebrospinal fluid. Accordingly, the Company recorded the entire acquisition price as an in process research and development charge in 2005. This transaction was accounted for as an asset purchase because the acquired assets did not constitute a business under FASB Statement No 141 "Business Combinations".

In December 2003, the Company acquired the assets of Reconstructive Technologies, Inc.("RTI") for $400,000 in cash and agreed to make certain future

performance based payments for the RTI assets. Any future contingent consideration paid to the seller is expected to be recorded as a technology based intangible asset. RTI is the developer of the Automated Cyclic Expansion System (ACE System(TM)), a tissue expansion device. Because the ACE System was not approved by the FDA for sale and the Company did not acquire any assets other than technology and intellectual property underlying the ACE System, the Company recorded the entire acquisition price as an in process research and development charge in 2003. This transaction was accounted for as an asset purchase because the acquired assets did not constitute a business under Statement 141.

4. 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 completed in December 2005. The Company closed the Integra ME production facility and transitioned the manufacturing operations of Integra ME to its production facility in Andover, UK.

In June 2005, the Company also eliminated some duplicative sales and marketing positions, primarily in Europe.

Approximately 68 individuals were identified for termination under the European restructuring plan. As of December 31, 2005, the Company terminated 65 of these individuals.

In 2005, the Company also completed the transfer of the Spinal Specialties assembly operations from the Company's San Antonio, Texas plant to its San Diego, California plant.

In connection with these restructuring activities, the Company recorded $4.0 million of charges in 2005 for the estimated costs of employee termination benefits to be provided to the affected employees and related facility exit costs.

In connection with these restructuring activities, the Company has recorded the following charges during 2005:

	Cost of Sales	Research and Development	Selling General and Administrative	Total
		(in thousands)		
Involuntary employee termination costs ...	$ 2,596	$ 183	$ 1,082	$ 3,861
Facility exit costs			155	$ 155

Below is a reconciliation of the restructuring accrual activity recorded during 2005:

	Employee Termination Costs	Facility Exit Costs	Total
		(in thousands)	
Balance at December 31, 2004	$	$	$
Additions	4,010	155	4,165
Reversal of prior accruals	(149)	--	(149)
Payments	(1,398)	(31)	(1,429)
Effects of foreign exchange	(43)	--	(43)
Balance at December 31, 2005	$ 2,420	$ 124	$ 2,544

We expect to pay the all of the remaining costs in early 2006.

In December 2003, the Company recorded a $1.1 million charge in connection with closing of its San Diego research center, the termination of certain research

programs conducted there, and the consolidation of the remaining research activities into its other facilities. The charge consisted of the following (in thousands):

Facility lease termination fee	$ 379
Research program termination costs	216
Property and equipment impairment	183
Inventory write off	157
Employee severance	120
Other	52
Total	$1,107

The inventory write-off was recorded to cost of product revenues. All other amounts were recorded to research and development expense. All amounts were paid in 2003, except for the employee severance amounts, which were included in accrued expenses and other current liabilities at December 31, 2003 and subsequently paid in 2004.

5. DEBT

In 2003, the Company completed a $120.0 million private placement of contingent convertible subordinated notes due 2008.

The notes bear interest at 2.5 percent per annum, payable semiannually. The Company will pay additional interest ("Contingent Interest") if, at thirty days prior to maturity, Integra's common stock price is greater than $37.56 per share. The Contingent Interest will be payable for each of the last three years the notes remain outstanding in an amount equal to the greater of (i) 0.50% of the face amount of the notes and (ii) 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. The Company recorded a $0.4 million liability related to the estimated fair value of the Contingent Interest obligation at the time the notes were issued. The fair value of the Contingent Interest obligation is marked to its fair value at each balance sheet date, with changes in the fair value recorded to interest expense. At December 31, 2005 and 2004, the estimated fair value of the Contingent Interest Obligation was $0.7 million and $0.7 million, respectively. In 2005, interest expense associated with changes in the estimated fair value of the Contingent Interest Obligation was not significant. In 2004, and 2003, the Company recorded $0.3 million and $0.1 million, respectively, of interest expense associated with changes in the estimated fair value of the Contingent Interest Obligation.

Debt issuance costs totaled $4.1 million and are being amortized using the straight line method over the five year term of the notes.

Holders may convert their notes into shares of Integra common stock at an initial conversion price of $34.15 per share, upon the occurrence of certain conditions, including when the market price of Integra's common stock on the previous trading day is more than 110% of the conversion price.

The notes are general, unsecured obligations of the Company and will be subordinate to any future senior indebtedness of the Company. The Company cannot redeem the notes prior to their maturity. Holders of the notes may require the Company to repurchase the notes upon a change in control.

Concurrent with the issuance of the notes, the Company used $35.3 million of the proceeds to purchase 1.5 million shares of its common stock.

In December 2005, the Company 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. The Company did not draw any amounts against this credit facility in 2005.

The indebtedness under the credit facility is guaranteed by the Company's 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 the Company's 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.

The Company 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.

In 2005, the Company paid approximately $1.1 million of fees in connection with establishing the credit facility. The company capitalized these fees and is amortizing them to interest expense over the five year term of the credit facility.

The credit facility requires the Company 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.

6. DERIVATIVE INSTRUMENTS

In August 2003, the Company entered into 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 its fixed rate contingent convertible subordinated notes. The Company receives a 2 1/2% fixed rate from the counterparty, payable on a semi-annual basis, and pays to the counterparty a floating rate based on 3 month LIBOR minus 35 basis points, payable on a quarterly basis. The floating rate resets each quarter. The interest rate swap agreement terminates on March 15, 2008, subject to early termination upon the occurrence of certain events, including redemption or conversion of the contingent convertible notes.

The net amount to be paid or received under the interest rate swap agreement is recorded as a component of interest expense. In 2005, the Company recorded an additional $0.2 million of interest expense associated with the interest rate swap. In 2004 and 2003, the Company recorded a reduction in interest expense of $0.7 million and $0.3 million, respectively. Our effective interest rate on the hedged portion of the notes was 3.7% as of December 31, 2005.

The interest rate swap agreement qualifies as a fair value hedge under SFAS No. 133, as amended, "Accounting for Derivative Instruments and Hedging Activities". Accordingly, the interest rate swap is recorded at fair value and changes in fair value are recorded in other income (expense), net.

The net fair value of the interest rate swap at December 31, 2005 was $2.0 million. The Company recorded the following changes in the net fair values of the interest rate swap and the hedged portion of the contingent convertible notes:

	2005	2004	2003
	(in thousands)		
Interest rate swap	$ 690	$ 287	$ 305
Contingent convertible notes	(821)	(430)	(433)
Net increase (decrease) in liabilities	$ (131)	$ (143)	$ (128)

The net increase (decrease) in liabilities represents the ineffective portion of the hedging relationship, and these amounts are recorded in other income (expense), net.

At December 31, 2005 and 2004, the Company had $3.4 million and $2.9 million of cash pledged as collateral in connection with the interest rate swap agreement.

In November 2004, the Company entered into a collar contract for euro 38.5 million to reduce its exposure to fluctuations in the exchange rate between the euro and the US dollar as a result of its commitment to acquire Newdeal Technologies in January 2005 for euro 38.5 million. The collar contract did not qualify as a hedge under SFAS No. 133. Accordingly, the collar contract was recorded at fair value and changes in fair value were recorded in other income (expense), net. In 2004, the Company recorded a $1.4 million gain related to the change in the fair value of the collar contract. The foreign currency collar expired in January 2005, concurrent with the Company's acquisition of Newdeal Technologies.

7. COMMON AND PREFERRED STOCK

PREFERRED STOCK TRANSACTIONS

The Company is authorized to issue up to 15,000,000 shares of preferred stock in one or more series, of which 2,000,000 shares have been designated as Series A, 120,000 shares have been designated as Series B, and 54,000 shares have been designated as Series C. There was no preferred stock outstanding at either December 31, 2005 or 2004.

COMMON STOCK TRANSACTIONS

The Company repurchased 1.7 million, 0.5 million, and 1.5 million shares of its common stock in 2005, 2004 and 2003, respectively, for $56.3 million, $14.2 million and $35.4 million, respectively.

8. STOCK PURCHASE AND AWARD PLANS

EMPLOYEE STOCK PURCHASE PLAN

The purpose of the Employee Stock Purchase Plan (the ESPP) is to provide eligible employees of the Company with the opportunity to acquire shares of common stock at periodic intervals by means of accumulated payroll deductions. Under the ESPP, a total of 1.5 million shares of common stock are reserved for issuance. These shares will be made available either from the Company's authorized but unissued shares of common stock or from shares of common stock reacquired by the Company as treasury shares. At December 31, 2005, 1.1 million shares remain available for purchase under the ESPP.

The ESPP was amended in 2005 to eliminate the lookback option and to reduce the discount available to participants to five percent. Accordingly, the ESPP will be a non-compensatory plan under Statement 123(R).

EQUITY AWARD PLANS

As of December 31, 2005 the Company had stock options, restricted stock awards, and contract stock 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 options may be granted under the 1993 Plan.

The Company has reserved 750,000 shares of common stock for issuance under both the 1993 Plan and 1996 Plan, 1,000,000 shares under the 1998 Plan, 2,000,000 shares under each of the 1999 Plan, the 2000 Plan and the 2001 Plan, and 4,000,000 shares under the 2003 Plan. The 1993 Plan, 1996 Plan, 1998 Plan, and the 1999 Plan permit the Company to grant both incentive and non qualified stock options to designated directors, officers, employees and associates of the Company. The 2000 Plan, 2001 Plan, and 2003 Plan permit the Company to grant incentive and non qualified stock options, stock appreciation rights, restricted stock, contract stock, performance stock, or dividend equivalent rights to designated directors, officers, employees and associates of the Company. 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.

Stock Options

Stock option activity for all the Plans was as follows:

	2005		2004		2003	
	Options	Wtd. Avg. Ex. Price	Options	Wtd. Avg. Ex. Price	Options	Wtd. Avg. Ex. Price
	(shares in thousands)					
Options outstanding at January 1, ...	3,683	$23.42	2,884	$16.19	4,295	$12.15
Granted	1,089	$34.53	1,473	$31.81	430	$24.81
Exercised	(576)	$13.83	(547)	$ 9.80	(1,726)	$ 7.70
Cancelled	(195)	$30.28	(127)	$21.97	(115)	$17.40
Options outstanding at December 31, ...	4,001	$27.50	3,683	$23.42	2,884	$16.19
Options exercisable at December 31, ...	2,023	$22.74	1,641	$17.61	1,495	$ 13.65

The following table summarizes information about stock options outstanding as of December 31, 2005:

	Options Outstanding			Options Exercisable	
Range Of Exercise Prices	As of Dec. 31, 2005	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Life	As of Dec. 31 2005	Wtd. Avg. Exercise Price
	(shares in thousands)				
$ 6.56 - $17.65	827	$ 13.79	3.0 years	745	$ 13.42
$17.68 - $27.89	800	$ 25.20	2.5 years	700	$ 25.38
$27.94 - $31.38	939	$ 29.94	5.6 years	336	$ 29.76
$31.89 - $35.52	829	$ 34.16	6.0 years	242	$ 34.03
$35.57 - $38.72	606	$ 36.33	6.7 years		$ 0.00
	4,001	$ 27.50	4.7 years	2,023	$ 22.74

The weighted average fair market value of stock options granted in 2005, 2004 and 2003 was $14.88, $13.48, and $13.01 per share, respectively.

Restricted Stock

In 2005, the Company issued 21,246 shares of restricted stock. These awards are expensed over their vesting period, ranging from six months to three years. The Company recognized $0.1 million of expense in 2005 related to these awards. The Company did not issue any shares of restricted stock prior to 2005.

Contract Stock and Restricted Units Awards

In July 2004, the Company's President and Chief Executive Officer (Executive) renewed his employment agreement with the Company through December 31, 2009. In connection with the renewal of the agreement, the Executive received a grant of fair market value options to acquire up to 250,000 shares of Integra common stock and a fully vested contract stock unit award providing for the payment of 750,000 shares of Integra common stock which shall generally be delivered to the Executive following his termination of employment or retirement but not before December 31, 2009, or later under certain circumstances, or earlier if he is terminated without cause, if he leaves his position for good reason or upon a change of control or certain tax related events. The options and contract stock award were granted under the 2003 Plan. In connection with the fully vested contract stock award, the Company recorded a share-based compensation charge of $23.9 million, including payroll taxes, in 2004 for the compensation expense related to the fully vested contract stock unit grant. The Executive has demand registration rights under the Restricted Units issued.

In December 2000, the Company issued 1,250,000 restricted units (Restricted Units) under the 2000 Plan as a fully vested equity based bonus to the Executive in connection with the extension of his employment agreement. Each Restricted Unit represents the right to receive one share of the Company's common stock. The Executive has demand registration rights under the Restricted Units issued. In January 2006, the Company issued 750,000 shares of the Company's common stock to the Executive pursuant to the obligations with respect to 750,000 of these Restricted Units.

The Executive received 1,000,000 Restricted Units in December 1997, each of which entitles him to receive one share of the Company's common stock. The Restricted Units issued in December 1997 were not issued under any of the Plans. In November 2003, the Company issued 1,000,000 shares of the Company's common stock to the Executive pursuant to the obligations under these Restricted Units.

No other share-based awards are outstanding under any of the Plans. At December 31, 2005, there were 1,812,904 shares available for grant under the Plans.

9. RETIREMENT BENEFIT PLANS

DEFINED BENEFIT PLAN

The Company maintains defined benefit pension plans that cover employees in its manufacturing plants located in Andover, United Kingdom (the "UK Plan") and Tuttlingen, Germany (the "Germany Plan"). The Company closed the Tuttlingen, Germany plant in December 2005. However, the Germany Plan was not terminated and the Company remains obligated for the accrued pension benefits related to this plan. The plans cover certain current and former employees. Both plans are no longer open to new participants. The Company uses a December 31 measurement date for both of its pension plans.

Net periodic benefit costs for these defined benefit pension plans included the following amounts:

	2005	2004	2003
	(in thousands)		
Service cost	$ 178	$ 179	$ 88
Interest cost	567	522	397
Expected return on plan assets	(464)	(434)	(330)
Recognized net actuarial loss	215	203	116
Net periodic benefit cost	$ 496	$ 470	$ 271

The following weighted average assumptions were used to develop net periodic benefit cost and the actuarial present value of projected benefit obligations:

	2005	2004	2003
Discount rate	4.7%	5.2%	5.4%
Expected return on plan assets	4.9%	5.8%	6.2%
Rate of compensation increase	3.5%	3.3%	3.3%

The expected return on plan assets represents the average rate of return expected to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, the Company considers long term compound annualized returns of historical market data as well as actual returns on the plan assets and applies adjustments that reflect more recent capital market experience. Using this reference information, the long term return expectations for each asset category is developed, according to the allocation among those investment categories.

The following sets forth the change in benefit obligations and change in plan assets at December 31, 2005 and 2004 and the accrued benefit cost:

	December 31,	
	2005	2004
	(in thousands)	
CHANGE IN PROJECTED BENEFIT OBLIGATION		
Projected benefit obligation, beginning of year	$11,367	$ 8,832
Service cost	178	179
Interest cost	567	522
Participant contributions	36	42
Benefits paid	(317)	(183)
Actuarial (gain) loss	1,133	656
Acquisitions		474
Effect of foreign currency exchange rates	(1,315)	845
Projected benefit obligation, end of year	$11,649	$11,367
CHANGE IN PLAN ASSETS		
Plan assets at fair value, beginning of year	$ 8,379	$ 6,646
Actual return on plan assets	1,277	816
Employer contributions	264	238
Participant contributions	36	37
Benefits paid	(315)	(183)
Other	--	46
Acquisitions		162
Effect of foreign currency exchange rates	(968)	617
Plan assets at fair value, end of year	$ 8,673	$ 8,379
RECONCILIATION OF FUNDED STATUS		
Funded status, projected benefit obligation in excess of plan assets	$(2,976)	$(2,988)
Unrecognized net actuarial loss	2,504	2,759
Adjustment to recognize minimum liability	(2,390)	(2,543)
Accrued benefit cost	$(2,862)	$(2,772)

The accrued benefit liability recorded at December 31, 2005 and 2004 is included in other liabilities.

The combined accumulated benefit obligation for the defined benefit plans was $11.5 million and $11.2 million as of December 31, 2005 and 2004, respectively. The accumulated benefit obligation for each plan exceeded that plan's assets for all periods presented.

The weighted average allocation of plan assets by asset category is as follows:

	December 31,	
	2005	2004
Equity securities	47%	52%
Corporate bonds	26%	19%
Government bonds	20%	22%
Insurance contracts	2%	2%
Cash	5%	5%
	100%	100%

The investment strategy for the Company's defined benefit plans is both to meet the liabilities of the plans as they fall due and to maximize the return on invested assets within appropriate risk tolerances. The assets of the Germany Plan consist entirely of insurance contracts.

The Company anticipates contributing approximately $250,000 to its defined benefit plans in 2006. The Company expects to pay the following estimated future benefit payments in the years indicated:

2006	269,000
2007	286,000
2008	312,000
2009	338,000
2010	400,000
2011 2015	2,679,000

DEFINED CONTRIBUTION PLAN

The Company also has various defined contribution savings plans that cover substantially all employees in the United States, the United Kingdom, and Puerto Rico. The Company matches a certain percentage of each employee's contributions as per the provisions of the plans. Total contributions by the Company to the plans were $627,000, $622,000, and $483,000 in 2005, 2004, and 2003, respectively.

10. LEASES

The Company leases administrative, manufacturing, research and distribution facilities and various manufacturing, office and transportation equipment through operating lease agreements.

In November 1992, a corporation whose shareholders are trusts, whose beneficiaries include family members of the Company's Chairman, acquired from independent third parties a 50% interest in the general partnership from which the Company leases its manufacturing facility in Plainsboro, New Jersey. In October 2005, the Company entered into a lease modification agreement relating this facility. The lease modification agreement provides for extension of the term of the lease from October 31, 2012 for an additional five year period through October 31, 2017 at an annual rate of approximately $272,000 per year. The lease modification agreement also provides a ten year option for the Company to extend the lease from November 1, 2017 through October 31, 2027 at an annual rate of approximately $296,000 per year.

In June 2000, the Company signed a ten year agreement to lease certain production equipment from a corporation whose sole stockholder is a general partnership, for which the Company's Chairman is a partner and the President. Under the terms of the lease agreement, the Company paid $90,000 to the related party lessor in 2005, 2004, and 2003.

Future minimum lease payments under operating leases at December 31, 2005 were as follows:

	Related Parties	Third Parties	Total
	(in thousands)		
2006	$ 321	$ 2,095	$ 2,416
2007	324	1,337	1,661
2008	341	342	683
2009	341	204	545
2010	341	176	517
Thereafter	4,732	1,764	6,496
Total minimum lease payments	$ 6,400	$ 5,918	$12,318

Total rental expense in 2005, 2004, and 2003 was $3.2 million, $2.3 million, and $2.9 million, respectively, and included $321,000, $321,000, and $321,000, in related party expense, respectively.

11. INCOME TAXES

The provision for income taxes consisted of the following:

	2005	2004	2003
	(in thousands)		
Current:			
Federal	$ 2,547	$ 1,899	$ 972
State	2,038	1,670	2,470
Foreign	3,427	1,141	529
Total current	8,012	4,710	3,971
Deferred:			
Federal	$13,706	$ 5,802	$ 12,800
State	(409)	53	83
Foreign	(3,402)	246	(526)
Total deferred	9,895	6,101	12,357
Provision for income taxes	$ 17,907	$ 10,811	$ 16,328

Income before income taxes consisted of the following:

	2005	2004	2003
	(in thousands)		
United States operations	$ 46,111	$ 17,074	$ 40,883
Foreign operations	8,990	10,934	2,306
Total	$ 55,101	$ 28,008	$ 43,189

The temporary differences that give rise to deferred tax assets and liabilities are presented below:

	December 31	
	2005	2004
	(in thousands)	
Net operating loss and tax credit carryforwards	$ 4,622	$ 13,405
Inventory reserves and capitalization	4,781	2,145
Deferred compensation	14,053	14,164
Deferred income	3,831	1,821
Total deferred tax assets before valuation allowance	27,287	31,535
Valuation allowance	(5,126)	(5,360)
Depreciation and amortization	(9,694)	(5,327)
Other	(4,148)	(1,095)
Net deferred tax assets	$ 8,319	$ 19,753

A valuation allowance of $5.1 million is recorded against the remaining $27.3 million of deferred tax assets recorded at December 31, 2005. This valuation allowance relates to deferred tax assets for certain expenses that will be deductible for tax purposes in very limited circumstances and for which the Company believes it is unlikely that it will recognize the associated tax benefit. The Company does not anticipate additional income tax benefits through future reductions in the valuation allowance. However, in the event that the Company determines that it would be able to realize more or less than the recorded amount of net deferred tax assets, an adjustment to the deferred tax asset valuation allowance would be recorded in the period such a determination is made.

The Company's valuation allowance decreased by $0.2 million in 2005 as a result of a change in the Company's marginal state effective income tax rates.

A reconciliation of the United States Federal statutory rate to the Company's effective tax rate for the years ended December 31, 2005, 2004, and 2003 is as follows:

	2005	2004	2003
Federal statutory rate	35.0%	35.0%	35.0%
Increase (reduction) in income taxes resulting from:			
State income taxes, net of federal tax benefit	2.0%	4.0%	3.9%
Foreign taxes booked at different rates	(3.7%)	(4.2%)	(1.0%)
Foreign losses for which no benefit was previously taken..	(0.9%)		
Tax on asset transfer		4.5%	
Other	0.1%	(0.7%)	(0.1%)
Effective tax rate	32.5%	38.6%	37.8%

At December 31, 2005, the Company had net operating loss carryforwards of $15.8 million for federal income tax purposes and $0.4 million for foreign tax purposes to offset future taxable income. The federal net operating loss carryforwards expire through 2024 and the foreign net operating loss carryforwards have no expiration.

At December 31, 2005, several of the Company's subsidiaries had unused net operating loss carryforwards and tax credit carryforwards arising from periods prior to the Company's ownership which expire through 2010. The Internal Revenue Code limits the timing and manner in which we may use any acquired net operating losses or tax credits.

Income taxes are not provided on undistributed earnings of non-U.S. subsidiaries because such earnings are expected to be permanently reinvested. Undistributed earnings of foreign subsidiaries totaled $8.5 million and $2.6 million at December 31, 2005 and 2004, respectively.

12. NET INCOME PER SHARE

Amounts used in the calculation of basic and diluted net income per share were as follows:

	2005	2004	2003
	(in thousands, except per share amounts)		
Basic:			
Net income	$ 37,194	$ 17,197	$ 26,861
Basic net income per share	$ 1.23	$ 0.57	$ 0.92
Weighted average common shares outstanding - Basic	30,195	30,064	29,071
Diluted:			
Net income	$ 37,194	$ 17,197	$ 26,861
Add back: Interest expense and other income/(expense) related to convertible notes payable, net of tax	2,440		1,608
Net income applicable to common stock	$ 39,634	$ 17,197	$ 28,469
Diluted net income per share	$ 1.15	$ 0.55	$ 0.86
Weighted average common shares outstanding - Basic	30,195	30,064	29,071
Effect of dilutive securities:			
Restricted stock and stock options	856	1,038	1,397
Shares issuable upon conversion of notes payable	3,514		2,636
Weighted average common shares outstanding	34,565	31,102	33,104

Shares of common stock issuable through exercise or conversion of the following dilutive securities were not included in the computation of diluted net income per share for each period because their effect would have been antidilutive:

	2005	2004	2003
	(in thousands)		
Stock options and restricted stock	570	155	424
Shares issuable upon conversion of notes payable		3,514	
Total	570	3,669	424

A contract stock unit award that entitles the holder to 750,000 shares of common stock and Restricted Units that entitle the holder to 1,250,000 shares of common stock (see Note 8) are included in the basic and diluted weighted average shares outstanding calculation from their date of issuance because no further consideration is due related to the issuance of the underlying common shares.

13. DEVELOPMENT, DISTRIBUTION, AND LICENSE AGREEMENTS

The Company has various development, distribution, and license agreements under which it receives payments. Significant agreements include the following:

From 1999 through 2003, ETHICON, Inc., a division of Johnson & Johnson, marketed and distributed the Company's INTEGRA(R) Dermal Regeneration Template under the terms of a ten year distribution agreement (the "ETHICON Agreement"). Upon signing the ETHICON Agreement, the Company received a nonrefundable payment from ETHICON of $5.3 million for the exclusive use of the Company for trademarks and regulatory filings related to the INTEGRA(R) Dermal Regeneration Template and certain other rights. This amount was initially recorded as deferred revenue and was recognized as revenue in accordance with the Company's revenue recognition policy for nonrefundable, up-front fees received. Additionally, the ETHICON

Agreement required ETHICON to make nonrefundable payments to the Company each year based upon minimum purchases of INTEGRA(R) Dermal Regeneration Template. Upon early termination of the ETHICON Agreement in December 2003, ETHICON paid Integra $2.0 million, which the Company recorded as other income. The Company also recorded $11.0 million of other revenue in the fourth quarter of 2003 related to the acceleration of the recognition of unused minimum purchase payments and unamortized license fee revenue.

In 2003, the Company received $2.8 million of event related payments from ETHICON and $2.0 million of research funding. Both the event related payments and the research funding were recorded in other operating revenue in accordance with the Company's revenue recognition policy.

The Company has an agreement with Wyeth for the development of collagen and other absorbable matrices to be used in conjunction with Wyeth's recombinant human bone morphogenetic protein 2 (rhBMP 2) in a variety of bone regeneration applications. The agreement with Wyeth requires Integra to supply Absorbable Collagen Sponges to Wyeth (including those that Wyeth sells to Medtronic Sofamor Danek with rhBMP 2 for use in Medtronic Sofamor Danek's InFUSE(TM) product) at specified prices. In addition, the Company receives a royalty equal to a percentage of Wyeth's sales of surgical kits combining rhBMP 2 and the Absorbable Collagen Sponges. The agreement terminates in 2007, but may be extended at the option of the parties. The agreement does not provide for milestones or other contingent payments, but Wyeth pays the Company to assist with regulatory affairs and research. The Company received $2.2 million of research and development revenues under the agreement in 2003.

14. COMMITMENTS AND CONTINGENCIES

As 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 are commercialized relative to the 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 July 1996, the Company filed a patent infringement lawsuit in the United States District Court for the Southern District of California (the "Trial Court") against Merck KGaA, a German corporation, Scripps Research Institute, a California nonprofit corporation, and David A. Cheresh, Ph.D., a research scientist with Scripps, seeking damages and injunctive relief. The complaint charged, among other things, that the defendant Merck KGaA willfully and deliberately induced, and continues willfully and deliberately to induce, defendants Scripps Research Institute and Dr. Cheresh to infringe certain of the Company's patents. These patents 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 defendants filed a countersuit asking for an award of defendants' reasonable attorney fees.

In March 2000, a jury returned a unanimous verdict in the Company's favor and awarded Integra $15.0 million in damages, finding that Merck KGaA had willfully infringed and induced the infringement of our patents. The Trial Court dismissed Scripps and Dr. Cheresh from the case.

In October 2000, the Trial Court entered judgment in Integra's favor and against Merck KGaA in the case. In entering the judgment, the Trial Court also granted to the Company pre judgment interest of $1.4 million, bringing the total award to $16.4 million, plus post judgment interest. Merck KGaA filed various post trial motions requesting a judgment as a matter of law notwithstanding the verdict or a new trial, in each case regarding infringement, invalidity and damages. In September 2001, the Trial Court entered orders in favor of Integra and against Merck KGaA on the final post judgment motions in the case, and denied Merck KGaA's motions for judgment as a matter of law and for a new trial.

Merck KGaA and Integra each appealed various decisions of the Trial Court to the United States Court of Appeals for the Federal Circuit (the "Circuit Court"). In June 2003, the Circuit Court affirmed the Trial Court's finding that Merck KGaA had infringed our patents. The Circuit Court also held that the basis of the jury's calculation of damages was not clear from the trial record, and remanded the case to the Trial Court for further factual development and a new calculation of damages consistent with the Circuit Court's decision. In September 2004, the Trial Court ordered Merck KgaA to pay Integra $6.4 million in damages following the Circuit Court's order. Merck KGaA filed a petition for a writ of certiorari with the United States Supreme Court (the "Supreme Court") seeking review of the Circuit Court's decision, and the Supreme Court granted the writ in January 2005. Oral arguments before the United States Supreme Court were held in April 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 will review the evidence under a reasonableness test that does not provide categorical exclusions of certain types of activities.

The Company has not recorded any gain in connection with this matter, pending final resolution and completion of the appeals process.

Three of the Company's French subsidiaries that were acquired from the neurosciences division of NMT Medical, Inc. received a tax reassessment notice from the French tax authorities seeking in excess of 1.7 million euros in back taxes, interest and penalties. NMT Medical, the former owner of these entities, has agreed to indemnify Integra against direct damages and liability arising from misrepresentations in connection with these tax claims. In April 2005, NMT Medical, Inc. negotiated a settlement agreement with the French authorities that satisfied the outstanding tax assessments. In connection with this settlement, the Company recognized net operating loss carryforwards in France and recorded this benefit as a $0.5 million tax benefit in 2005.

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 current or 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.

15. SEGMENT AND GEOGRAPHIC INFORMATION

Integra 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 cranial and spinal procedures, peripheral nerve repair, small bone and joint injuries, and the repair and reconstruction of soft tissue.

Product revenues consisted of the following:

	2005	2004	2003
	(in thousands)		
Monitoring products	$ 48,940	$ 48,217	$ 44,229
Implant products	108,156	78,418	53,301
Instruments	91,918	77,667	47,168
Private label products	28,757	24,188	21,997
Consolidated product revenues	$277,771	$228,490	$166,695

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 comprised 31%, 31%, and 27% of product revenues in 2005, 2004, and 2003, 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.

Product revenue and long-lived assets (excluding intangible assets, financial instruments and deferred tax assets) by major geographic area are summarized below:

	United States	Europe	Asia Pacific	Other Foreign	Consolidated
	(in thousands)				
Product revenue:					
2005	$207,245	$ 48,645	$ 11,403	$ 10,478	$277,771
2004	180,887	30,941	8,535	8,127	228,490
2003	132,805	21,433	5,828	6,629	166,695
Long lived assets:					
December 31, 2005	$ 23,938	$ 9,441	$	$	$ 33,379
December 31, 2004	21,287	9,175			30,462

16. SELECTED QUARTERLY INFORMATION -- UNAUDITED

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(in thousands, except per share data)			
2005:				
Total revenue:				
2005	$ 72,985	$ 69,333	$ 69,778	$ 65,839
2004	61,811	59,130	56,441	52,443
Gross margin (exclusive of amortization related to acquired intangible assets):				
2005	44,733	43,320	42,639	41,707
2004	38,590	36,718	34,776	32,442
Net income (loss):				
2005	10,615	10,481	7,655	8,443
2004	9,839	(7,597)	7,518	7,437
Basic net income (loss) per share:				
2005	$ 0.36	$ 0.35	$ 0.25	$ 0.28
2004	$ 0.32	$ (0.25)	$ 0.25	$ 0.25
Diluted net income (loss) per share:				
2005	$ 0.33	$ 0.33	$ 0.23	$ 0.26
2004	$ 0.30	$ (0.25)	$ 0.23	$ 0.23

In 2005, the Company recorded the following charges in connection with its restructuring activities:

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(in thousands)			
Involuntary employee termination costs	$ 1,120	$ 667	$ 2,074	$ --
Facility exit costs	155			

In the third quarter of 2004, the Company recorded the following:

- a $1.4 million charge in connection with a milestone payment related to the completion of certain development activities related to an advanced neuro-monitoring system;
- a $23.9 million share-based compensation charge associated with the renewal of the Company's President and Chief Executive Officer's employment agreement; and
- a $1.3 million tax charge incurred in connection with the reorganization of certain European operations.

In the fourth quarter of 2004, the Company recognized $1.4 million of other income related to an unrealized gain on a foreign currency collar, which was used to reduce the exposure to fluctuations in the exchange rate between the euro and the US dollar as a result of the Company's commitment to acquire Newdeal Technologies for 38.5 million euros. The foreign currency collar expired in January 2005, concurrent with the Company's acquisition of Newdeal Technologies.

17. SUBSEQUENT EVENT

In September 2005, the Company announced the signing of a definitive agreement to acquire the assets of the Radionics Division of Tyco Healthcare Group, L.P. for approximately $76 million in cash, subject to certain adjustments. Radionics, based in Burlington, Massachusetts, is a leader in the design, manufacture and sale of advanced minimally-invasive medical instruments and systems for radiation therapy. Radionics' products include the CRW(R) stereotactic system, the XKnife(TM) stereotactic radiosurgery system, the OmniSight(R)EXcel image guided surgery system, and the CUSA EXcel(TM) ultrasonic surgical aspiration system. The acquisition closed on March 3, 2006.

The determination of the fair value of the assets acquired and liabilities assumed as a result of this acquisition is in progress. Based on a preliminary valuation, the following summarizes the fair value of the assets acquired and liabilities assumed:

(All amounts in thousands)

Current assets	$ 8,440
Property, plant and equipment	1,350
Intangible assets and goodwill	67,090
Total assets acquired	76,880
Liabilities assumed	2,380
Net assets acquired	$74,500

The acquired intangible assets consist primarily of developed technology, trade name, and customer relationships. The final fair value of assets acquired will be determined with the assistance of a third party valuation firm.

In March 2006, the Company borrowed $16.0 million under its credit facility in connection with the acquisition of Radionics.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION
VALUATION AND QUALIFYING ACCOUNTS

SCHEDULE II

Description	Balance at Beginning Of Period	Charged to Costs and Expenses	Charged to Other Accounts(1)	Deductions	Balance at End of Period
			(in thousands)		
Year ended December 31, 2005					
Allowance for doubtful accounts and sales returns and allowances	$ 2,749	$ 1,279	$ 34	$ (554)	$ 3,508
Inventory reserves	7,600	2,191	247	(270)	9,768
Deferred tax asset valuation allowance ..	5,360	--	--	(234)	5,126
Year ended December 31, 2004					
Allowance for doubtful accounts and sales returns and allowances	$ 2,025	$ 802	$ 297	$ (327)	$ 2,749
Inventory reserves	6,204	1,210	1,056	(870)	7,600
Deferred tax asset valuation allowance ..	5,360				5,360
Year ended December 31, 2003					
Allowance for doubtful accounts and sales returns and allowances	$ 1,387	541	497	(400)	$ 2,025
Inventory reserves	9,573	3,193	894	(7,456)	6,204
Deferred tax asset valuation allowance ..	7,692		(2,332)		5,360

(1) All amounts shown were recorded to goodwill in connection with acquisitions except for the $2.3 million reduction in the deferred tax asset valuation allowance in 2003, which was written off against the gross deferred tax asset.

AMENDED AND RESTATED

CERTIFICATION OF INCORPORATION

OF

INTEGRA LIFESCIENCES CORPORATION

INTEGRA LIFESCIENCES CORPORATION, a corporation organized and existing under the laws of the state of Delaware, hereby certifies as follows:

1. The name of the corporation is "Integra LifeSciences Corporation." The date of filing of the Corporation's original Certificate of Incorporation with the Secretary of State of Delaware was June 19, 1969 under the name "LFC No. 64 Corp.".

2. The text of the Certificate of Incorporation as amended or supplemented heretofore is amended hereby to read as herein set forth in full:

FIRST: The name of the Corporation is Integra LifeSciences Corporation.

SECOND: The address of the Corporation's registered office in the State of Delaware is 103 Springer Building, 3411 Silverside Road, Wilmington, Delaware 19810. The name of the Corporation's registered agent at such address is Organization Services, Inc., in the County of New Castle.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 75,000,000 shares, par value $.01 per share, of which 60,000,000 shares are designed as Common Stock and 15,000,000 shares are designated as Preferred Stock.

FIFTH: The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of Article FOURTH, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the Delaware General Corporation Law, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences, and relative rights of each such series and the qualifications, limitations, and restrictions thereof. Each class or series shall be appropriately designated by a distinguishing designation prior to the issuance of any shares thereof. The Preferred Stock of all series shall have preferences, limitations and relative rights identical with those of other shares of the same series and, except to the extent otherwise provided in the description of the series, with those of shares of other series of the same class.

SIXTH: In furtherance and not in limitation of the general powers conferred by the law of the State of Delaware, the Board of Directors is expressly authorized to make, alter or repeal the By Laws of the Corporation, except as specifically otherwise provided therein.

SEVENTH: A director of the Corporation shall have no personal liability to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except to the extent that Section 102(b)(7) (or any successor provision) of the Delaware General Corporation Law, as amended from time to time, expressly provides that the liability of a director may not be eliminated or limited.

EIGHTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 6 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.

3. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 & 245 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, Integra LifeSciences Corporation has caused this Certificate to be signed by its Chairman and attested by its Secretary, as of the 18th day of February, 1992.

INTEGRA LIFESCIENCES CORPORATION

By: /s/ Richard E. Caruso

Richard E. Caruso, Chairman

ATTEST:

By: /s/ William M. Goldstein

William M. Goldstein, Secretary

CERTIFICATE OF CORRECTION FILED TO CORRECT
A CERTAIN ERROR IN THE AMENDED AND RESTATED
CERTIFICATION OF INCORPORATION OF
INTEGRA LIFESCIENCES CORPORATION
FILED IN THE OFFICE OF THE SECRETARY OF STATE
OF DELAWARE ON FEBRUARY 16, 1993.

INTEGRA LIFESCIENCES CORPORATION, a corporation organized and existing under the laws of the State of Delaware,

DOES HEREBY CERTIFY:

1. The name of the corporation is INTEGRA LIFESCIENCES CORPORATION.

2. That an Amended and Restated Certificate of Incorporation was filed by the Secretary of State of Delaware on February 16, 1993 and that said Certificate requires correction as permitted by Section 103 General Corporation Law of the State of Delaware.

3. The inaccuracy or defect of said Certificate to be corrected is as follows:

The execution date is incorrect.

4. The execution sealing or acknowledgment of the Certificate is corrected as follows:

The execution date should be February 16, 1993 in lieu of February 18, 1992 as dated in the Certificate.

IN WITNESS WHEREOF, said INTEGRA LIFESCIENCES CORPORATION has caused this Certificate to be signed by Richard E. Caruso, its Chairman and attested to by George S. Domino, its Assistant Secretary, as of the 5th day of May, 1993.

INTEGRA LIFESCIENCES CORPORATION

By: /s/ Richard E. Caruso

Richard E. Caruso, Chairman

ATTEST:

By: /s/ George S. Domino

George S. Domino, Assistant Secretary

FIRST AMENDMENT

FIRST AMENDMENT dated as of February 15, 2006 (this "Amendment"), among INTEGRA LIFESCIENCES HOLDINGS CORPORATION, a Delaware corporation (the "Borrower"), the lenders party to the Credit Agreement (as defined below) (collectively, the "Lenders"), BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (the "Administrative Agent"), CITIBANK, FSB and SUNTRUST BANK, as Co Syndication Agents (the "Co Syndication Agents") and ROYAL BANK OF CANADA and WACHOVIA BANK, NATIONAL ASSOCIATION, as Co Documentation Agents (the "Co Documentation Agents").

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders, the Administrative Agent, the Co Syndication Agents and the Co Documentation Agents have entered into a Credit Agreement, dated as of December 22, 2005 (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement" and the Credit Agreement, as amended by, and together with this Amendment, the "Amended Agreement"). Capitalized terms used but not defined in this Amendment shall have the meanings assigned to them in the Credit Agreement.

(2) The Borrower has requested the Lenders to amend certain provisions of the Credit Agreement.

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

SECTION 1.01. Amendment to Section 1.01. The definition of "Permitted Acquisition" set forth in Section 1.01 of the Credit Agreement is hereby amended by deleting the words "by any Loan Party" from the first line thereof.

SECTION 1.02. Amendment to Section 7.03. Section 7.03(e) of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"(e) intercompany Indebtedness constituting an Investment that is permitted under Sections 7.02(d), (e), (f) or (g)."

SECTION 1.03. Representations and Warranties. The Borrower hereby represents and warrants to the Administrative Agent and the Lenders, as follows:

(a) After giving effect to the updated Schedules to the Credit Agreement attached hereto, the representations and warranties set forth in Article V of the Credit Agreement and in each other Loan Document are true and correct in all material respects on and as of the date hereof and on and as of the Amendment Effective Date (as defined below) with the same effect as though made on and as of the date hereof or the Amendment Effective Date, as the case may be, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects on and as of such earlier date).

(b) On the date hereof and on the Amendment Effective Date, no Default or Event of Default has occurred and is continuing.

(c) The execution, delivery and performance of this Amendment by the Borrower and each of its Subsidiaries have been duly authorized by all requisite corporate or other organizational action.

(d) This Amendment constitutes the legal, valid and binding obligation of the Borrower and each of its Subsidiaries, enforceable against each such party in accordance with its terms.

(e) The execution, delivery and performance of this Amendment by the Borrower and each of its Subsidiaries do not and will not (i) contravene the terms of any of such Person's Organization Documents; (ii) conflict with or result in any breach or contravention of, or (except for the Liens created under the Loan Documents) the creation of any Lien under, or require any payment to be made under (A) any Contractual Obligation to which such Person or such Person's Affiliate is a party or affecting such Person or the properties of such Person or any of its subsidiaries or (B) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (iii) violate any Law.

SECTION 1.04. Effectiveness. This Amendment shall become effective only upon satisfaction of the following conditions precedent (the first date upon which each such condition has been satisfied being herein called the "Amendment Effective Date"):

(a) The Administrative Agent shall have received duly executed counterparts of this Amendment which, when taken together, bear the authorized signatures of the Borrower, each Subsidiary Guarantor and the Required Lenders.

(b) The representations and warranties set forth in Section 1.03 shall be true and correct on and as of the Amendment Effective Date.

(c) The Lenders shall have received such other documents, legal opinions, instruments and certificates as they shall reasonably request and such other documents, legal opinions, instruments and certificates shall be satisfactory in form and substance to the Lenders and their counsel. All corporate and other proceedings taken or to be taken in connection with this Amendment and all documents incidental thereto, whether or not referred to herein, shall be satisfactory in form and substance to the Lenders and their counsel.

SECTION 1.05. APPLICABLE LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REFERENCE TO THE CONFLICTS OF LAWS PRINCIPLES THEREOF.

SECTION 1.06. Fees and Expenses. The Borrower shall pay all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation, negotiation, execution, delivery and enforcement of this Amendment, including, but not limited to, the reasonable fees and disbursements of counsel.

SECTION 1.07. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement. Delivery by facsimile by any of the parities hereto of an executed counterpart of this Amendment shall be as effective as an original executed counterpart hereof and shall be deemed a representation that an original executed counterpart hereof will be delivered, but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability or binding effect of this Amendment.

SECTION 1.08. Guarantor Confirmation. By its execution and delivery hereof, each Subsidiary Guarantor acknowledges and agrees that, as provided in Article II of the Subsidiary Guaranty, such Subsidiary Guarantor's obligations under the Subsidiary Guaranty shall not be released, diminished, impaired, reduced or adversely affected by the execution, delivery or performance of this Amendment, and waives any rights which such Subsidiary Guarantor might otherwise have to make any claim to the contrary. Each Subsidiary Guarantor hereby confirms that the Subsidiary Guaranty is, and after the effectiveness of this Amendment shall remain, in full force and effect, and enforceable against such Subsidiary Guarantor in accordance with its terms. Each Subsidiary Guarantor hereby acknowledges that the Administrative Agent and the Lenders are relying upon the foregoing agreements of such Subsidiary Guarantor in entering into this Amendment.

SECTION 1.09. Credit Agreement. Except as expressly set forth herein, the amendments provided herein shall not by implication or otherwise limit, constitute a waiver of, or otherwise affect the rights and remedies of the Lenders or the Administrative Agent under the Credit Agreement or any other Loan Document, nor shall they constitute a waiver of any Default or Event of Default, nor shall they alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document. Each of the amendments provided herein shall apply and be effective only with respect to the provisions of the Credit Agreement specifically referred to by such amendment. Except as expressly amended herein, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof. As used in the Credit Agreement, the terms "Agreement", "herein", "hereinafter", "hereunder", "hereto" and words of similar import shall include, from and after the Amendment Effective Date, the Amended Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their duly authorized officers, all as of the date first above written.

Borrower:

INTEGRA LIFESCIENCES HOLDINGS CORPORATION, a Delaware corporation

By:/s/ David B. Holtz

Name: David B. Holtz
Title: Senior Vice President, Finance

Subsidiary Guarantors:

INTEGRA LIFESCIENCES CORPORATION, a Delaware corporation

By:/s/ David B. Holtz

Name: David B. Holtz
Title: Senior Vice President, Finance

INTEGRA LIFESCIENCES INVESTMENT CORPORATION, a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA OHIO, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA RADIONICS, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA CLINICAL EDUCATION INSTITUTE, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA HEALTHCARE PRODUCTS LLC, a Delaware limited liability company

By: Integra LifeSciences Corporation, its sole member

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Senior Vice President, Finance

J. JAMNER SURGICAL INSTRUMENTS, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

JARIT INSTRUMENTS, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA SELECTOR CORPORATION, a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

SPINAL SPECIALTIES, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES (IP), INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES (INTERNATIONAL), INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA LIFESCIENCES (FRANCE) LLC,
a Delaware limited liability company

By: Integra NeuroSciences
(International), Inc., its
sole member

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

BANK OF AMERICA, N.A., as Administrative Agent, Swing Line Lender, L/C Issuer and as a Lender

By: /s/ Amie L. Edwards

Name: Amie L. Edwards
Title: Vice President

CITIBANK, FSB, as Co-Syndication Agent
and as a Lender

By:

Name:
Title:

SUNTRUST BANK, as Co-Syndication Agent
and as a Lender

By: /s/ Gregory M. Ratliff

Name: Gregory M. Ratliff
Title: Vice President

ROYAL BANK OF CANADA, as Co-Documentation Agent and as a Lender

By: /s/ Gordon MacArthur

Name: Gordon MacArthur
Title: Authorized Signatory

WACHOVIA BANK, NATIONAL ASSOCIATION, as Co-Documentation Agent and as a Lender

By: /s/ Jeanette A. Griffin

Name: Jeanette A. Griffin
Title: Director

CITIZENS BANK PA, as a Lender

By: /s/ Mark W. Torie

Name: Mark W. Torie
Title:SVP

PNC BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Phillip J. Clark

Name: Phillip J. Clark
Title: Vice President

SOVEREIGN BANK, as a Lender

By: /s/ John T. Harrison

Name: John T. Harrison
Title: Senior Vice President

THE BANK OF NEW YORK, as a Lender

By: /s/ Stephen G. Neeel

Name: Stephen G. Neeel
Title: Vice President

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES, as a Lender

By:

Name:
Title:

By:

Name:
Title:

HSBC BANK USA, NA, as a Lender

By:

Name:
Title:

COMMERCE BANK, N.A., as a Lender

By: /s/ Daniel R. Vereb

Name: Daniel R. Vereb
Title: Vice President

PEOPLE'S BANK, as a Lender

By: /s/ George F. Paik

Name: George F. Paik
Title: Vice President

BROWN BROTHERS HARRIMAN & CO, as a Lender

By: /s/ John D. Rogers

Name: John D. Rogers
Title: Senior Vice President

COMERICA BANK, as a Lender

By: /s/ Neran Shaya

Name: Neran Shaya
Title:Vice President

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of December 22, 2005 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by INTEGRA LIFESCIENCES HOLDINGS CORPORATION, a Delaware corporation (the "Borrower"), and each of the other Persons (such capitalized term and all other capitalized terms not otherwise defined herein to have the meanings provided for in Article I) listed on the signature pages hereof (such other Persons, together with the Additional Grantors (as defined in Section 7.2(b)) and the Borrower are collectively referred to as the "Grantors" and individually as a "Grantor"), in favor of BANK OF AMERICA, N.A., as administrative and collateral agent (in such capacity, the "Administrative Agent") for each of the Secured Parties (as defined in the Credit Agreement referred to below).

W I T N E S S E T H:

WHEREAS, pursuant to a Credit Agreement, dated as of the date hereof (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the various financial institutions as are, or may from time to time become, parties thereto, the Administrative Agent, Citibank FSB and SunTrust Bank, as Co-Syndication Agents, Royal Bank of Canada and Wachovia Bank, National Association, as Co-Documentation Agents and the other Loan Documents referred to therein, the Secured Parties have agreed to make Credit Extensions and other financial accommodations available to or for the benefit of the Grantors;

WHEREAS, as a condition precedent to the making of the initial Credit Extension under the Credit Agreement, each Grantor is required to execute and deliver this Agreement; and

WHEREAS, each Grantor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Lenders to make Credit Extensions (including the initial Credit Extension) to the Borrower pursuant to the Credit Agreement, each Grantor agrees, for the benefit of each Secured Party, as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

"Account" means a right to payment of a monetary obligation, whether or not earned by performance (and shall include invoices, contracts, rights, accounts receivable, notes, refunds, indemnities, interest, late charges, fees, undertakings, and all other obligations and amounts owing to any Grantor from any Person):

(a) for property that has been or is to be sold, leased, licensed, assigned or otherwise disposed of;

(b) for services rendered or to be rendered;

(c) for a policy of insurance issued or to be issued;

(d) for a secondary obligation incurred or to be incurred;

(e) for energy provided or to be provided;

(f) for the use or hire of a vessel under a charter or other contract;

(g) arising out of the use of a credit or charge card or information contained on or for use with the card; or

(h) as winnings in a lottery or other game of chance operated or sponsored by a state, governmental unit of a State, or Person licensed or authorized to operate the game by a State or governmental unit of a State.

"Account Control Agreement" means an account control agreement in substantially the form of Exhibit A-1 or A-2 hereto, as applicable, or otherwise in form and substance reasonably satisfactory to the Administrative Agent, entered into among a Grantor, the Administrative Agent and the bank or Securities Intermediary where a Deposit Account or Securities Account, respectively, of such Grantor is maintained, as such agreement may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"Additional Grantors" is defined in Section 7.2(b).

"Administrative Agent" is defined in the preamble.

"Agreement" is defined in the preamble.

"Authenticate" means:

(a) to sign; or

(b) to execute or otherwise adopt a symbol, or encrypt or similarly process a record in whole or in part, with the present intent of the authenticating Person to identify the Person and adopt or accept a record.

"Borrower" is defined in the preamble.

"Chattel Paper" means a record or records that evidence both a monetary obligation and a security interest in specific goods, a security interest in specific goods and software used in the goods, a security interest in specific goods and license of software used in the goods, a lease of specific goods, or a lease of specific goods and license of software used in the goods.

"Collateral" is defined in Section 2.1.

"Collateral Account" means, for each Grantor, a deposit account in the name of the Administrative Agent and subject to the sole dominion and control of the Administrative Agent.

"Commercial Tort Claim" means a claim arising in tort with respect to which:

(a) the claimant is an organization; or

(b) the claimant is an individual and the claim:

(i) arose in the course of the claimant's business or profession; and

(ii) does not include damages arising out of personal injury to or the death of an individual.

"Commodity Account" means an account maintained by a Commodity Intermediary in which a Commodity Contract is carried out for a Commodity Customer.

"Commodity Contract" means a commodity futures contract, an option on a commodity futures contract, a commodity option or any other contract that, in each case, is

(a) traded on or subject to the rules of a board of trade that has been designated as a contract market for such a contract pursuant to the federal commodities laws; or

(b) traded on a foreign commodity board of trade, exchange or market, and is carried on the books of a Commodity Intermediary for a Commodity Customer.

"Commodity Customer" means a Person for whom a Commodity Intermediary carries a Commodity Contract on its books.

"Commodity Intermediary" means:

(a) a Person who is registered as a futures commission merchant under the federal commodities laws; or

(b) a Person who in the ordinary course of its business provides clearance or settlement services for a board of trade that has been designated as a contract market pursuant to federal commodities laws.

"Computer Hardware and Software Collateral" means, to the extent assignable:

(a) all computer and other electronic data processing hardware, integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories and all peripheral devices and other related computer hardware;

(b) all software programs (including both source code, object code and all related applications and data files), whether now owned or hereafter acquired by each Grantor, designed for use on the computers and electronic data processing hardware described in clause (a) above;

(c) all licenses and leases of software programs;

(d) all firmware associated therewith;

(e) all documentation (including flow charts, logic diagrams, manuals, guides and specifications) with respect to such hardware, software and firmware described in the preceding clauses (a) through (d); and

(f) all rights with respect to all of the foregoing, including any and all copyrights, licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications and any substitutions, replacements, additions, modifications or model conversions of any of the foregoing.

"Control" means the act or condition of gaining or maintaining control of collateral by any appropriate method under the UCC.

"Credit Agreement" is defined in the first recital.

"Deposit Account" means a demand, time, savings, passbook, or similar account (including all bank accounts, collection accounts and concentration accounts, together with all funds held therein and all certificates and instruments, if any, from time to time representing or evidencing such accounts) maintained with a bank.

"Documents" means a document of title or a receipt of the type described in Section 7-201(2) of the UCC.

"Electronic Chattel Paper" means Chattel Paper evidenced by a record or records consisting of information stored in an electronic medium.

"Entitlement Holder" means a Person identified in the records of a Securities Intermediary as the Person having a Security Entitlement against the

Securities Intermediary. If a person acquires a Security Entitlement by virtue of Section 8-501(b)(2) or (3) of the UCC, such person is the Entitlement Holder.

"Equipment" means all machinery, equipment in all its forms, wherever located, including all computers, furniture and furnishings, all other property similar to the foregoing (including tools, parts, rolling stock and supplies of every kind and description), components, parts and accessories installed thereon or affixed thereto and all parts thereof, and all fixtures (other than those which Borrower has no right to remove from the applicable property) and all accessories, additions, attachments, improvements, substitutions and replacements thereto and therefor.

"Financial Asset" means:

(a) a Security;

(b) an obligation of a Person or a share, participation or other interest in a Person or in property or an enterprise of a Person, which is, or is of a type, dealt with in or traded on financial markets, or which is recognized in any area in which it is issued or dealt in as a medium for investment; or

(c) any property that is held by a Securities Intermediary for another person in a Securities Account if the Securities Intermediary has expressly agreed with the other Person that the property is to be treated as a Financial Asset under Article 8 of the UCC As the context requires, the term Financial Asset shall mean either the interest itself or the means by which a Person's claim to it is evidenced, including a certificated or uncertificated Security, a certificate representing a Security or a Security Entitlement.

"General Intangible" means any personal property, including things in action, Payment Intangibles and software, other than Accounts, Chattel Paper, Commercial Tort Claims, Deposit Accounts, Documents, Goods, Health Care Insurance Receivables, Instruments, Investment Property, Letter of Credit Rights, letters of credit, money, and oil, gas, or other minerals before extraction.

"Goods" means all things that are movable when a security interest attaches, including computer programs embedded in goods and any supporting information provided in connection with a transaction relating to the program if (i) the program is associated with the goods in such a manner that is customarily considered part of the goods, or (ii) by becoming the owner of the goods, a person acquires a right to use the program in connection with the goods.

"Grantor" and "Grantors" are defined in the preamble.

"Health Care Insurance Receivable" means an interest in or claim under a policy of insurance which is a right to payment of a monetary obligation for health-care goods or services provided.

"Indemnitee" is defined in Section 6.2.

"Instrument" means a negotiable instrument or any other writing that evidences a right to the payment of a monetary obligation, is not itself a security agreement or lease, and is of a type that in ordinary course of business is transferred by delivery with any necessary endorsement or assignment.

"Inventory" means Goods, other than farm products, which:

(a) are leased by a Person as lessor;

(b) are held by a Person for sale or lease or to be furnished under a contract of service;

(c) are furnished by a Person under a contract of service; or

(d) consist of raw materials, work in process, or materials used or consumed in a business,

and includes, without limitation, (i) finished goods, returned goods and materials and supplies of any kind, nature or description which are or might be used in connection with the manufacture, packing, shipping, advertising, selling or finishing of any of the foregoing; (ii) all goods in which a Grantor has an interest in mass or a joint or other interest or right of any kind (including goods in which Grantor has an interest or right as consignee); (iii) all goods which are returned to or repossessed by any Grantor; and (iv) all accessions thereto, products thereof and documents therefor.

"Investment Property" means all Securities (whether certificated or uncertificated), Security Entitlements, Securities Accounts, Financial Assets, Commodity Contracts and Commodity Accounts of each Grantor; provided, however, that Investment Property shall not include any certificated Securities constituting Collateral (as defined in the Pledge Agreement) or any Securities issued by a Foreign Subsidiary.

"Letter-of-Credit Right" means a right to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance, but excludes the right of a beneficiary to demand payment or performance under a letter of credit.

"Loan Documents" is defined in the Credit Agreement.

"Material Contract" is defined in the Credit Agreement.

"Material Contract Collateral" means, with respect to each Grantor, all Material Contracts to which such Grantor is now or may hereafter become a party and all Accounts thereunder, including (i) all rights of such Grantor to receive moneys due and to become due under or pursuant to the Material Contracts, (ii) all rights of such Grantor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Material Contracts, (iii) claims of

such Grantor for damages arising out of or for breach of or default under the Material Contracts and (iv) the right of such Grantor to terminate the Material Contracts, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Payment Intangible" means a general intangible under which the account debtor's principal obligation is a monetary obligation.

"Pledge Agreement" is defined in the Credit Agreement.

"Proceeds" means the following property:

(a) whatever is acquired upon the sale, lease, license, exchange, or other disposition of the Collateral;

(b) whatever is collected on, or distributed on account of, the Collateral;

(c) rights arising out of the Collateral; and

(d) to the extent of the value of the Collateral and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the Collateral.

"Receivables Collateral" means, collectively, Accounts, Health Care Insurance Receivables, Documents, Instruments and Chattel Paper.

"Sanctioned Entity" means (i) an agency of the government of, (ii) an organization directly or indirectly controlled by, or (iii) a person resident in a country that is subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treas.gov/offices/eotffc/ofac/sanctions/index.html, or as otherwise published from time to time as such program may be applicable to such agency, organization or person.

"Sanctioned Person" means a person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at http://www.treas.gov/offices/eotffc/ofac/sdn/index.html, or as otherwise published from time to time.

"Secured Cash Management Services Agreement" is defined in the Credit Agreement.

"Secured Obligations" is defined in Section 2.2.

"Secured Party" is defined in the Credit Agreement.

"Secured Swap Contract" is defined in the Credit Agreement.

"Securities" means any obligations of an issuer or any shares, participations or other interests in an issuer or in property or an enterprise of an issuer which

(a) are represented by a certificate representing a security in bearer or registered form, or the transfer of which may be registered upon books maintained for that purpose by or on behalf of the issuer;

(b) are one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations; and

(c) (i) are, or are of a type, dealt with or traded on securities exchanges or securities markets or (ii) are a medium for investment and by their terms expressly provide that they are a security governed by Article 8 of the UCC.

"Securities Account" shall mean an account to which a Financial Asset is or may be credited in accordance with an agreement under which the Person maintaining the account undertakes to treat the Person for whom the account is maintained as entitled to exercise rights that comprise the Financial Asset.

"Security Entitlements" means the rights and property interests of an Entitlement Holder with respect to a Financial Asset.

"Security Intermediary" means:

(a) a clearing corporation; or

(b) a Person, including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

"Supporting Obligation" means a Letter of Credit Right or secondary obligation that supports the payment or performance of an Account, Chattel Paper, Document, General Intangible, Instrument or Investment Property, including, without limitation, all security agreements, guaranties, leases and other contracts securing or otherwise relating to any such Accounts, Chattel Paper, Documents, General Intangible, Instruments or Investment Property, including Goods represented by the sale or lease of delivery which gave rise to any of the foregoing, returned or repossessed merchandise and rights of stoppage in transit, replevin, reclamation and other rights and remedies of an unpaid vendor, lienor or secured party.

"Swap Bank" is defined in the Credit Agreement.

"Swap Contract" is defined in the Credit Agreement.

"Tangible Chattel Paper" means Chattel Paper evidenced by a record or records consisting of information that is inscribed on a tangible medium.

"Termination Date" means the date on which the latest of the following events occurs:

(a) the payment in full in cash of the Secured Obligations, other than contingent indemnification obligations;

(b) the termination or expiration of the Availability Period; and

(c) the termination or expiration of all Letters of Credit and all Secured Swap Contracts to which a Swap Bank is a party.

"UCC" is defined in the Credit Agreement.

1.2 Credit Agreement Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Credit Agreement.

1.3 UCC Definitions. Unless otherwise defined herein or the context otherwise requires, terms for which meanings are provided in the UCC are used in this Agreement, including its preamble and recitals, with such meanings.

1.4 Other Interpretive Provisions. The rules of construction in Sections 1.02 to 1.06 of the Credit Agreement shall be equally applicable to this Agreement.

ARTICLE II
SECURITY INTEREST

2.1 Grant of Security. Each Grantor hereby assigns and pledges to the Administrative Agent for its benefit and the ratable benefit of each of the Secured Parties, and hereby grants to the Administrative Agent for its benefit and the ratable benefit of each of the Secured Parties a security interest in, all of its right, title and interest in and to the following, whether now or hereafter existing or acquired (collectively, the "Collateral"):

(a) all Equipment of such Grantor;

(b) all Inventory of such Grantor;

(c) all Receivables Collateral forms, including all Accounts, Documents, Instruments, Health Care Insurance Receivables and Chattel Paper, of such Grantor;

(d) to the extent not included under clause (c) above, all Material Contract Collateral of such Grantor;

(e) all General Intangibles, including all Payment Intangibles, of such Grantor;

(f) all Supporting Obligations of such Grantor;

(g) all Investment Property, including all Securities Accounts, of such Grantor;

(h) all Deposit Accounts of such Grantor;

(i) all Commercial Tort Claims of such Grantor described in Part E of Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.14 or otherwise);

(j) all other Goods of such Grantor;

(k) all of such Grantor's books, records, writings, data bases, information and other property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to, any of the foregoing in this Section 2.1;

(l) all of such Grantor's other property and rights of every kind and description and interests therein, including all moneys, securities and other property, now or hereafter held or received by, or in transit to, the Administrative Agent or any Secured Party from or for such Grantor, whether for safekeeping, pledge, custody, transmission, collection or otherwise; and

(m) all Proceeds of any and all of the foregoing Collateral.

Notwithstanding the foregoing, (i) no account, instrument, chattel paper or other obligation or property of any kind due from, owed by, or belonging to, a Sanctioned Person or Sanctioned Entity, (ii) any lease in which the lessee is a Sanctioned Person or Sanctioned Entity or (iii) any key man life insurance policy of which the Borrower or any Guarantor is a beneficiary shall be Collateral.

2.2 Security for Secured Obligations. The Collateral of each Grantor under this Agreement secures the prompt and complete payment, performance and observance of all Obligations of such Grantor and the other Loan Parties under the Loan Documents (including such Grantor's Obligations in respect of any Secured Swap Contract and any Secured Cash Management Services Agreement), whether for principal, interest, costs, fees, expenses, indemnities or otherwise and whether now or hereafter existing (all of such obligations being the "Secured Obligations").

2.3 Continuing Security Interest; Transfer of Credit Extensions. This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until the Termination Date, be binding upon each Grantor, its successors, transferees and assigns, and inure, together with the rights and remedies of the Administrative Agent hereunder, to the benefit of the Administrative Agent and each other Secured Party. Without limiting the generality of the foregoing, any Secured Party may assign or otherwise transfer (in whole or in part) any Commitment or Loan held by it to any other Person, and such other Person shall thereupon become vested with all

the rights and benefits in respect thereof granted to such Lender under any Loan Document (including this Agreement) or otherwise, subject, however, to any contrary provisions in such assignment or transfer, and to the provisions of Section 10.07 and Article IX of the Credit Agreement.

2.4 Grantors Remain Liable. Anything herein to the contrary notwithstanding

(a) each Grantor shall remain liable under the contracts and agreements included in the Collateral (including the Material Contracts) to the extent set forth therein, and shall perform all of its duties and obligations under such contracts and agreements to the same extent as if this Agreement had not been executed,

(b) each Grantor will comply in all material respects with all Laws relating to the ownership and operation of the Collateral, including all registration requirements under applicable Laws, and shall pay when due all taxes, fees and assessments imposed on or with respect to the Collateral, except to the extent the same are being contested in good faith by appropriate actions or proceedings for which adequate reserves in accordance with GAAP have been set aside by such Grantor,

(c) the exercise by the Administrative Agent of any of its rights hereunder shall not release any Grantor from any of its duties or obligations under any such contracts or agreements included in the Collateral, and

(d) neither the Administrative Agent nor any other Secured Party shall have any obligation or liability under any such contracts or agreements included in the Collateral by reason of this Agreement, nor shall the Administrative Agent or any other Secured Party be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

2.5 Security Interest Absolute. All rights of the Administrative Agent and the security interests granted to the Administrative Agent hereunder, and all obligations of each Grantor hereunder, shall be absolute and unconditional, irrespective of any of the following conditions, occurrences or events:

(a) any lack of validity or enforceability of any Loan Document;

(b) the failure of any Secured Party to assert any claim or demand or to enforce any right or remedy against the Borrower, any other Grantor or any other Person under the provisions of any Loan Document or otherwise or to exercise any right or remedy against any other guarantor of, or collateral securing, any Secured Obligation;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other extension, compromise or renewal of any Secured Obligation, including any increase in the Secured Obligations resulting from the extension of additional credit to any Grantor or any other obligor or otherwise;

(d) any reduction, limitation, impairment or termination of any Secured Obligation for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and each

Grantor hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, nongenuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, any Secured Obligation or otherwise;

(e) any amendment to, rescission, waiver, or other modification of, or any consent to departure from, any of the terms of any Loan Document;

(f) any addition, exchange, release, surrender or non perfection of any collateral (including the Collateral), or any amendment to or waiver or release of or addition to or consent to departure from any guaranty, for any of the Secured Obligations; or

(g) any other circumstances which might otherwise constitute a defense available to, or a legal or equitable discharge of, Borrower, any other Grantor or otherwise.

2.6 Waiver of Subrogation. Until the Termination Date, no Grantor shall exercise any claim or other rights which it may now or hereafter acquire against any other Grantor that arises from the existence, payment, performance or enforcement of such Grantor's Obligations under this Agreement, including any right of subrogation, reimbursement, exoneration or indemnification, any right to participate in any claim or remedy against any other Grantor or any Collateral which the Administrative Agent now has or hereafter acquires, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including the right to take or receive from any other Grantor, directly or indirectly, in cash or other property or by setoff or in any manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Grantor in violation of the preceding sentence, such amount shall be deemed to have been paid for the benefit of the Secured Parties, and shall forthwith be paid to the Administrative Agent to be credited and applied upon the Secured Obligations, whether matured or unmatured. Each Grantor acknowledges that it will receive direct and indirect benefits for the financing arrangements contemplated by the Loan Documents and that the agreement set forth in this Section is knowingly made in contemplation of such benefits.

2.7 Release; Termination.

(a) Upon any sale, transfer or other disposition of any item of Collateral, whether direct or indirect, of any Grantor in accordance with Section 7.05 of the Credit Agreement, the Administrative Agent will, at such Grantor's expense and without any representations, warranties or recourse of any kind whatsoever, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted hereby; provided, however, that (i) at the time of such request and such release no Event of Default shall have occurred and be continuing and (ii) such Grantor shall have delivered to the Administrative Agent, at least ten Business Days prior to the date of the proposed release, a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a form of release for execution by the Administrative

Agent (which release shall be in form and substance satisfactory to the Administrative Agent) and a certificate of such Grantor to the effect that the transaction is in compliance with the Loan Documents and as to such other matters as the Administrative Agent (or the Required Lenders through the Administrative Agent) may reasonably request. The provisions of this Section 2.7(a) shall apply to Dispositions of the capital stock of a Grantor (whether direct or indirect) in compliance with Section 7.05 of the Credit Agreement.

(b) Upon the Termination Date, the pledge, assignment and security interest granted hereby shall terminate and all rights to the Collateral shall revert to the applicable Grantor. Upon any such termination, the Administrative Agent will, at the applicable Grantor's expense and without any representations, warranties or recourse of any kind whatsoever, execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination and deliver to such Grantor all Instruments, Tangible Chattel Paper and negotiable documents representing or evidencing the Collateral then held by the Administrative Agent.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Each Grantor represents and warrants unto each Secured Party as set forth in this Article.

3.1 Scheduled Information. Set forth in the Schedules to this Agreement is the following information for each Grantor, all of which is accurate and complete as of the Closing Date and as of each date on which such Schedules are supplemented pursuant to Section 4.15 hereof:

(a) Location of Grantors. Item A of Schedule I hereto identifies for such Grantor (i) the state in which it is organized, (ii) the relevant organizational identification number (or states that one does not exist), and (iii) the principal place of business and chief executive office of such Grantor and the office where such Grantor keeps its records concerning the Collateral, and where the original copies of each Material Contract and all originals of all Tangible Chattel Paper are located.

(b) Owned Properties. Except as disclosed in Item C of Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.15 hereof), all of the Equipment and Inventory of such Grantor are located at the places specified in Item B of Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.15 hereof), each of which locations is owned by a Grantor.

(c) Leased Properties; Warehouses; etc. Except as disclosed in Item C of Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.15 hereof), none of the Collateral is in the possession of any consignee, bailee, warehouseman, agent or processor, located on any leased property or subject to the Control of any Person, other than the Administrative Agent, such Grantor or another Grantor.

(d) Trade Names. Except as set forth in Item D of Schedule I hereto, such Grantor has no trade names and has not been known by any legal name different from the one set forth on the signature page hereto.

(e) Commercial Torts Claims. Item E of Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.15 hereof), describes all Commercial Tort Claims owned by each Grantor as of the date hereof and as of the date of each supplement to such Schedule delivered pursuant to Section 4.15 hereof.

(f) Government Contracts. Except as notified by such Grantor to the Administrative Agent in writing, such Grantor is not a party to any one or more Federal, state or local government contracts.

3.2 Negotiable Documents, Instruments, Chattel Paper and Material Contracts. Such Grantor has delivered to the Administrative Agent possession of all originals of all negotiable Documents, Instruments and Tangible Chattel Paper currently owned or held by such Grantor (duly endorsed in blank, if requested by the Administrative Agent), and true and correct copies of each Material Contract.

3.3 Loan Documents Representations. Each Grantor makes each representation and warranty made in the Credit Agreement and the other Loan Documents by the Borrower or any other Loan Party with respect to such Grantor as if such representation and warranty were expressly set forth herein.

ARTICLE IV
COVENANTS

Each Grantor covenants and agrees that, until the Termination Date, such Grantor will, unless the Administrative Agent with the consent of the Required Lenders shall otherwise agree in writing, perform the obligations set forth in this Section.

4.1 As to Collateral Generally.

(a) Until such time as the Administrative Agent shall notify the Grantors of the revocation of such power and authority after the occurrence and continuation of any Event of Default, each Grantor (i) may in the ordinary course of its business, at its own expense, sell, lease or furnish under its contracts of service any of the Inventory normally held by such Grantor for such purpose, and use and consume, in the ordinary course of its business, any raw materials, work in process or materials normally held by such Grantor for such purpose, and sell or otherwise dispose of any other Collateral to the extent permitted by Section 7.05 of the Credit Agreement, (ii) will, at its own expense, to the extent commercially reasonable or otherwise as Grantor in good faith deems advisable, endeavor to collect, as and when due, all amounts due with respect to any of the Collateral, including the taking of such action with respect to such collection; and (iii) may grant, in the ordinary course of business, to any party obligated on any of the Collateral, any rebate, refund or allowance to which such party may be lawfully entitled in such Grantor's

reasonable determination, and may accept, in connection therewith, the return of goods, the sale or lease of which shall have given rise to such Collateral. The Administrative Agent, however, may, at any time following the occurrence and during the continuance of any Event of Default, whether before or after any revocation of such power and authority or the maturity of any of the Secured Obligations, notify any parties obligated on any of the Collateral to make payment to the Administrative Agent of any amounts due or to become due thereunder and enforce collection of any of the Collateral by suit or otherwise and surrender, release, or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon request of the Administrative Agent after the occurrence and during the continuance of any Event of Default, each Grantor will, at its own expense, notify any parties obligated on any of the Collateral to make payment to the Administrative Agent of any amounts due or to become due thereunder.

(b) The Administrative Agent is authorized to endorse, in the name of each Grantor, any item, howsoever received by the Administrative Agent, representing any payment on or other proceeds of any of the Collateral.

4.2 Insurance. Each Grantor will maintain or cause to be maintained insurance as provided in Section 6.07 of the Credit Agreement. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required by Section 6.07 of the Credit Agreement or to pay any premium in whole or part relating thereto, the Administrative Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Administrative Agent deems advisable. All sums disbursed by the Administrative Agent in connection with this Section including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, upon demand, by the Grantors to the Administrative Agent and shall be additional Secured Obligations secured hereby.

4.3 Transfers and Other Liens. No Grantor shall:

(a) sell, assign (by operation of Law or otherwise) or otherwise dispose of any of the Collateral, except as permitted by Section 7.05 of the Credit Agreement; or

(b) create or suffer to exist any Lien upon or with respect to any of the Collateral, except for the security interest created by this Agreement and except for Permitted Liens.

4.4 Inspections and Verification. The Administrative Agent shall have the inspection rights set forth in Section 6.10 of the Credit Agreement.

4.5 As to Equipment and Inventory. Each Grantor hereby agrees that it shall

(a) keep all the Equipment and Inventory (other than Inventory sold in the ordinary course of business) at the places therefor specified in Section 3.1(b) or (c) unless such Grantor has given at least 10 days' prior written notice to the Administrative Agent of another location, whether by delivery of a supplement to Schedule I hereto delivered pursuant to Section 4.15 hereto or otherwise, and all action, if any, necessary to maintain in accordance with the terms hereof the Administrative Agent's perfected first priority security interest therein (including any action requested pursuant to Section 4.6) shall have been taken with respect to the Equipment and Inventory;

(b) cause the Equipment to be maintained, preserved and protected in accordance with Section 6.06 of the Credit Agreement; and

(c) pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the Equipment and Inventory, except to the extent the same are being contested in good faith by appropriate actions or proceedings and for which adequate reserves in accordance with GAAP have been set aside.

4.6 [Intentionally deleted.]

4.7 As to Accounts, Chattel Paper, Documents and Instruments.

(a) Each Grantor shall: (i) keep its principal place of business and chief executive office and the office where it keeps its records concerning the Receivables Collateral and all originals of all Tangible Chattel Paper (until any such Tangible Chattel Paper is delivered to the Administrative Agent pursuant to Section 4.10), located at the places therefor specified in Section 3.1 unless the Borrower or such Grantor has given at least 30 days' prior written notice to the Administrative Agent, and all actions, if any, necessary to maintain the Administrative Agent's perfected first priority security interest shall have been taken with respect to such Collateral; (ii) not change its name or jurisdiction of organization (whether pursuant to a transaction permitted pursuant to Section 7.04 of the Credit Agreement or otherwise) unless the Borrower or such Grantor has given at least 30 days' prior written notice to the Administrative Agent, and all actions necessary to maintain the Administrative Agent's perfected first priority security interest shall have taken with respect to the Collateral of such Grantor; and (iii) hold and preserve such records and Chattel Paper (or copies of any such Chattel Paper so delivered to the Administrative Agent).

(b) Upon written notice by the Administrative Agent to any Grantor, all Proceeds of Collateral received by such Grantor shall be delivered in kind to the Administrative Agent for deposit to the Collateral Account for such Grantor, and such Grantor shall not commingle any such proceeds, and shall hold separate and apart from all other property, all such Proceeds in express trust for the benefit of the Administrative Agent until delivery thereof is made to the Administrative Agent. The Administrative Agent will not give the notice

referred to in the preceding sentence unless there shall have occurred and be continuing any Event of Default. No funds, other than Proceeds of Collateral of a Grantor, will be deposited in the Collateral Account for such Grantor.

(c) The Administrative Agent shall have the right to apply any amount in the Collateral Account to the payment of any Secured Obligations which are due and payable or payable upon demand, or to the payment of any Secured Obligations at any time that any Event of Default shall exist. Subject to the rights of the Administrative Agent, the Borrower on behalf of each Grantor shall have the right on each Business Day, with respect to and to the extent of collected funds in the Collateral Account, to require the Administrative Agent to purchase any cash equivalent Investment permitted under Section 7.02 of the Credit Agreement, provided that, in the case of certificated securities, the Administrative Agent will retain possession thereof as Collateral and, in the case of other Investment Property, the Administrative Agent will take such actions, including registration of such Investment Property in its name, as it shall determine is necessary to perfect its security interest therein. The Administrative Agent may at any time and shall promptly following any Grantor's request therefor, so long as no Event of Default has occurred and is continuing, transfer to such Grantor's general demand deposit account at the Administrative Agent or its bank (if not the Administrative Agent) any or all of the collected funds in the Collateral Account; provided, however, that any such transfer shall not be deemed to be a waiver or modification of any of the Administrative Agent's rights under this Section. None of the Grantors will, without the Administrative Agent's prior written consent, grant any extension of the time of payment of any Receivables Collateral, compromise, compound or settle the same for less than the full amount thereof, release, wholly or partly, any Person liable for the payment thereof or allow any credit or discount whatsoever thereon, other than extensions, credits, discounts, compromises or settlements granted or made in the ordinary course of business and consistent with its current practices and in accordance with such prudent and standard practices used in industries that are the same as or similar to those in which such Grantor is engaged.

4.8 As to the Material Contracts. Each Grantor shall at its expense furnish to the Administrative Agent promptly upon receipt thereof copies of all material notices, requests and other documents received by such Grantor under or pursuant to the Material Contracts, and from time to time furnish to the Administrative Agent such information and reports regarding the Material Contracts as the Administrative Agent may reasonably request and otherwise comply with the provisions regarding Material Contracts set forth in Section 6.13 of the Credit Agreement.

4.9 Chattel Paper. Each Grantor will deliver to the Administrative Agent all Tangible Chattel Paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Administrative Agent. Each Grantor will provide the Administrative Agent with Control of all Electronic Chattel Paper, by having the Administrative Agent identified as the assignee of the records(s) pertaining to the single authoritative copy thereof and otherwise complying with the applicable elements of Control set forth in the UCC. Each Grantor will also deliver to the Administrative Agent all security agreements securing any Chattel Paper and

execute UCC financing statement amendments assigning to the Administrative Agent any UCC financing statements filed by such Grantor in connection with such security agreements. Each Grantor will mark conspicuously all Chattel Paper with a legend, in form and substance satisfactory to the Administrative Agent, indicating that such Chattel Paper is subject to the Liens created hereunder.

4.10 Letters of Credit. Each Grantor will deliver to the Administrative Agent all Letters of Credit in which it is the beneficiary thereof, duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Administrative Agent. Each Grantor will take any and all actions necessary (or requested by the Administrative Agent), from time to time, to cause the Administrative Agent to obtain exclusive Control of any Letter-of-Credit Rights owned by such Grantor in a manner acceptable to the Administrative Agent.

4.11 Commercial Tort Claims. Each Grantor shall advise the Administrative Agent promptly upon such Grantor becoming aware, after the date hereof, that it owns any additional Commercial Tort Claims in excess of $1,000,000. With respect to any such Commercial Tort Claims, such Grantor will execute and deliver such documents as the Administrative Agent deems necessary to describe, create, perfect and protect the Administrative Agent's first priority security interest in such Commercial Tort Claim.

4.12 Bank Accounts; Securities Accounts. Upon the occurrence and during the continuance of an Event of Default and upon request by the Administrative Agent, each Grantor shall enter into an Account Control Agreement with each financial institution with which such Grantor maintains from time to time any Deposit Account or any Securities Account. Each Grantor hereby grants to the Administrative Agent, for the benefit of the Administrative Agent and the Secured Parties, a continuing security interest in all such Deposit Accounts and Securities Accounts and all funds and Investment Property at any time paid, deposited, credited or held in such Deposit Accounts and Securities Accounts (whether for collection, provisionally or otherwise) or otherwise in the possession of such financial institutions, and each such financial institution shall act as the Administrative Agent's agent in connection therewith.

4.13 Further Assurances, etc.

(a) Each Grantor agrees that, from time to time at its own expense, such Grantor will promptly execute and deliver all further documents, financing statements, agreements and instruments, and take all such further action, which may be required under applicable Law, or which the Administrative Agent or Required Lenders may reasonably request, in order to perfect, preserve and protect any security interest granted or purported to be granted hereby or to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Without limiting the generality of the foregoing, each Grantor will take each of the following actions:

(i) [intentionally deleted.]

(ii) if any Account shall be evidenced by a promissory note or other instrument or negotiable document, deliver and pledge to the Administrative Agent hereunder such promissory note, instrument or negotiable

document duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance reasonably satisfactory to the Administrative Agent;

(iii) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices (including any assignment of claim form under or pursuant to the federal assignment of claims statute, 31 U.S.C. ss. 3726, any successor or amended version thereof or any regulation promulgated under or pursuant to any version thereof), as may be necessary, or as the Administrative Agent may reasonably request, in order to perfect and preserve the security interests and other rights granted or purported to be granted to the Administrative Agent hereby;

(iv) furnish to the Administrative Agent, from time to time at the Administrative Agent's request, statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail;

(v) take all actions that the Administrative Agent deems necessary or advisable to enforce collection of the Receivables Collateral;

(vi) if requested by the Administrative Agent, cause the landlord, bailee, warehouseman or processor with Control over any Equipment or Inventory of such Grantor to enter into a waiver agreement or to transfer any such Equipment or Inventory to warehouses designated by the Administrative Agent;

(vii) if requested by the Administrative Agent, each Grantor which owns or leases Equipment which is subject to a certificate of title statute that requires notation of a lien thereon to perfect a security interest therein shall deliver to the Administrative Agent all original certificates of title for such Equipment, shall take all necessary steps to cause the Administrative Agent's security interest be perfected in accordance with such statute and deliver to the Administrative Agent a schedule in reasonable detail describing such Equipment, registration number, license number and all other information required to comply with such statute; provided, however, that until the Administrative Agent makes such a request under this clause, the parties hereto acknowledge that the security interest of the Administrative Agent in such Collateral has not been perfected and all the representations and warranties, covenants and Events of Default contained herein and in the other Loan Documents which would otherwise be violated shall be deemed modified to reflect the foregoing and not be violated;

(viii) if requested by the Administrative Agent upon the occurrence and during the continuance of an Event of Default, cause each bank or Securities Intermediary with which any Grantor maintains a Deposit Account or Securities Account to enter into an Account Control Agreement with respect thereto;

(ix) from time to time, promptly following the Administrative Agent's request, execute and deliver confirmatory written instruments pledging to the Administrative Agent the Collateral, but any such

Grantor's failure to do so shall not affect or limit the security interest granted hereby or the Administrative Agent's other rights in and to the Collateral; and

(x) notify the Agent promptly of any Collateral which constitutes a claim against the United States government or any instrumentality or agent thereof in excess of $1,000,000, the assignment of which is restricted by federal law. Upon the request of the Agent, Grantor shall take such steps as may be necessary to comply with any applicable federal assignment of claims laws or other comparable laws.

(b) With respect to the foregoing and the grant of the security interest hereunder, each Grantor hereby authorizes the Administrative Agent to Authenticate and to file one or more financing or continuation statements, and amendments thereto, for the purpose of perfecting, continuing, enforcing or protecting the security interest granted by each Grantor, without the signature of any Grantor, and naming any Grantor or the Grantors as debtors and the Administrative Agent as secured party. A carbon, photographic, telecopied or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by Law.

4.14 Supplements to Scheduled Information. Without limiting the generality of Section 4.14, concurrently with the delivery by the Borrower of each Compliance Certificate pursuant to Section 6.02(b) of the Credit Agreement, the Borrower, on behalf of each Grantor, shall deliver to the Administrative Agent the following applicable supplements to the Schedules hereto in such form as shall be reasonably satisfactory to the Administrative Agent, together with a certificate of Responsible Officers certifying that, as of the date thereof and after giving effect to the supplements to such Schedules delivered therewith, the representations and warranties in Article III hereof are true and correct in all material respects:

(a) a supplement to Item B of Schedule I hereto identifying any new location owned by a Grantor where any Equipment or Inventory of such Grantor may be located which is not already identified on such Schedule;

(b) a supplement to Item C of Schedule I hereto identifying any new consignee, warehouseman, agent, bailee, processor, leased property or other similar location where any Equipment or Inventory of such Grantor is located which is not already identified on such Schedule; and

(c) a supplement to Item E of Schedule I hereto describing any new Commercial Tort Claim owned by such Grantor which is not described on such Schedule in excess of $1,000,000.

4.15 Amendments or Terminations Not Authorized. Grantor acknowledges that it is not authorized to file any financing statement or amendment or termination statement with respect to a financing statement filed in favor of the Agent without the prior written consent of the Agent and agrees that it will not do so without the prior written consent of the Agent, subject to Grantor's rights under Section 9-5.13(c) of the UCC.

4.16 Certain Property. No Grantor owns (a) standing timber that is to be cut and removed under a conveyance or contract for sale, (b) animals, (c) crops grown, growing, or to be grown, even if the crops are produced on trees, vines or bushes, or (d) manufactured homes.

ARTICLE V
THE ADMINISTRATIVE AGENT

5.1 Appointment as Attorney in Fact. Each Grantor hereby irrevocably appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney in fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take, upon the occurrence and during the continuance of any Event of Default, any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(a) (i) demand payment of its Receivables Collateral; (ii) enforce payments of its Receivables Collateral by legal proceedings or otherwise; (iii) exercise all of its rights and remedies with respect to proceedings brought to collect its Receivables Collateral; (iv) sell or assign its Receivables Collateral upon such terms, for such amount and at such times as the Administrative Agent deems advisable; (v) settle, adjust, compromise, extend or renew any of its Receivables Collateral; (vi) discharge and release any of its Receivables Collateral; (vii) prepare, file and sign such Grantor's name on any proof of claim in bankruptcy or other similar document against any obligor of any of its Receivables Collateral; (viii) notify the post office authorities to change the address for delivery of such Grantor's mail to an address designated by the Administrative Agent, and open and dispose of all mail addressed to such Grantor; (ix) endorse such Grantor's name upon any Chattel Paper, document, instrument, invoice, or similar document or agreement relating to any Receivables Collateral or any goods pertaining thereto; and (x) endorse such Grantor's name upon any Chattel Paper, document, instrument, invoice, or similar document or agreement relating to any Receivables Collateral or any goods pertaining thereto;

(b) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(c) execute, in connection with any sale or other disposition provided for in Section 6.1, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(d) (i) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (ii) ask or demand for, collect, and receive payment of and give

receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (iii) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (iv) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (v) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (vi) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; (vii) notify, or require any Grantor to notify, Account Debtors to make payment directly to the Administrative Agent and change the post office box number or other address to which the Account Debtors make payments; and (viii) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things that the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Each Grantor hereby acknowledges, consents and agrees that the power of attorney granted pursuant to this Section is irrevocable and coupled with an interest.

5.2 Administrative Agent May Perform. If any Grantor fails to perform any agreement contained herein after any applicable cure period, the Administrative Agent may itself perform, or cause performance of, such agreement, and the reasonable expenses of the Administrative Agent incurred in connection therewith shall be payable by such Grantor pursuant to Section 6.2.

5.3 Administrative Agent Has No Duty.

(a) In addition to, and not in limitation of, Section 2.4, the powers conferred on the Administrative Agent hereunder are solely to protect its interest (on behalf of the Secured Parties) in the Collateral and shall not impose any duty or obligation on it to exercise any such powers. Neither the Administrative Agent nor any of its officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof (including the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral). Neither the Administrative Agent nor any of its officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

(b) Each Grantor assumes all responsibility and liability arising from or relating to the use, sale or other disposition of the Collateral. The Secured Obligations shall not be affected by any failure of the Administrative Agent to take any steps to perfect the security interest granted hereunder or to collect or realize upon the Collateral, nor shall loss of or damage to the Collateral release any Grantor from any of its Secured Obligations.

ARTICLE VI
REMEDIES

6.1 Certain Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Administrative Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC and also may take the following actions:

(i) require each Grantor to, and each Grantor hereby agrees that it will, at its expense and upon the request of the Administrative Agent forthwith, assemble all or part of the Collateral as directed by the Administrative Agent and make it available to the Administrative Agent at its premises or another place designated by the Administrative Agent (whether or not the UCC applies to the affected Collateral);

(ii) without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale, at any of the Administrative Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Administrative Agent may deem commercially reasonable. Each Grantor agrees that, to the extent notice of sale shall be required by Law, at least ten days' prior notice to such Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Administrative Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned;

(iii) with or without legal process and with or without prior notice or demand for performance, to take possession of the Collateral and without liability for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral.

(b) All cash proceeds received by the Administrative Agent in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, in the discretion of the Administrative Agent, be held, to the extent permitted under applicable Law, by the Administrative Agent as additional collateral security for all or any part of the Secured Obligations, and/or then or at any time thereafter shall be applied (after payment of any amounts payable to the Administrative Agent pursuant to Section 10.04 of the Credit Agreement and Section 6.2 below) in whole or in part by the Administrative Agent for the ratable benefit of the Secured Parties against all or any part of the Secured Obligations in accordance with Section 8.03 of the Credit Agreement. Any surplus of such cash or cash proceeds held by the Administrative Agent and remaining after payment in full of all the Secured Obligations, and the termination of all Commitments, shall be paid over to the Grantors or to whomsoever may be lawfully entitled to receive such surplus.

(c) The Administrative Agent may exercise any and all rights and remedies of each Grantor under or in connection with the Collateral, including the right to sue upon or otherwise collect, extend the time for payment of, modify or amend the terms of, compromise or settle for cash, credit, or otherwise upon any terms, grant other indulgences, extensions, renewals, compositions, or releases, and take or omit to take any other action with respect to the Collateral, any security therefor, any agreement relating thereto, any insurance applicable thereto, or any Person liable directly or indirectly in connection with any of the foregoing, without discharging or otherwise affecting the liability of any Grantor for the Obligations or under this Agreement or any other Loan Document and the Material Contracts or otherwise in respect of the Collateral, including any and all rights of such Grantor to demand or otherwise require payment of any amount under, or performance of any provision of, any Collateral.

The Administrative Agent shall give the Grantors 10 days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-612 of the UCC) of the Administrative Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Administrative Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may (in its sole and absolute discretion) determine. The Administrative Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Administrative Agent may, without notice or publication adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the sale price is paid by the purchaser or purchasers thereof, but the Administrative Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon

like notice. At any public (or, to the extent permitted by Law, private) sale made pursuant to this Section, any Secured Party may bid for or purchase, free (to the extent permitted by Law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by Law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. The Secured Obligations shall not be affected by any failure of the Administrative Agent to take any steps to perfect the security interest granted hereunder or to collect or realize upon the Collateral, nor shall loss or damage to the Collateral release any Grantor from any of its Secured Obligations.

6.2 Indemnity and Expenses. Each Grantor agrees to jointly and severally indemnify and hold harmless the Administrative Agent (and any sub-agent thereof), each other Secured Party, and each Related Party of any of the foregoing Persons (each, such Person being called an "Indemnitee") against, and hold each harmless from, any and all losses, claims, damages, liabilities, and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee) incurred by any Indemnitee or asserted against any Indemnitee by a third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of, this Agreement and the other Loan Documents (including enforcement of this Agreement and other Loan Documents; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities and related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by a Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if such Loan Party has obtained a final and nonappealable judgment in its favor of such claim as determined by a court of competent jurisdiction. Each Grantor will upon demand pay to the Administrative Agent the amount of any and all reasonable expenses, including the reasonable fees and disbursements of any experts and agents, which the Administrative Agent may incur in connection with the following:

(a) the administration of this Agreement and the other Loan Documents;

(b) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral;

(c) the exercise or enforcement of any of the rights of the Administrative Agent or the Secured Parties hereunder; or

(d) the failure by any Grantor to perform or observe any of the provisions hereof.

The agreements in this Section 6.2 shall survive the termination of the Commitments and the repayment, satisfaction or discharge of the other Obligations.

6.3 Waivers. Each Grantor hereby waives any right, to the extent permitted by applicable Law, to receive prior notice of or a judicial or other hearing with respect to any action or prejudgment remedy or proceeding by the Administrative Agent to take possession, exercise control over or dispose of any item of Collateral where such action is permitted under the terms of this Agreement or any other Loan Document or by applicable Laws or the time, place or terms of sale in connection with the exercise of the Administrative Agent's rights hereunder. Each Grantor waives, to the extent permitted by applicable Laws, any bonds, security or sureties required by the Administrative Agent with respect to any of the Collateral. Each Grantor also waives any damages (direct, consequential or otherwise) occasioned by the enforcement of the Administrative Agent's rights under this Agreement or any other Loan Document, including, the taking of possession of any Collateral or the giving of notice to any Account Debtor or the collection of any Receivables Collateral, all to the extent that such waiver is permitted by applicable Laws. Each Grantor also consents that the Administrative Agent, in connection with the enforcement of the Administrative Agent's rights and remedies under this Agreement, may enter upon any premises owned by or leased to it without obligations to pay rent or for use and occupancy, through self help, without judicial process and without having first obtained an order of any court. These waivers and all other waivers provided for in this Agreement and the other Loan Documents have been negotiated by the parties and each Grantor acknowledges that it has been represented by counsel of its own choice and has consulted such counsel with respect to its rights hereunder.

ARTICLE VII
MISCELLANEOUS PROVISIONS

7.1 Loan Document.

(a) This Agreement is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions thereof.

(b) Concurrently herewith certain of the Grantors are executing and delivering the Pledge Agreement pursuant to which such Grantor is pledging all the certificated Investment Property and Instruments of such Grantor. Such pledges shall be governed by the terms of the Pledge Agreement and not by this Agreement.

7.2 Amendments, etc.; Additional Grantors; Successors and Assigns.

(a) No amendment to or waiver of any provision of this Agreement nor consent to any departure by any Grantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Administrative Agent and, with respect to any such amendment, by the Grantors, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) Upon the execution and delivery by any Person of a Joinder Agreement, (i) such Person shall be referred to as an "Additional Grantor" and shall be and become a Grantor, and each reference in this Agreement to "Grantor" shall also mean and be a reference to such Additional Grantor and (ii) the schedule supplements attached to each Security Agreement shall be incorporated into and become a part of and supplement Schedules I and II hereto, as appropriate, and the Administrative Agent may attach such schedule supplements to such Schedules, and each reference to such Schedules shall mean and be a reference to such Schedules, as supplemented pursuant hereto.

(c) Upon the delivery by the Borrower of each certificate of Responsible Officers certifying supplements to the Schedules to this Agreement pursuant to Section 4.15, the schedule supplements attached to each such certificate shall be incorporated into and become a part of and supplement Schedules I and II hereto, as appropriate, and the Administrative Agent may attach such schedule supplements to such Schedules, and each reference to such Schedules shall mean and be a reference to such Schedules, as supplemented pursuant hereto.

(d) This Agreement shall be binding upon each Grantor and its successors, transferees and assigns and shall inure to the benefit of the Administrative Agent and each other Secured Party and their respective successors, transferees and assigns; provided, however, that no Grantor may assign its obligations hereunder without the prior written consent of the Administrative Agent.

7.3 Addresses for Notices. All notices and other communications provided for hereunder shall be in writing and mailed, delivered or transmitted by telecopier to each party hereto at the address set forth in Section 10.02 of the Credit Agreement (with any notice to a Grantor other than the Borrower being delivered to such Grantor in care of the Borrower). All such notices and other communications shall be deemed to be given or made at the times provided in Section 10.02 of the Credit Agreement.

7.4 Section Captions. Section captions used in this Agreement are for convenience of reference only, and shall not affect the construction of this Agreement.

7.5 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.6 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

7.7 Governing Law, Etc.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND PERFORMED ENTIRELY WITHIN SUCH STATE, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK; PROVIDED THAT THE ADMINISTRATIVE AGENT SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY SHALL BE BROUGHT, AT THE ADMINISTRATIVE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY OTHER SECURED PARTY HERETO MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY GRANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) EACH GRANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (b) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY

IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 7.3. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

7.8 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

7.9 Entire Agreement. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES OR BY PRIOR OR CONTEMPORANEOUS WRITTEN AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[Signature Page Follows]

IN WITNESS WHEREOF, each Grantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION, a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Senior Vice President, Finance

INTEGRA LIFESCIENCES CORPORATION, a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Senior Vice President, Finance

INTEGRA LIFESCIENCES INVESTMENT CORPORATION, a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA OHIO, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA MASSACHUSETTS, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice Preisdent and Treasurer

INTEGRA CLINICAL EDUCATION INSTITUTE, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA HEALTHCARE PRODUCTS LLC , a Delaware limited liability company

By: Integra LifeSciences Corporation, its sole member

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

J. JAMNER SURGICAL INSTRUMENTS, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

JARIT INSTRUMENTS, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA SELECTOR CORPORATION, a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES PR, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

SPINAL SPECIALTIES, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES (IP), INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES (INTERNATIONAL), INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA LIFESCIENCES (FRANCE) LLC, a Delaware limited liability company

By: Integra NeuroSciences (International), Inc., its sole member

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

ACKNOWLEDGED AND ACCEPTED:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Amie L. Edwards

Name: Amie L. Edwards
Title: Vice President

PLEDGE AGREEMENT

This PLEDGE AGREEMENT, dated as of December 22, 2005 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by INTEGRA LIFESCIENCES HOLDINGS CORPORATION, a Delaware corporation (the "Borrower"), and each of the other Persons (such capitalized term and all other capitalized terms not otherwise defined herein to have the meanings provided for in Article I) listed on the signature pages hereof (such other Persons, together with the Additional Pledgors (as defined in Section 7.2(b)), and the Borrower, are collectively referred to as the "Pledgors" and individually as a "Pledgor"), in favor of BANK OF AMERICA, N.A., as administrative and collateral agent (in such capacity, the "Administrative Agent") for each of the Secured Parties.

W I T N E S S E T H:

WHEREAS, pursuant to a Credit Agreement, dated as of the date hereof (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Parent, the Borrower, the various financial institutions as are, or may from time to time become, parties thereto, the Administrative Agent, L/C Issuer and Swing Line Lender, Citibank FSB and SunTrust Bank, as Co-Syndication Agents, and Royal Bank of Canada and Wachovia Bank, National Association, as Co-Documentation Agents and the other Loan Documents referred to therein, the Secured Parties have agreed to make Credit Extensions and other financial accommodations available to or for the benefit of the Pledgors;

WHEREAS, as a condition precedent to the making of the initial Credit Extension under the Credit Agreement, each Pledgor is required to execute and deliver this Agreement; and

WHEREAS, each Pledgor has duly authorized the execution, delivery and performance of this Agreement;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Lenders to make Credit Extensions (including the initial Credit Extension) to the Borrower pursuant to the Credit Agreement, each Pledgor agrees, for the benefit of each Secured Party, as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

"Additional Pledgors" is defined in Section 7.2(b).

"Administrative Agent" is defined in the preamble.

"Agreement" is defined in the preamble.

"Borrower" is defined in the preamble.

"Credit Agreement" is defined in the first recital.

"Collateral" is defined in Section 2.1.

"Distributions" means all Equity Interest dividends, other dividends, including liquidating dividends, Equity Interests resulting from (or in connection with the exercise of) splits, reclassifications, warrants, options, non-cash dividends and all other distributions (whether similar or dissimilar to the foregoing) on or with respect to any Pledged Equity Interests or other Equity Interests constituting Collateral, but shall not include Dividends.

"Dividends" means cash dividends and cash distributions with respect to any Pledged Equity Interests made in the ordinary course of business and not as a liquidating dividend.

"Domestic Subsidiary" means a Subsidiary that is organized under the laws of a political subdivision of the United States.

"Equity Interests" is defined in the Credit Agreement.

"Foreign Subsidiary" means a Subsidiary that is not organized under the laws of a political subdivision of the United States.

"Indemnitee" is defined in Section 6.5.

"Lender" is defined in the Credit Agreement.

"LLC Agreement" means the limited liability company agreement, operating agreement and other organizational document of a Securities Issuer which is a limited liability company, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"Parent" is defined in the preamble.

"Partnership Agreement" means the partnership agreement and other organizational document of a Securities Issuer which is a partnership, as the

same way be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"Person" is defined in the Credit Agreement.

"Pledged Equity Interests" means all Pledged Shares, Pledged Partnership Interests and Pledged Membership Interests.

"Pledged Membership Interests" is defined in Section 2.1(c).

"Pledged Notes" is defined in Section 2.1(a). The form of the original Pledged Notes hereunder is attached as Exhibit A hereto.

"Pledged Partnership Interests" is defined in Section 2.1(c).

"Pledged Shares" is defined in Section 2.1(b).

"Pledgor" and "Pledgors" is defined in the preamble.

"Proceeds" is defined in the Security Agreement.

"Security Agreement" is defined in the Credit Agreement.

"Secured Obligations" is defined in the Security Agreement.

"Secured Party" is defined in the Credit Agreement.

"Securities Act" is defined in Section 6.2.

"Securities Issuer" means any Person listed on Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.1(b) hereto) that has issued or may issue a Pledged Equity Interest or a Pledged Note.

"Termination Date" is defined in the Security Agreement.

"UCC" is defined in the Credit Agreement.

1.2 Credit Agreement Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Credit Agreement.

1.3 UCC Definitions. Unless otherwise defined herein or the context otherwise requires, terms for which meanings are provided in the UCC are used in this Agreement, including its preamble and recitals, with such meanings.

1.4 Other Interpretive Provisions. The rules of construction in Sections 1.02 to 1.06 of the Credit Agreement shall be equally applicable to this Agreement.

ARTICLE II
PLEDGE

2.1 Grant of Security Interest. Each Pledgor hereby pledges, assigns, charges, mortgages, delivers, and transfers to the Administrative Agent the ratable benefit of each of the Secured Parties, and hereby grants to the Administrative Agent, for the ratable benefit of the Secured Parties, a continuing security interest in all of its right, title and interest in and to

the following property of such Pledgor, whether now or hereafter existing or acquired (collectively, the "Collateral"):

(a) all promissory notes of each Securities Issuer identified in Item A of Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.1(b)) opposite the name of such Pledgor and all other promissory notes of any such Securities Issuer issued from time to time to such Pledgor, as such promissory notes are amended, modified, supplemented, restated or otherwise modified from time to time and together with any promissory note of any Securities Issuer taken in extension or renewal thereof or substitution therefor (such promissory notes being referred to herein as the "Pledged Notes");

(b) all issued and outstanding shares of capital stock of each Securities Issuer which is a corporation (or similar type of issuer) identified in Item B of Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.1(b)) opposite the name of such Pledgor and all additional shares of capital stock of any such Securities Issuer from time to time acquired by such Pledgor in any manner, and the certificates representing such shares of capital stock (such shares of capital stock being referred to herein as the "Pledged Shares");

(c) all Equity Interests of each Securities Issuer which is a limited liability company or partnership identified in Item C or Item D, respectively, of Schedule I hereto (as such Schedule may be supplemented from time to time pursuant to Section 4.1(b)) opposite the name of such Pledgor and all additional Equity Interests of any such Securities Issuer from time to time acquired by such Pledgor in any manner, including, in each case, (i) the LLC Agreement or Partnership Agreement, as the case may be, of such Securities Issuer, (ii) all rights (but not obligations) of such Pledgor as a member or partner thereof, as the case may be, and all rights to receive Dividends and Distributions from time to time received, receivable, or otherwise distributed thereunder, (iii) all claims of such Pledgor for damages arising out of or for breach of or default under such LLC Agreement or Partnership Agreement, (iv) the right of such Pledgor to terminate such LLC Agreement or Partnership Agreement, to perform and exercise consensual or voting rights thereunder, and to compel performance and otherwise exercise all remedies thereunder, (v) all rights of such Pledgor, whether as a member or partner thereof, as the case may be, or otherwise, to all property and assets of such Securities Issuer (whether real property, inventory, equipment, accounts, general intangibles, securities, instruments, chattel paper, documents, choses in action, financial assets, or otherwise) and (vi) all certificates or instruments, if any, evidencing such Equity Interests (such Equity Interests being referred to herein, in the case of membership interests, as the "Pledged Membership Interests" and, in the case of partnership interests, as the "Pledged Partnership Interests");

(d) all Dividends, Distributions, principal, interest, and other payments and rights with respect to any of the items listed in clauses (a), (b), and (c) above; and

(e) all Proceeds of any and all of the foregoing Collateral.

2.2 Security for Secured Obligations. The Collateral of each Pledgor under this Agreement secures the prompt payment in full of all Secured Obligations of such Pledgor under the Loan Documents.

2.3 Delivery of Collateral. All certificates or instruments, if any, representing or evidencing any Collateral, including all Pledged Equity Interests and all Pledged Notes, shall be delivered to and held by or on behalf of the Administrative Agent pursuant hereto, shall be in suitable form for transfer by delivery, and shall be accompanied by all necessary instruments of transfer or assignment, duly executed in blank.

2.4 Dividends on Pledged Equity Interests and Payments on Pledged Notes. So long as no Event of Default has occurred and is continuing, any Dividend or payment in respect of any Pledged Note may be paid directly to the applicable Pledgor. If any Event of Default has occurred and is continuing, then any such Dividend or payment shall be paid directly to the Administrative Agent.

2.5 Continuing Security Interest; Transfer of Credit Extensions. This Agreement shall create a continuing security interest in the Collateral and shall remain in full force and effect until the Termination Date, be binding upon each Pledgor and its successors, transferees and assigns, and inure, together with the rights and remedies of the Administrative Agent hereunder, to the benefit of the Administrative Agent and each other Secured Party. Without limiting the generality of the foregoing, any Secured Party may assign or otherwise transfer (in whole or in part) any Credit Extension held by it to any other Person, and such other Person shall thereupon become vested with all the rights and benefits in respect thereof granted to such Secured Party under any Loan Document (including this Agreement) or otherwise, subject, however, to any contrary provisions in such assignment or transfer.

2.6 Security Interest Absolute. All rights of the Administrative Agent and the security interests granted to the Administrative Agent hereunder, and all obligations of each Pledgor hereunder, shall be, absolute and unconditional, irrespective of any of the following conditions, occurrences or events:

(a) any lack of validity or enforceability of any Loan Document;

(b) the failure of any Secured Party to assert any claim or demand or to enforce any right or remedy against any Loan Party, the Borrower, any other Pledgor or any other Person under the provisions of any Loan Document, or otherwise or to exercise any right or remedy against any other guarantor of, or collateral securing, any Secured Obligation;

(c) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other extension, compromise or renewal of any Secured Obligation, including any increase in the Secured Obligations resulting from the extension of additional credit to any Pledgor or otherwise;

(d) any reduction, limitation, impairment or termination of any Secured Obligation for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to (and each Pledgor hereby waives any right to or claim of) any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality, non genuineness, irregularity, compromise, unenforceability of, or any other event or occurrence affecting, any Secured Obligation or otherwise;

(e) any amendment to, rescission, waiver, or other modification of, or any consent to departure from, any of the terms of any Loan Document;

(f) any addition, exchange, release, surrender or non-perfection of any collateral (including the Collateral), or any amendment to or waiver or release of or addition to or consent to departure from any guaranty, for any of the Secured Obligations; or

(g) any other circumstances which might otherwise constitute a defense available to, or a legal or equitable discharge of, any Loan Party, the Borrower, any other Pledgor or otherwise.

2.7 Pledgors Remain Liable. Anything herein to the contrary notwithstanding (a) the exercise by the Administrative Agent of any of its rights hereunder shall not release any Pledgor from any of its duties or obligations under any contracts or agreements included in the Collateral and (b) neither the Administrative Agent nor any other Secured Party shall have any obligation or liability under any such contracts or agreements included in the Collateral by reason of this Agreement, nor shall the Administrative Agent or any other Secured Party be obligated to perform any of the obligations or duties of any Pledgor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

2.8 Subrogation. Until the Termination Date, no Pledgor shall exercise any claim or other rights which it may now or hereafter acquire against any other Pledgor that arises from the existence, payment, performance or enforcement of such Pledgor's obligations under this Agreement, including any right of subrogation, reimbursement, exoneration or indemnification, any right to participate in any claim or remedy against any other Pledgor or any collateral which the Administrative Agent now has or hereafter acquires, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including the right to take or receive from any other Pledgor, directly or indirectly, in cash or other property or by setoff or in any manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Pledgor in violation of the preceding sentence, such amount shall be deemed to have been paid for the benefit of the Secured Parties, and shall forthwith be paid to the Administrative Agent to be credited and applied upon the Secured Obligations, whether matured or unmatured. Each Pledgor acknowledges that it will receive direct and indirect benefits for the financing arrangements contemplated by the Loan Documents and that the agreement set forth in this Section is knowingly made in contemplation of such benefits.

2.9 Release; Termination. (a) Upon any sale, transfer or other disposition (direct or indirect) of any item of Collateral of any Pledgor in accordance with Section 7.05 of the Credit Agreement, the Administrative Agent

will, at such Pledgor's expense and without any representations, warranties or recourse of any kind whatsoever, execute and deliver to such Pledgor such documents as such Pledgor shall reasonably request to evidence the release of such item of Collateral from the pledge, assignment and security interest granted hereby; provided, however, that (i) at the time of such request and such release no Default shall have occurred and be continuing, and (ii) such Pledgor shall have delivered to the Administrative Agent, at least five Business Days prior to the date of the proposed release, a written request for release describing the item of Collateral and the terms of the sale, lease, transfer or other disposition in reasonable detail, including, without limitation, the price thereof and any expenses in connection therewith, together with a form of release for execution by the Administrative Agent (which release shall be in form and substance satisfactory to the Administrative Agent) and a certificate of such Pledgor to the effect that the transaction is in compliance with the Loan Documents and as to such other matters as the Administrative Agent (or the Required Lenders through the Administrative Agent) may reasonably request.

(b) Upon the Termination Date, the pledge, assignment and security interest granted hereby shall terminate and all rights to the Collateral shall revert to the applicable Pledgor. Upon any such termination, the Administrative Agent will, at the applicable Pledgor's expense and without any representations, warranties or recourse of any kind whatsoever, execute and deliver to such Pledgor such documents as such Pledgor shall reasonably request to evidence such termination and deliver to such Pledgor all certificates and instruments representing or evidencing the Collateral then held by the Administrative Agent.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Each Pledgor represents and warrants unto each Secured Party, as at the date of each pledge and delivery hereunder (including each pledge and delivery of a Pledged Equity Interest and each pledge and delivery of a Pledged Note) by such Pledgor to the Administrative Agent of any Collateral, as set forth in this Article.

3.1 Ownership; No Liens, etc. (a) Schedule I hereto accurately identifies as of the date hereof and as of each date such Schedule is supplemented pursuant to Section 4.1(b) hereof each of the following:

(i) all shares of capital stock, membership interests, general and limited partnership interests and other Equity Interests in any Person (other than a Foreign Subsidiary) owned by such Pledgor; and

(ii) all promissory notes (including Intercompany Notes) and debt securities of any other Person owned by such Pledgor and all outstanding loans and advances for borrowed money made by such Pledgor to any other Person.

(b) Such Pledgor is the legal and beneficial owner of, and has good and marketable title to (and has full right and authority to pledge and assign) such Collateral, free and clear of all Liens, except for this security interest granted pursuant hereto in favor of the Administrative Agent.

3.2 Valid Security Interest. The delivery of such Collateral to the Administrative Agent is effective to create a valid, perfected, first priority security interest in such Collateral and all Proceeds thereof, subject to no other Liens, securing the payment of the Secured Obligations. No filing or other action will be necessary to perfect or protect such security interest.

3.3 As to Pledged Notes. Each Pledged Note has been duly authorized, executed, endorsed, issued and delivered, and is the legal, valid and binding obligation of the relevant Securities Issuer thereof, and is not in default.

3.4 As to Pledged Shares. In the case of any Pledged Share constituting such Collateral, all of such Pledged Shares are duly authorized and validly issued, fully paid, and non assessable, and constitute 100% of the issued and outstanding voting capital stock and 100% of the non-voting shares of capital stock of each Securities Issuer thereof (or 100% of such lesser percentage as is permitted to be hereafter acquired pursuant to the terms of the Credit Agreement). The Pledgors have no Subsidiaries other than those set forth on Schedule 5.08 of the Credit Agreement.

3.5 As to Pledged Membership Interests and Pledged Partnership Interests, etc. (a) In the case of any Pledged Membership Interests and Pledged Partnership Interests constituting a part of the Collateral, all of such Pledged Equity Interests are duly authorized and validly issued, fully paid, and non assessable, and constitute all of the issued and outstanding Equity Interests held by such Pledgor in the applicable Securities Issuer.

(b) Each LLC Agreement and Partnership Agreement to which such Pledgor is a party, true and complete copies of which have been furnished to the Administrative Agent, has been duly authorized, executed, and delivered by such Pledgor, has not been amended or otherwise modified except as permitted by the Credit Agreement, is in full force and effect, and is binding upon and enforceable against such Pledgor in accordance with its terms. There exists no default under any such LLC Agreement or Partnership Agreement by such Pledgor.

(c) Each such LLC Agreement and Partnership Agreement, as the case may be, expressly provides that the Pledged Membership Interests or Pledged Partnership Interests, as the case may be, are not "securities" governed by Article 8 of applicable Uniform Commercial Code (or, if they are, Pledgors have delivered certificates representing such interest).

(d) Such Pledgor's Equity Interest in the applicable Securities Issuer is set forth in Schedule I hereto, as supplemented from time pursuant to Section 4.1(b), and Schedule I, as so supplemented, accurately reflects whether such Equity Interest is in certificated form.

(e) Such Pledgor had and has the power and legal capacity to execute and carry out the provisions of all such LLC Agreements and Partnership Agreements, as the case may be, to which it is a party. Such Pledgor has substantially performed all of its obligations to date under all such LLC

Agreements and Partnership Agreements, as the case may be, and has not received notice of the failure of any other party thereto to perform its obligations thereunder.

(f) The state of organization of each Securities Issuer is as set forth in Schedule I hereto.

3.6 Authorization, Approval, etc. No authorization, approval, or other action by, and no notice to or filing with, any Governmental Authority or any other Person is required (except those which have been obtained) either:

(a) for the pledge by such Pledgor of any Collateral pursuant to this Agreement or for the execution, delivery, and performance of this Agreement by such Pledgor; or

(b) for the exercise by the Administrative Agent of the voting or other rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement, except, with respect to the Pledged Equity Interests, as may be required in connection with a disposition of such Pledged Equity Interests by Laws affecting the offering and sale of securities generally.

3.7 Loan Documents. Each Pledgor makes each representation and warranty made in each of the Loan Documents by the Parent or the Borrower or any other Loan Party with respect to such Pledgor as if such representation and warranty were expressly set forth herein.

ARTICLE IV
COVENANTS

Each Pledgor covenants and agrees that, until the Termination Date, such Pledgor will, unless the Administrative Agent with the consent of the Required Lenders shall otherwise agree in writing, perform the obligations set forth in this Section.

4.1 Protect Collateral; Further Assurances, etc. (a) (a) No Pledgor will create or suffer to exist any Lien on the Collateral (except a Lien in favor of the Administrative Agent). Each Pledgor will warrant and defend the right and title herein granted unto the Administrative Agent in and to the Collateral (and all right, title, and interest represented by the Collateral) against the claims and demands of all Persons whomsoever.

(b) Promptly following any Investment made by any Pledgor in any other Person (other than an Excluded Subsidiary) after the date hereof which is not described in Schedule I hereto and, in any case, not later than the next date thereafter on which the Borrower is required to deliver a Compliance Certificate pursuant to Section 6.02(b) of the Credit Agreement, the Borrower, on behalf of such Pledgor, shall deliver a supplement to Schedule I hereto which supplement shall accurately describe such Investment, together with a certificate of a Responsible Officer certifying that, as of the date thereof and after giving effect to the supplement to such schedule delivered therewith, the representations and warranties in Article III hereof are true and correct.

Following receipt by any Pledgor of any promissory note or certificate evidencing any such Investment made by any Pledgor in any such Person which has not been delivered by such Pledgor to the Administrative Agent in pledge hereunder, such Pledgor shall deliver such promissory note or other certificate to the Administrative Agent, indorsed and accompanied by instruments of transfer or assignment as contemplated by Section 2.3 hereof.

(c) Each Pledgor agrees that at any time, and from time to time, at the expense of such Pledgor, such Pledgor will promptly execute and deliver all further instruments, and take all further action, that may be necessary, or that the Administrative Agent may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

(d) Each Pledgor will not permit any Securities Issuer of any Pledged Equity Interests pledged by such Pledgor hereunder to issue any certificated Equity Interest unless the same.

4.2 Powers, Control, etc. (a) Each Pledgor agrees that all certificated Pledged Equity Interests (and all other certificated Equity Interests constituting Collateral) delivered by such Pledgor pursuant to this Agreement will be accompanied by duly executed undated blank powers, or other equivalent instruments of transfer reasonably acceptable to the Administrative Agent.

(b) With respect to any Pledged Equity Interests in which any Pledgor has any right, title or interest and that constitutes an uncertificated security, such Pledgor will cause the applicable Securities Issuer either (i) to register the Administrative Agent as the registered owner of such Pledged Equity Interest or (ii) to deliver a written acknowledgement and agreement to the Administrative Agent (A) to acknowledge the security interest of the Administrative Agent in such Pledged Equity Interest granted hereunder, (B) to confirm that such Securities Issuer has marked the company register for such Pledged Equity Interest or other applicable records to reflect such security interest of the Administrative Agent, (C) to confirm to the Administrative Agent that it has not received notice of any other Lien in such Pledged Equity Interest (and has not agreed to accept instructions from any other Person in respect of such Pledged Equity Interest and will not accept or execute any instructions to transfer ownership of such Pledged Equity Interest unless consented to in writing by the Administrative Agent) and (D) to agree with such Pledgor and the Administrative Agent that, after the occurrence and during the continuation of an Event of Default, such Securities Issuer will comply with instructions with respect to such Pledged Equity Interest originated by the Administrative Agent without further consent of such Pledgor, such acknowledgement and agreement to be in form and substance reasonably satisfactory to the Administrative Agent.

(c) Each Pledgor which is the Securities Issuer of any Pledged Equity Interests in which any other Pledgor has any right, title, or interest, hereby (i) acknowledges the security interest of the Administrative Agent in such Pledged Equity Interests granted by such other Pledgor hereunder, (ii) confirms that it has marked its register for such Pledged Equity Interests or

other applicable company records to reflect such security interest of the Administrative Agent, (iii) confirms that it has not received notice of any other Lien in such Pledged Equity Interests (and has not agreed to accept instructions from any other person in respect of such Pledged Equity Interests and will not accept or execute any instructions to transfer ownership of such Pledged Equity Interest unless consented to in writing by the Administrative Agent), (iv) agrees that it will comply with the instructions with respect to such Pledged Equity Interests originated by the Administrative Agent without further consent of such other Pledgor and (v) unless the Partnership Agreement or LLC Agreement, as the case may be, of any such Pledgor already so provides on the date such Pledgor becomes a party to this Agreement, agrees to promptly prepare, execute and deliver to each of its partners or members, as the case may be, any amendment or supplement to such Partnership Agreement or LLC Agreement, as the case may be, as may be necessary to expressly provide that the Equity Interests of such Pledgor are not "securities" governed by Article 8 of the applicable Uniform Commercial Code (or if such Equity Interests are such securities, Pledgor shall deliver certificates therefore) (and each Pledgor which is a partner or member of such Pledgor shall promptly execute and deliver such amendment).

(d) Each Pledgor will, from time to time upon the request of the Administrative Agent, promptly deliver to the Administrative Agent such powers, instruments, and similar documents, satisfactory in form and substance to the Administrative Agent, with respect to the Collateral as the Administrative Agent may reasonably request and will, from time to time upon the request of the Administrative Agent after the occurrence of any Event of Default, promptly transfer any Pledged Equity Interests or other Equity Interests constituting Collateral into the name of any nominee designated by the Administrative Agent.

4.3 Continuous Pledge. Subject to Section 2.4 and 2.9, each Pledgor will, at all times, keep pledged to the Administrative Agent pursuant hereto all Pledged Equity Interests and all other Equity Interests constituting Collateral, all Dividends and Distributions with respect thereto, all Pledged Notes, all interest, principal and other proceeds received by the Administrative Agent with respect to the Pledged Notes, and all other Collateral and other securities, instruments, proceeds, and rights from time to time received by or distributable to such Pledgor in respect of any Collateral.

4.4 Voting Rights; Dividends, etc. Each Pledgor agrees:

(a) after any Event of Default shall have occurred and be continuing, promptly upon receipt thereof by such Pledgor and without any request therefor by the Administrative Agent, to deliver (properly indorsed where required hereby or requested by the Administrative Agent) to the Administrative Agent all Dividends, Distributions, interest, principal, other cash payments, and proceeds of the Collateral, all of which shall be held by the Administrative Agent as additional Collateral for use in accordance with Section 6.4; and

(b) after any Event of Default shall have occurred and be continuing and the Administrative Agent has notified such Pledgor of the Administrative Agent's intention to exercise its voting power under this clause:

(i) the Administrative Agent may exercise (to the exclusion of such Pledgor) the voting power and all other incidental rights of ownership with respect to any Pledged Equity Interests or other Equity Interests constituting Collateral and such Pledgor hereby grants the Administrative Agent an irrevocable proxy, exercisable under such circumstances, to vote the Pledged Equity Interests and such other Collateral; and

(ii) such Pledgor shall promptly deliver to the Administrative Agent such additional proxies and other documents as may be necessary to allow the Administrative Agent to exercise such voting power.

All Dividends, Distributions, interest, principal, cash payments, and proceeds which may at any time and from time to time be held by any Pledgor but which such Pledgor is then obligated to deliver to the Administrative Agent, shall, until delivery to the Administrative Agent, be held by each Pledgor separate and apart from its other property in trust for the Administrative Agent. The Administrative Agent agrees that until an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given the notice referred to in clause (b) above, each Pledgor shall have the exclusive voting power with respect to any Equity Interests constituting Collateral and the Administrative Agent shall, upon the written request of each Pledgor, promptly deliver such proxies and other documents, if any, as shall be reasonably requested by each Pledgor which are necessary to allow such Pledgor to exercise voting power with respect to any such Equity Interests constituting Collateral; provided, however, that no vote shall be cast, or consent, waiver, or ratification given, or action taken or any action not taken by the Pledgor that would impair any Collateral or violate any provision of the Credit Agreement or any other Loan Document (including this Agreement).

4.5 As to LLC Agreements and Partnership Agreements. (a) Each Pledgor of a Pledged Membership Interest and/or Pledged Partnership Interests shall at its own expense:

(i) perform and observe all the terms and provisions of each LLC Agreement and/or Partnership Agreement, as the case may be, to which it is a party and each other contract and agreement included in all the Collateral to be performed or observed by it, maintain such LLC Agreement and/or Partnership Agreement, as the case may be, and each such other contract and agreement in full force and effect, enforce such LLC Agreement and/or Partnership Agreement, as the case may be, and each such other contract and agreement in accordance with its terms, and take all such action to such end as may from time to time be reasonably be requested by the Administrative Agent; and

(ii) furnish to the Administrative Agent promptly upon receipt thereof copies of all material notices, requests and other documents received by such Pledgor under or pursuant to such LLC Agreement and/or Partnership Agreement, as the case may be, and any other contract or agreement included in the Collateral to which it is a party, and from time to time (A) furnish to the Administrative Agent such information and reports regarding the Collateral as the Administrative Agent may reasonably request, and (B) upon the reasonable request of the Administrative Agent, make to any other party to such LLC Agreement and/or Partnership Agreement, as the case may be, or any such

other contract or agreement such demands and requests for information and reports or for action as such Pledgor is entitled to make thereunder.

(b) No Pledgor of a Pledged Membership Interest and/or Pledged Partnership Interest, as the case may be, shall, except as otherwise permitted by the Credit Agreement:

(i) cancel or terminate any LLC Agreement, Partnership Agreement or any other contract or agreement included in the Collateral to which it is a party or consent to or accept any cancellation or termination thereof;

(ii) amend or otherwise modify any such LLC Agreement, Partnership Agreement or any such contract or agreement or give any consent, waiver, or approval thereunder;

(iii) waive any default under or breach of any such LLC Agreement, Partnership Agreement or any such other contract or agreement; or

(iv) take any other action in connection with any such LLC Agreement or any such other contract or agreement that would impair the value of the interest or rights of such Pledgor thereunder or that would impair the interest or rights of the Administrative Agent.

4.6 As to Pledged Notes. Each Pledgor will not, without the prior written consent of the Administrative Agent:

(a) enter into any agreement amending, supplementing, or waiving any provision of any Pledged Note (including any underlying instrument pursuant to which such Pledged Note is issued) or compromising or releasing or extending the time for payment of any obligation of the maker thereof; or

(b) take or omit to take any action the taking or the omission of which could result in any impairment or alteration of any obligation of the maker of any Pledged Note or other instrument constituting Collateral.

ARTICLE V
THE ADMINISTRATIVE AGENT

5.1 Appointment as Attorney in Fact. Each Pledgor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney in fact with full irrevocable power and authority in the place and stead of such Pledgor and in the name of such Pledgor or in its own name, for the purpose of carrying out the terms of this Agreement, to take, upon the occurrence and during the continuation of any Event of Default, any and all appropriate action and to execute any and all documents and instruments that may be necessary or desirable to accomplish the purposes of this Agreement. Without limiting the generality of the foregoing (and in addition to the powers and rights granted to the Administrative Agent pursuant to Article V of the Security Agreement), each Pledgor hereby gives the Administrative Agent the power and

right, on behalf of such Pledgor, without notice to or assent by such Pledgor, to do any or all of the following upon the occurrence and during the continuation of an Event of Default:

(a) in the name of such Pledgor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under or in respect of any Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under or in respect of any Collateral whenever payable; and

(b) (i) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (ii) ask or demand for, collect, and receive payment of and give receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (iii) receive, collect, sign and indorse any drafts or other instruments, documents and chattel paper in connection with any of the Collateral; (iv) commence and prosecute any suits, actions or proceedings at Law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (v) defend any suit, action or proceeding brought against such Pledgor with respect to any Collateral; (vi) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; and (vii) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Pledgor's expense, at any time, or from time to time, all acts and things that the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Pledgor might do.

Each Pledgor hereby acknowledges, consents and agrees that the power of attorney granted pursuant to this Section is irrevocable and coupled with an interest.

5.2 Administrative Agent May Perform. If any Pledgor fails to perform any agreement contained herein, the Administrative Agent may itself perform, or cause performance of, such agreement upon notice and expiration of the applicable cure period, and the reasonable expenses of the Administrative Agent incurred in connection therewith shall be payable by such Pledgor pursuant to Section 6.5.

5.3 Administrative Agent Has No Duty. (a) In addition to, and not in limitation of, Section 2.7, the powers conferred on the Administrative Agent hereunder are solely to protect its interest (on behalf of the Secured Parties) in the Collateral and shall not impose any duty on it to exercise any such powers. Neither the Administrative Agent nor any of its officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of

any Pledgor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof (including the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral). Neither the Administrative Agent nor any of its officers, directors, employees or agents shall be responsible to any Pledgor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

(b) Each Pledgor assumes all responsibility and liability arising from or relating to the use, sale or other disposition of the Collateral. The Secured Obligations shall not be affected by any failure of the Administrative Agent to take any steps to perfect the pledge and security interest granted hereunder or to collect or realize upon the Collateral, nor shall loss or damage to the Collateral release any Pledgor from any of its Secured Obligations.

ARTICLE VI
REMEDIES

6.1 Certain Remedies. If any Event of Default shall have occurred and be continuing:

(a) The Administrative Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC and also may, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by applicable Law referred to below) to or upon any Pledgor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing) in one or more parcels at public or private sale, at any of the Administrative Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Administrative Agent may deem commercially reasonable. Each Pledgor agrees that, to the extent notice of sale shall be required by applicable Law, at least ten (10) days' prior notice to such Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Administrative Agent shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Administrative Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) The Administrative Agent may:

(i) transfer all or any part of the Collateral into the name of the Administrative Agent or its nominee, with or without disclosing that such Collateral is subject to the lien and security interest hereunder;

(ii) notify the parties obligated on any of the Collateral to make payment to the Administrative Agent of any amount due or to become due thereunder;

(iii) enforce collection of any of the Collateral by suit or otherwise, and surrender, release or exchange all or any part thereof, or compromise or extend or renew for any period (whether or not longer than the original period) any obligations of any nature of any party with respect thereto;

(iv) indorse any checks, drafts, or other writings in each Pledgor's name to allow collection of the Collateral;

(v) take control of any proceeds of the Collateral;

(vi) execute (in the name, place and stead of each Pledgor) indorsements, assignments, stock powers and other instruments of conveyance or transfer with respect to all or any of the Collateral; and

(vii) enforce compliance with, and take any and all actions with respect to, a LLC Agreement or Partnership Agreement, as the case may be, to the full extent as though the Administrative Agent were the absolute owner of the Pledged Membership Interests, Pledged Partnership Interests and other Collateral, including the right to receive all distributions and other payments that are made pursuant to such LLC Agreement or Partnership Agreement, as the case may be.

The Administrative Agent shall give the Pledgors ten (10) days' written notice (which each Pledgor agrees is reasonable notice within the meaning of Section 9-612 of the UCC) of the Administrative Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or time within ordinary business hours and at such place or places as the Administrative Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Administrative Agent may (in its sole and absolute discretion) determine. The Administrative Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Administrative Agent may, without notice or publication adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Administrative Agent until the sale price is paid by the purchase or purchasers thereof, but the Administrative Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by Law, private) sale made pursuant to this Section, the Administrative Agent (for the Secured Parties) may bid for or purchase, free (to the extent permitted by Law) from any right of redemption, stay, valuation or appraisal on the part of

any Pledgor (all said rights being also hereby waived and released to the extent permitted by Law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Pledgor as a credit against the purchase price, and the Administrative Agent (for such Secured Party) may upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Pledgor therefor.

6.2 Securities Laws. If the Administrative Agent shall determine to exercise its right to sell all or any of the Collateral pursuant to Section 6.1, each Pledgor agrees that, upon request of the Administrative Agent, such Pledgor will, at its own expense:

(a) execute and deliver, and cause each issuer of the Collateral contemplated to be sold and the directors and officers thereof to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts and things, as may be necessary or, in the opinion of the Administrative Agent, advisable to register such Collateral under the provisions of the Securities Act of 1933, as from time to time amended (the "Securities Act"), and to cause the registration statement relating thereto to become effective and to remain effective for such period as prospectuses are required by Law to be furnished, and to make all amendments and supplements thereto and to the related prospectus which, in the opinion of the Administrative Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto;

(b) use its best efforts to qualify the Collateral under the state securities or "Blue Sky" Laws and to obtain all necessary governmental approvals for the sale of the Collateral, as requested by the Administrative Agent;

(c) cause each such issuer to make available to its security holders, as soon as practicable, an earnings statement that will satisfy the provisions of Section 11(a) of the Securities Act; and

(d) do or cause to be done all such other acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable Law.

Each Pledgor further acknowledges the impossibility of ascertaining the amount of damages that would be suffered by the Administrative Agent or the Secured Parties by reason of the failure by such Pledgor to perform any of the covenants contained in this Section 6.2 and, consequently, to the extent permitted under applicable Law, agrees that, if such Pledgor shall fail to perform any of such covenants, it shall pay, as liquidated damages and not as a penalty, an amount equal to the value (as determined by the Administrative Agent) of the Collateral on the date the Administrative Agent shall demand compliance with this Section 6.2.

6.3 Compliance with Restrictions. Each Pledgor agrees that in any sale of any of the Collateral whenever an Event of Default shall have occurred and be continuing, the Administrative Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by

counsel is necessary in order to avoid any violation of applicable Law (including compliance with such procedures as may restrict the number of prospective bidders and purchasers, require that such prospective bidders and purchasers have certain qualifications, and restrict such prospective bidders and purchasers to persons who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of such Collateral), or in order to obtain any required approval of the sale or of the purchaser by any Governmental Authority or official, and each Pledgor further agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Administrative Agent be liable nor accountable to any Pledgor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

6.4 Application of Proceeds. All cash proceeds received by the Administrative Agent in respect of any sale of, collection from, or other realization upon, all or any part of the Collateral shall be applied (after payment of any amounts payable to the Administrative Agent pursuant to Section 6.2 of the Security Agreement and Section 6.5 below) in whole or in part by the Administrative Agent for the ratable benefit of the Secured Parties against all or any part of the Secured Obligations in accordance with Section 8.03 of the Credit Agreement. Any surplus of such cash or cash proceeds held by the Administrative Agent and remaining after payment in full in cash of all the Secured Obligations and the termination of this Agreement as provided in Section 2.9(b) hereof, shall be paid over to the applicable Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

6.5 Indemnity and Expenses. Each Pledgor agrees to jointly and severally indemnify the Administrative Agent (and any sub-agent thereof), each other Secured Party, and each Related Party of any of the foregoing Person (each such Person being called an "Indemnitee") against, and hold each such Indemnitee harmless from, any and all losses, claims, damages, liabilities or related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or other Loan Party arising out of, in connection with, this Agreement and the other Loan Documents (including enforcement of this Agreement and the other Loan Documents); provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities and related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Loan Party against an Indemnitee for intentional breach of such Indemnitee's obligations hereunder or under any other Loan Document, if such other Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction. Each Pledgor will, upon demand, pay to the Administrative Agent the amount of any and all reasonable expenses, including its reasonable counsel fees, charges and disbursements, and the reasonable fees and disbursements of any experts and agents, which the Administrative Agent may incur, subject to the foregoing limitations, in connection with the following:

(a) the administration of this Agreement and the other Loan Documents;

(b) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Collateral;

(c) the exercise or enforcement of any of the rights of the Administrative Agent hereunder or of any Secured Party; or

(d) the failure by any Pledgor to perform or observe any of the provisions hereof.

6.6 Waivers. Each Pledgor hereby waives any right, to the extent permitted by applicable Law, to receive prior notice of or a judicial or other hearing with respect to any action or prejudgment remedy or proceeding by the Administrative Agent to take possession, exercise control over or dispose of any item of Collateral where such action is permitted under the terms of this Agreement or any other Loan Document or by applicable Laws or the time, place or terms of sale in connection with the exercise of the Administrative Agent's rights hereunder. Each Pledgor waives, to the extent permitted by applicable Laws, any bonds, security or sureties required by the Administrative Agent with respect to any of the Collateral. Each Pledgor also waives any damages (direct, consequential or otherwise) occasioned by the enforcement of the Administrative Agent's rights under this Agreement or any other Loan Document, including, the taking of possession of any Collateral, all to the extent that such waiver is permitted by applicable Laws. These waivers and all other waivers provided for in this Agreement and the other Loan Documents have been negotiated by the parties and each Pledgor acknowledges that it has been represented by counsel of its own choice and has consulted such counsel with respect to its rights hereunder.

ARTICLE VII
MISCELLANEOUS PROVISIONS

7.1 Loan Document. (a) This Agreement is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions thereof.

(b) Concurrently herewith each Pledgor is executing and delivering the Security Agreement pursuant to which such Pledgor is granting a security interest to the Administrative Agent in certain properties and assets of such Pledgor (other than the Collateral hereunder). Such security interests shall be governed by the terms of the Security Agreement and not by this Agreement.

7.2 Amendments, etc.; Additional Pledgors; Successors and Assigns.

(a) No amendment to or waiver of any provision of this Agreement nor consent to any departure by any Pledgor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Administrative Agent and, with respect to any such amendment, by the Pledgors, and then such

waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) Upon the execution and delivery by any Person of a Joinder Agreement, (i) such Person shall be referred to as an "Additional Pledgor" and shall be and become a Pledgor, and each reference in this Agreement to "Pledgor" shall also mean and be a reference to such Additional Pledgor and (ii) the attachment supplement attached to each Joinder Agreement shall be incorporated into and become a part of and supplement Schedule I hereto, and the Administrative Agent may attach such attachment supplements to Schedule I, and each reference to Schedule I shall mean and be a reference to Schedule I, as supplemented pursuant hereto.

(c) Upon delivery by the Borrower of each certificate of Responsible Officers certifying a supplement to Schedule I pursuant to Section 4.1(b), the schedule supplement attached to each such certificate shall be incorporated into and become part of and supplement Schedule I hereto, and the Administrative Agent may attach such schedule supplement to such Schedule and each reference to such Schedule shall mean and be a reference to such Schedule, as supplemented pursuant hereto.

(d) This Agreement shall be binding upon each Pledgor and its successors, transferees and assigns and shall inure to the benefit of the Administrative Agent and each other Secured Party and their respective successors, transferees and assigns; provided, however, that no Pledgor may assign its obligations hereunder without the prior written consent of the Administrative Agent.

7.3 Addresses for Notices. All notices and other communications provided for hereunder shall be in writing and mailed, delivered or transmitted by telecopier to either party hereto at the address set forth in Section 10.02 of the Credit Agreement (with any notice to a Pledgor other than the Borrower being delivered to such Pledgor in care of the Borrower). All such notices and other communications shall be deemed to be given or made at the times provided in Section 10.02 of the Credit Agreement.

7.4 Section Captions. Section captions used in this Agreement are for convenience of reference only, and shall not affect the construction of this Agreement.

7.5 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.6 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

7.7 Governing Law, etc. (a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND PERFORMED ENTIRELY WITHIN SUCH STATE, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK; PROVIDED, THAT THE ADMINISTRATIVE AGENT SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) EACH PLEDGOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY SHALL BE BROUGHT, AT THE ADMINISTRATIVE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY OTHER SECURED PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY PLEDGOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) EACH PLEDGOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (b) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 7.3. NOTHING IN THIS AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

7.8 Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO TRIAL BY JURY OF ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

7.9 Entire Agreement. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES OR BY PRIOR OR CONTEMPORANEOUS WRITTEN AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

[Signature Page Follows]

IN WITNESS WHEREOF, each Pledgor has caused this Agreement to be duly executed and delivered by its respective officer thereunto duly authorized as of the date first above written.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION, a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title:Senior Vice President, Finance

INTEGRA LIFESCIENCES CORPORATION, a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Senior Vice President, Finance

INTEGRA LIFESCIENCES INVESTMENT CORPORATION, a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA OHIO, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA MASSACHUSETTS, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA CLINICAL EDUCATION INSTITUTE, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA HEALTHCARE PRODUCTS LLC , a Delaware limited liability company

By: Integra LifeSciences Corporation, its sole member

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

J. JAMNER SURGICAL INSTRUMENTS, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

JARIT INSTRUMENTS, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA SELECTOR CORPORATION, a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES PR, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

SPINAL SPECIALTIES, INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES (IP), INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES (INTERNATIONAL), INC., a Delaware corporation

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA LIFESCIENCES (FRANCE) LLC, a Delaware limited liability company

By: Integra NeuroSciences (International), Inc., its sole member

By: David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

ACKNOWLEDGED AND ACCEPTED:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Amie L. Edwards

Name: Amie L. Edwards
Title: Vice President

SUBSIDIARY GUARANTY AGREEMENT

This SUBSIDIARY GUARANTY AGREEMENT, dated as of December 22, 2005 as amended, restated, amended and restated, supplemented or otherwise modified from time to time, this "Agreement"), is made by each of the Persons (such capitalized term and all other capitalized terms not otherwise defined herein to have the meanings provided for in Article I) listed on the signature pages hereof (such Persons, together with the Additional Guarantors (as defined in Section 5.6) are collectively referred to as the "Guarantors" and individually as a "Guarantor"), in favor of BANK OF AMERICA, N.A., as administrative and collateral agent (in such capacity, the "Administrative Agent") for each of the Secured Parties.

W I T N E S S E T H:

WHEREAS, Integra LifeSciences Holdings Corporation, a Delaware corporation (the "Borrower") is party to a Credit Agreement, dated as of the date hereof (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Borrower, the various financial institutions as are, or may from time to time become, parties thereto, Bank of America, N.A., as Administrative Agent, L/C Issuer and Swing Line Lender, Citibank FSB and SunTrust Bank, as Co-Syndication Agents, and Royal Bank of Canada and Wachovia Bank, National Association, as Co-Documentation Agents and the other Loan Documents referred to therein; and

WHEREAS, each of the Guarantors is a Subsidiary of the Borrower and will receive substantial direct and indirect benefits from the Credit Agreement and the Credit Extensions and other financial accommodations to be made or issued thereunder;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Lenders to make Credit Extensions (including the initial Credit Extension) to the Borrower pursuant to the Credit Agreement, each Guarantor agrees, for the benefit of each Secured Party, as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. The following terms (whether or not underscored) when used in this Agreement, including its preamble and recitals, shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

"Additional Guarantors" is defined in Section 5.6(b).

"Administrative Agent" is defined in the preamble.

"Agreement" is defined in the preamble.

"Borrower" is defined in the first recital.

"Credit Agreement" is defined in the first recital.

"Guaranteed Obligations" is defined in Section 2.1.

"Guarantor" and "Guarantors" are defined in the preamble.

"Indemnitee" is defined in Section 5.4(a).

"Loan Documents" is defined in the Credit Agreement.

"Obligations" is defined in the Credit Agreement.

"Other Taxes" is defined in the Credit Agreement.

"Post Petition Interest" is defined in Section 2.4(b)(ii).

"Subordinated Obligations" is defined in Section 2.4(b).

"Taxes" is defined in the Credit Agreement.

"Termination Date" means the date on which the latest of the following events occurs:

(a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Agreement (other than contingent indemnification obligations);

(b) the termination or expiration of the Availability Period; and

(c) the termination or expiration of all Letters of Credit and all Secured Swap Contracts.

1.2 Credit Agreement Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Agreement, including its preamble and recitals, have the meanings provided in the Credit Agreement.

1.3 Other Interpretive Provisions. The rules of construction in Sections 1.02 to 1.06 of the Credit Agreement shall be equally applicable to this Agreement.

ARTICLE II
GUARANTY

2.1 Guaranty; Limitation of Liability. (a) Each Guarantor hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, of all Obligations of each other Loan Party

now or hereafter existing under or in respect of the Loan Documents (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing Obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract causes of action, costs, expenses or otherwise (such Obligations being the "Guaranteed Obligations"), and agrees to pay any and all expenses (including, without limitation, all reasonable fees, charges and disbursements of counsel) incurred by the Administrative Agent or any other Secured Party in enforcing any rights under this Agreement or any other Loan Document. Without limiting the generality of the foregoing, each Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Loan Party to any Secured Party under or in respect of the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Loan Party.

(b) Each Guarantor, and by its acceptance of this Agreement, the Administrative Agent and each other Secured Party, hereby confirms that it is the intention of all such Persons that this Agreement and the Obligations of each Guarantor hereunder not constitute a fraudulent transfer or conveyance for purposes of Debtor Relief Laws, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar Law to the extent applicable to this Agreement and the Obligations of each Guarantor hereunder. To effectuate the foregoing intention, the Administrative Agent, the other Secured Parties and the Guarantors hereby irrevocably agree that the Obligations of each Guarantor under this Agreement at any time shall be limited to the maximum amount as will result in the Obligations of such Guarantor under this Agreement not constituting a fraudulent transfer or conveyance.

(c) Each Guarantor hereby unconditionally and irrevocably agrees that in the event any payment shall be required to be made to any Secured Party under this Agreement or any other guaranty, such Guarantor will contribute, to the maximum extent permitted by Law, such amounts to each other Guarantor and each other guarantor so as to maximize the aggregate amount paid to the Secured Parties under or in respect of the Loan Documents.

2.2 Guaranty Absolute. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any Law now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Secured Party with respect thereto. The Obligations of each Guarantor under or in respect of this Agreement are independent of the Guaranteed Obligations or any other Obligations of any other Loan Party under or in respect of the Loan Documents, and a separate action or actions may be brought and prosecuted against each Guarantor to enforce this Agreement, irrespective of whether any action is brought against the Borrower or any other Loan Party or whether the Borrower or any other Loan Party is joined in any such action or actions. This Agreement is an absolute and unconditional guaranty of payment when due, and not of collection, by each Guarantor jointly and severally with any other Guarantor of the Guaranteed Obligations. The liability of each Guarantor under this Agreement shall be

irrevocable, absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other Obligations of any other Loan Party under or in respect of the Loan Documents, or any other amendment or waiver of or any consent to departure from any Loan Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Loan Party or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non perfection of any Collateral or any other collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guaranty, for all or any of the Guaranteed Obligations;

(d) any manner of application of Collateral or any other collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any Collateral or any other collateral for all or any of the Guaranteed Obligations or any other Obligations of any Loan Party under the Loan Documents or any other assets of any Loan Party or any of its Subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Loan Party or any of its Subsidiaries or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Borrower or any other Loan Party or its assets or any resulting release or discharge of any Guaranteed Obligation;

(f) the existence of any claim, setoff or other right which any Guarantor may have at any time against any Loan Party, the Administrative Agent, any Lender or any other Person, whether in connection herewith or any unrelated transaction;

(g) any invalidity or unenforceability relating to or against the Borrower or any other Loan Party for any reason of the whole or any provision of any Loan Document, or any provision of applicable Law purporting to prohibit the payment or performance by the Borrower of the Guaranteed Obligations;

(h) any failure of any Secured Party to disclose to any Loan Party any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of any other Loan Party now or hereafter known to such Secured Party (each Guarantor waiving any duty on the part of the Secured Parties to disclose such information);

(i) the failure of any other Person to execute or deliver this Agreement or any other guaranty or agreement or the release or reduction of liability of any Guarantor or other guarantor or surety with respect to the Guaranteed Obligations; or

(j) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by any Secured Party that might otherwise constitute a defense available to, or a discharge of, any Loan Party or any other guarantor or surety.

This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Secured Party or any other Person upon the insolvency, bankruptcy or reorganization of the Borrower or any other Loan Party or otherwise, all as though such payment had not been made.

2.3 Waivers and Acknowledgments.

(a) Each Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Agreement and any requirement that any Secured Party protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Loan Party or any other Person or any Collateral.

(b) Each Guarantor hereby unconditionally and irrevocably waives any right to revoke this Agreement and acknowledges that this Agreement is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) Each Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Secured Party that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of such Guarantor or other rights of such Guarantor to proceed against any of the other Loan Parties, any other guarantor or any other Person or any Collateral and (ii) any defense based on any right of setoff or counterclaim against or in respect of the Obligations of such Guarantor hereunder.

(d) Each Guarantor acknowledges that the Administrative Agent may, without notice to or demand upon such Guarantor and without affecting the liability of such Guarantor under this Agreement, foreclose under any mortgage by nonjudicial sale, and each Guarantor hereby waives any defense to the recovery by the Administrative Agent and the other Secured Parties against such Guarantor of any deficiency after such nonjudicial sale and any defense or benefits that may be afforded by applicable Law.

(e) Each Guarantor hereby unconditionally and irrevocably waives any duty on the part of any Secured Party to disclose to such Guarantor any matter, fact or thing relating to the business, condition (financial or

otherwise), operations, performance, properties or prospects of any other Loan Party or any of its Subsidiaries now or hereafter known by such Secured Party.

(f) Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in Section 2.2 and this Section 2.3 are knowingly made in contemplation of such benefits.

2.4 Subordination. (a) Each Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Borrower, any other Guarantor or any other insider guarantor that arise from the existence, payment, performance or enforcement of such Guarantor's Obligations under or in respect of this Agreement or any other Loan Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution (pursuant to Section 2.1(c) or otherwise) or indemnification and any right to participate in any claim or remedy of any Secured Party against the Borrower, any other Guarantor or any other insider guarantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Borrower, any other Guarantor or any other insider guarantor, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such claim, remedy or right, unless and until the Termination Date has occurred.

(b) Each Guarantor hereby agrees that any and all debts, liabilities and other obligations owed to such Guarantor by each other Loan Party, including pursuant to Section 2.1(c) (collectively, the "Subordinated Obligations"), are hereby subordinated to the prior payment in full in cash of the Obligations of such other Loan Party under the Loan Documents to the extent and in the manner hereinafter set forth in this Section 2.4(b):

(i) Except during the continuance of an Event of Default (including the commencement and continuation of any proceeding under any Debtor Relief Law relating to any other Loan Party), each Guarantor may receive regularly scheduled payments from any other Loan Party on account of the Subordinated Obligations. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Debtor Relief Law relating to any other Loan Party), however, unless the Administrative Agent otherwise agrees, no Guarantor shall demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(ii) In any proceeding under any Debtor Relief Law relating to any other Loan Party, each Guarantor agrees that the Secured Parties shall be entitled to receive payment in full in cash of all Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Debtor Relief Law, whether or not constituting an allowed claim in such proceeding ("Post Petition Interest")) of each other Loan Party before such Guarantor receives payment of any Subordinated Obligations of such other Loan Party.

(iii) After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Debtor Relief Law relating to any other Loan Party), each Guarantor shall, if the Administrative Agent so requests, collect, enforce and receive payments on account of any Subordinated Obligations due to such Guarantor from any other Loan Party as trustee for the Secured Parties and deliver such payments to the Administrative Agent for application to the Guaranteed Obligations (including all Post Petition Interest), together with any necessary

endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Agreement.

(iv) After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Debtor Relief Law relating to any other Loan Party), the Administrative Agent is authorized and empowered (but without any obligation to so do), in its discretion, (A) in the name of any Guarantor, to collect and enforce, and to submit claims in respect of, Subordinated Obligations due to such Guarantor and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and (B) to require any Guarantor (1) to collect and enforce, and to submit claims in respect of, Subordinated Obligations due to such Guarantor and (2) to pay any amounts received on such obligations to the Administrative Agent for application to the Guaranteed Obligations (including any and all Post Petition Interest).

(v) In the event of any conflict between the provisions of this Section 2.4(b) and the provisions of Annex A of any Pledged Note (as defined in the Pledge Agreement), the provisions of such Annex A shall govern.

(c) If any amount shall be paid to any Guarantor in violation of this Section 2.4 at any time prior to the Termination Date, such amount shall be received and held in trust for the benefit of the Secured Parties, shall be segregated from other property and funds of such Guarantor and shall forthwith be paid or delivered to the Administrative Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Agreement, whether matured or unmatured, in accordance with the terms of the Loan Documents, or to be held as Collateral for any Guaranteed Obligations or other amounts payable under this Agreement thereafter arising.

(d) If the Termination Date shall have occurred, the Administrative Agent will, at any Guarantor's request and expense, execute and deliver to such Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to such Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by such Guarantor pursuant to this Agreement.

2.5 Payments Free and Clear of Taxes, Etc. (a) Any and all payments made by any Guarantor under or in respect of this Agreement or any other Loan Document shall be made, in accordance with Section 3.01 of the Credit Agreement, free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; provided that if any Guarantor shall be required by any Laws to deduct any Taxes (including Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.5), each of the Administrative Agent, Lender or the L/C Issuer, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Guarantor shall make such deductions, and (iii) such Guarantor shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Law.

(b) Without limiting the provisions of subsection (a) above, each Guarantor shall timely pay any Other Taxes that arise from any payment made by or on behalf of such Guarantor under or in respect of this Agreement or any other Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, this Agreement and the other Loan Documents to the relevant Governmental Authority in accordance with Law.

(c) Each Guarantor shall indemnify the Administrative Agent, each Lender and the L/C Issuer, within (ten) 10 days after demand therefor, for the full amount of Taxes or Other Taxes (including any Indemnified Taxes or Other Taxes imposed or asserted or attributable to amounts payable under this Section 2.5) paid by the Administrative Agent, such Lender or L/C Issuer, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate certifying the amount of such payment or liability delivered to a Guarantor by a Lender or the L/C Issuer (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or the L/C Issuer, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Guarantor to a Governmental Authority, such Guarantor shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

Each Guarantor hereby makes each representation and warranty made in the Loan Documents by the Borrower with respect to such Guarantor and each Guarantor hereby further represents and warrants as follows:

3.1 No Conditions Precedent. There are no conditions precedent to the effectiveness of this Agreement that have not been satisfied or waived.

3.2 Independent Credit Analysis. Such Guarantor has, independently and without reliance upon any Secured Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and each other Loan Document to which it is or is to be a party, and such Guarantor has established adequate means of obtaining from each other Loan Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of such other Loan Party.

ARTICLE IV
COVENANTS

4.1 Performance of Loan Documents. Each Guarantor covenants and agrees that until the Termination Date, such Guarantor will perform and observe, and cause each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements set forth in the Loan Documents on its or their part to be performed or observed or that the Borrower has agreed to cause such Guarantor or such Subsidiaries to perform or observe.

ARTICLE V
MISCELLANEOUS PROVISIONS

5.1 Loan Document. This Agreement is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated herein) be construed, administered and applied in accordance with the terms and provisions thereof.

5.2 No Waiver; Remedies. No failure on the part of any Secured Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by the Law.

5.3 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Secured Party and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable Law, to setoff and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations (in whatever currency) at any time owing by, such Secured Party or any such Affiliate to or for the credit or the account of any Guarantor against any and all of the Obligations of such Guarantor now or hereafter existing under this Agreement or any other Loan Documents to such Secured Party, irrespective of whether or not such Secured Party shall have made any demand under this Agreement or any other Loan Document and although such Obligations of such Guarantor may be contingent or unmatured or are owed to a branch or office of such Secured Party different from the branch or office holding such deposit or

obligated on such indebtedness. The rights of each Secured Party and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Secured Party or their respective Affiliates may have. Each Secured Party agrees to notify such Guarantor and the Administrative Agent promptly after any such setoff and application; provided, that the failure to give such notice shall not affect the validity of such setoff and application.

5.4 Indemnification. (a) Without limitation on any other Obligations of any Guarantor or remedies of the Secured Parties under this Agreement, each Guarantor shall indemnify the Administrative Agent (and any sub-agent thereof), each other Secured Party, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee; provided, that, as long as no Default exists, the Guarantors shall engage and pay for defense counsel that is reasonably acceptable to the Administrative Agent in connection with claims brought by third parties and the other Secured Parties may engage separate counsel under such circumstances at their own expense (it being understood that upon the occurrence of an Event of Default, all counsel shall be at the cost and expense of Guarantors), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Loan Party arising out of, in connection with, or as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of any Loan Party enforceable against such Loan Party in accordance with their terms; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if such other Loan Party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(b) Each Guarantor hereby also agrees that none of the Indemnitees shall have any liability (whether direct or indirect, in contract, tort or otherwise) to any of the Guarantors or any of their respective Affiliates, directors, officers, employees, counsel, agents and attorneys in fact, and each Guarantor hereby agrees not to assert any claim against any Indemnitee on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of or otherwise relating to the Loans, the actual or proposed use of the proceeds of the Credit Extensions, the Loan Documents or any of the transactions contemplated by the Loan Documents.

(c) All amounts due under this Section 5.4 shall be payable not later than ten Business Days after demand therefor.

(d) Without prejudice to the survival of any of the other agreements of any Guarantor under this Agreement or any of the other Loan Documents, the agreements and obligations of each Guarantor contained in Section

2.1(a) (with respect to enforcement expenses), the last sentence of Section 2.2, Section 2.5 and this Section 5.4 shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Agreement.

5.5 Continuing Guaranty. This Agreement is a continuing agreement and shall: (a) remain in full force and effect until the Termination Date, (b) be binding upon each Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Secured Parties and their successors, transferees and assigns.

5.6 Amendments, etc.; Additional Guarantors; Successors and Assigns. (a) No amendment to or waiver of any provision of this Agreement nor consent to any departure by any Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Administrative Agent and, with respect to any such amendment, by the Guarantors, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

(b) Upon the execution and delivery by any Person of a Joinder Agreement in substantially the form of Exhibit G to the Credit Agreement, such Person shall be referred to as an "Additional Guarantor" and shall be and become a Guarantor, and each reference in this Agreement to "Guarantor" shall also mean and be a reference to such Additional Guarantor.

(c) This Agreement shall be binding upon each Guarantor and its successors, transferees and assigns and shall inure to the benefit of the Administrative Agent and each other Secured Party and their respective successors, transferees and assigns; provided, however, that no Guarantor may assign its obligations hereunder without the prior written consent of the Administrative Agent.

5.7 Addresses for Notices. All notices and other communications provided for hereunder shall be in writing and mailed, delivered or transmitted by telecopier to each party hereto at the address set forth in Section 10.02 of the Credit Agreement (with any notice to a Guarantor being delivered to such Guarantor in care of the Borrower). All such notices and other communications shall be deemed to be given or made at the times provided in Section 10.02 of the Credit Agreement.

5.8 Section Captions. Section captions used in this Agreement are for convenience of reference only, and shall not affect the construction of this Agreement.

5.9 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

5.10 Counterparts. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract.

5.11 Governing Law, Etc. (a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) EACH GUARANTOR IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY OTHER SECURED PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) EACH GUARANTOR IRREVOCABLY AND UNCONDITI ONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (b) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY HERETO IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 5.7. NOTHING IN THIS

AGREEMENT WILL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY APPLICABLE LAW.

5.12 Right to Trial by Jury. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

5.13 Entire Agreement. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES OR BY PRIOR OR CONTEMPORANEONS WRITTEN AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

5.14 Release of Guarantor. Upon any Disposition of all of the outstanding Equity Interests of any Guarantor (whether direct or indirect) permitted by Section 7.05 of the Credit Agreement, the Administrative Agent will, pursuant to Section 9.10 of the Credit Agreement, at the Borrower's expense and without any representations, warranties or recourse of any kind whatsoever, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence the release of such Guarantor from its obligations hereunder.

[Signature Page Follows]

IN WITNESS WHEREOF, each Guarantor has caused this Agreement to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

INTEGRA LIFESCIENCES CORPORATION, a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Senior Vice President, Finance

INTEGRA LIFESCIENCES INVESTMENT CORPORATION, a a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA OHIO, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA MASSACHUSETTS, INC., a Delaware corporation

By: /s/ David B. Holz

Name: David B. Holz
Title: Vice President and Treasurer

INTEGRA CLINICAL EDUCATION INSTITUTE, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA HEALTHCARE PRODUCTS LLC, a Delaware limited liability company

By: Integra LifeSciences Corporation, its sole member

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

J. JAMNER SURGICAL INSTRUMENTS, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

JARIT INSTRUMENTS, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA SELECTOR CORPORATION, a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES PR, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

SPINAL SPECIALTIES, INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES (IP), INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA NEUROSCIENCES (INTERNATIONAL), INC., a Delaware corporation

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

INTEGRA LIFESCIENCES (FRANCE) LLC, a Delaware limited liability company

By: Integra NeuroSciences (International), Inc., its sole member

By: /s/ David B. Holtz

Name: David B. Holtz
Title: Vice President and Treasurer

ACKNOWLEDGED AND ACCEPTED:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: /s/ Amie L. Edwards
_____

Name: Amie L. Edwards
Title: Vice President

AMENDED AND RESTATED 2005 EMPLOYMENT AGREEMENT

This amended and restated 2005 employment agreement (this "Agreement") is made as of the 19th day of December, 2005 by and between Integra LifeSciences Holdings Corporation, a Delaware Corporation (the "Company") and John B. Henneman, III ("Executive").

Background

Executive is currently the Chief Administrative Officer of the Company. The Company desires to continue to employ Executive, and Executive desires to remain in the employ of the Company, on the terms and conditions contained in this Agreement. Executive will be substantially involved with the Company's operations and management and will learn trade secrets and other confidential information relating to the Company and its customers; accordingly, the noncompetition covenant and other restrictive covenants contained in Section 16 of this Agreement constitute essential elements hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and intended to be legally bound hereby, the parties hereto agree as follows:

Terms

1. Definitions. The following words and phrases shall have the meanings set forth below for the purposes of this Agreement (unless the context clearly indicates otherwise):

(a) "Base Salary" shall have the meaning set forth in Section 5.

(b) "Board" shall mean the Board of Directors of the Company, or any successor thereto.

(c) "Cause," as determined by the Board in good faith, shall mean Executive has

(1) failed to perform his stated duties in all material respects, which failure continues for 15 days after his receipt of written notice of the failure;

(2) intentionally and materially breached any provision of this Agreement and not cured such breach (if curable) within 15 days of his receipt of written notice of the breach;

(3) demonstrated his personal dishonesty in connection with his employment by the Company;

(4) engaged in a breach of fiduciary duty in connection with his employment with the Company;

(5) engaged in willful misconduct that is materially and demonstrably injurious to the Company or any of its subsidiaries; or

(6) conviction or plea of guilty or nolo contendere to a felony or to any other crime involving moral turpitude which conviction or plea is materially and demonstrably injurious to the Company or any of its subsidiaries.

(d) A "Change in Control" of the Company shall be deemed to have occurred:

(1) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the combined voting power of Company Voting Securities (as herein defined) is acquired by any individual, entity or group (a "Person"), other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (for purposes of this Agreement, "Company Voting Securities" shall mean the then outstanding voting securities of the Company entitled to vote generally in the election of directors); provided, however, that any acquisition from the Company or any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (3) of this definition shall not be a Change in Control under this paragraph (1); or

(2) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason during any period of at least 24 months to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a

result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) upon consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of any entity (a "Business Combination"), in each case, unless immediately following such Business Combination: (i) Company Voting Securities outstanding immediately prior to such Business Combination (or if such Company Voting Securities were converted

pursuant to such Business Combination, the shares into which such Company Voting Securities were converted) (x) represent, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (the "Surviving Corporation"), or, if applicable, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (the "Parent Corporation") and (y) are held in substantially the same proportions after such Business Combination as they were immediately prior to such Business Combination; (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) except to the extent that such ownership of the Company existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(4) upon approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Company" shall mean Integra LifeSciences Holdings Corporation and any corporation, partnership or other entity owned directly or indirectly, in whole or in part, by Integra LifeSciences Holdings Corporation.

(g) "Disability" shall mean Executive's inability to perform his duties hereunder by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of not fewer than six months.

(h) "Good Reason" shall mean:

(1) a material breach of this Agreement by the Company which is not cured by the Company within 15 days of its receipt of written notice of the breach;

(2) the relocation by the Company of the Executive's office location to a location more than forty (40) miles from Princeton, New Jersey;

(3) without Executive's express written consent, the Company reduces Executive's Base Salary or bonus opportunity, or materially reduces the aggregate fringe benefits provided to Executive (except to the extent permitted by Sections 5, 6 or 7, respectively) or substantially alters the Executive's authority and/or title as set forth in Section 2 hereof in a manner reasonably construed to constitute a demotion, provided, Executive resigns within 90 days after the change objected to; or

(4) without Executive's express written consent, Executive fails at any point during the one year period following a Change in Control to hold the title and authority (as set forth in Section 2 hereof) with the Parent Corporation (or if there is no Parent Corporation, the Surviving Corporation) that Executive held with the Company immediately prior to the Change of Control, provided Executive resigns within one year of the Change in Control;

(5) the Company fails to obtain the assumption of this Agreement by any successor to the Company.

(i) "Principal Executive Office" shall mean the Company's principal office for executives, presently located at 311 Enterprise Drive, Plainsboro, New Jersey 08536.

(j) "Termination Date" shall mean the date specified in the Termination Notice.

(k) "Termination Notice" shall mean a dated notice which: (i) indicates the specific termination provision in this Agreement relied upon (if any); (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under such provision; (iii) specifies a Termination Date; and (iv) is given in the manner specified in Section 17(i).

2. Employment. The Company hereby employs Executive as Chief Administrative Officer, responsible for the business development department, the law department, the regulatory affairs and quality assurance department, and the human resources department of the Company, and Executive hereby agrees to accept such employment and agrees to render services to the Company in such capacity (or in such other capacity in the future as the Board may reasonably deem equivalent to such position) on the terms and conditions set forth in this Agreement. Executive's primary place of employment shall be at the Principal Executive Office and Executive shall report to the Chief Executive Officer.

3. Term and Renewal of Agreement. Unless earlier terminated by Executive or the Company as provided in Section 12 hereof, the term of Executive's employment under this Agreement shall commence on the date of this

Agreement and terminate on January 3, 2009. This Agreement shall be deemed automatically, without further action, to extend for an additional year on January 3, 2009 and each anniversary thereof, unless either the Board provides written notice to Executive of its election not to extend the term, or Executive gives written notice to the Company of Executive's election not to extend the term. In either case, the written notice shall be given not fewer than 90 days prior to any such renewal date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

4. Duties. Executive shall:

(a) faithfully and diligently do and perform all such acts and duties, and furnish such services as are assigned to Executive as of the date this Agreement is signed, and (subject to Section 2) such additional acts, duties and services as the Board may assign in the future; and

(b) devote his full professional time, energy, skill and best efforts to the performance of his duties hereunder, in a manner that will faithfully and diligently further the business and interests of the Company, and shall not be employed by or participate or engage in or in any manner be a part of the management or operations of any business enterprise other than the Company without the prior consent of the Chief Executive Officer or the Board, which consent may be granted or withheld in his or its sole discretion; provided, however, that notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees so long as such service does not materially interfere with Executive's obligations pursuant to this Agreement.

5. Compensation. Currently, the Company compensates Executive at a minimum base salary of $400,000 per year (the "Base Salary"). Effective January 1, 2006, the Company shall compensate Executive for his services at a Base Salary of $420,000 per year, payable in periodic installments in accordance with the Company's regular payroll practices in effect from time to time. Executive's Base Salary shall be subject to annual reviews, but may not be decreased without Executive's express written consent.

6. Bonus Opportunity. Executive shall have the opportunity to receive a performance bonus targeted at 40% of Executive's Base Salary, based upon the satisfaction of certain performance objectives as determined by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"), in its sole discretion.

7. Benefit Plans. Executive shall be entitled to participate in and receive benefits under any employee benefit plan or stock based plan of the Company in accordance with their terms, and shall be eligible for any other plans and benefits covering executives of the Company, to the extent commensurate with his then duties and responsibilities fixed by the Board. The Company shall not make any change in such plans or benefits that would adversely affect Executive's rights thereunder, unless such change affects all, or substantially all, executive officers of the Company.

8. Equity Compensation.

(a) Stock Options and Other Equity Compensation. Executive shall be entitled to receive annual equity compensation grants commensurate with the equity compensation grants received by other executive officers of the Company, as determined by the Compensation Committee from time to time; provided, however, nothing contained herein shall guarantee a grant or the level of grant. All such grants are in the discretion of the Compensation Committee based on performance. All grants made by the Compensation Committee shall vest in full upon a Change in Control, Executive's termination of employment without Cause, for Good Reason, Disability or death. In addition, upon the Company's nonrenewal of this Agreement, if any shares of restricted stock have been granted to Executive and remain restricted, a certain number of outstanding shares of such restricted stock shall be deemed to have vested as of the last day of Executive's employment with the Company, the exact number of restricted shares which shall be deemed vested to be determined by multiplying the number of restricted shares granted to Executive by a fraction, the numerator of which shall be the number of days that have elapsed since the date of grant and the denominator of which shall be the total number of days in the restricted period as stated in the original grant.

(b) Performance Stock. On January 3, 2006, and provided that Executive is an employee of the Company at that time, the Company shall grant to Executive an Award of 100,000 shares of the Company's common stock subject to certain restrictions and forfeiture (the "Performance Stock"), which shall be contingent upon attainment of certain performance goals (the "Performance Goals") pursuant to the Company's 2003 Equity Incentive Plan and the terms and conditions set forth in the award agreement attached as Exhibit A hereto (the "Performance Stock Award Agreement"), which shall include the specific Performance Goals. In the event of any inconsistency between the terms of this Agreement and the Performance Stock Award Agreement, the Performance Stock Award Agreement shall govern. Subject to attainment of the Performance Goals, 100,000 shares of Performance Stock shall be issued on January 3, 2009; provided, however, that notwithstanding the foregoing, all of the Performance Stock shall be issued on a Change in Control, Executive's termination without Cause, for Good Reason, Disability, or death. Until issued, the Performance Stock shall not be transferable and shall be subject to forfeiture.

(c) S-8. The Company agrees that for so long as it is required to file reports under Sections 13 or 15(d) of the Securities Exchange Act of 1934, it will maintain in effect a Form S-8 registration statement covering the issuance of Performance Stock to Executive.

9. Vacation. Executive shall be entitled to paid annual vacation in accordance with the policies established from time to time by the Board, which shall in no event be fewer than four weeks per annum.

10. Business Expenses. The Company shall reimburse Executive or otherwise pay for all reasonable expenses incurred by Executive in furtherance of or in connection with the business of the Company, including, but not limited to, automobile and traveling expenses and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Company.

11. Disability. In the event Executive incurs a Disability, Executive's obligation to perform services under this Agreement will terminate, and the Board may terminate this Agreement upon written notice to Executive.

12. Termination.

(a) Termination without Salary Continuation. In the event (i) Executive terminates his employment hereunder other than for Good Reason, or (ii) Executive's employment is terminated by the Company for Cause, Executive shall have no right to compensation or other benefits pursuant to this Agreement for any period after his last day of active employment. Additionally, all unissued Performance Stock shall be forfeited on Executive's last day of active employment.

(b) Termination with Salary Continuation (No Change in Control). Except as provided in subsection 12(c) in the event of a Change in Control, and subject to Executive and the Company executing a mutual release that is mutually agreeable (provided, however, that Executive shall not be required to execute such mutual release as a condition to the receipt of the payments and benefits described below unless the Company also executes such mutual release), in the event (i) Executive's employment is terminated by the Company for a reason other than death, Disability or Cause, or (ii) Executive terminates his employment for Good Reason, or (iii) the Company shall fail to extend this Agreement pursuant to the provisions of Section 3, then the Company shall:

(1) pay Executive a severance amount equal to Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment, plus the target bonus under Section 6; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date;

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the first anniversary of the Termination Date; (ii) the date of Executive's full-time employment by another employer; or

(iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with the Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons; and

(c) Termination with Salary Continuation (Change in Control). Notwithstanding anything to the contrary set forth in subsection 12(b), and subject to Executive and the Company executing a mutual release that is mutually agreeable (provided, however, that Executive shall not be required to execute such mutual release as a condition to the receipt of the payments and benefits described below unless the Company also executes such mutual release), in the event within twelve months of a Change in Control: (i) Executive terminates his employment for Good Reason, or (ii) Executive's employment is terminated by the Company for a reason other than death, Disability or Cause, or (iii) the Company shall fail to extend this Agreement pursuant to Section 3, then the Company shall:

(1) pay Executive a severance amount equal to 2.99 times the amount that results from adding Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment plus the target bonus under Section 6; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date;

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the fifth anniversary of the date of this Agreement; or (ii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with the Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons;

(3) in the event that either the independent public accountants which serve as the auditors of the Company immediately prior to the Change in Control or the Internal Revenue Service determines that any payment, coverage or benefit provided to the Executive is subject to the excise tax imposed by Section 4999 (or any successor provisions) of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall promptly pay to the Executive, in addition to other payments, coverage or benefit due and owing hereunder or under any other plan, or agreement, an amount determined by multiplying the rate of the excise tax then imposed by Code Section 4999 by the amount of the "excess parachute payment"

received by the Executive (determined without regard to any payments made to the Executive pursuant to this section) and dividing the product so obtained by the amount obtained by subtracting the aggregate local, state and Federal income tax rate applicable to the receipt by the Executive of such "excess parachute payment" (taking into account the deductibility for Federal income tax purposes of the payment of state and local income taxes thereon) from the amount obtained by subtracting from 1.00 the rate of the excise tax then imposed by Code Section 4999 (the "Gross Up Payment"), it being the intention of the parties hereto that the Executive's net after tax position shall be identical to that which would have obtained had Code Sections 280G and 4999 not been part of the Code. The Gross Up Payment attributable to payments other than severance compensation described in subsections c(i) and (ii) shall be paid in a lump sum payment on the Termination Date following the Change in Control. The Gross Up Payment attributable to the severance compensation described in subsections c(i) and (ii) shall be paid in a lump sum payment on the first day on which severance compensation is paid pursuant to subsection c(i) or subsection c(ii). All Gross Up Payments shall be paid in accordance with section 409A of the Code. For purposes of the calculations required by this subsection (3) reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable good faith interpretations of the Code may be relied upon; and

(4) pay to Executive all reasonable legal fees and expenses incurred by Executive as a result of such termination of employment (including all fees and expenses, if any, incurred by Executive in contesting or disputing any such termination or in seeking to obtain to enforce any right or benefit provided to Executive by this Agreement whether by arbitration or otherwise).

(d) Termination Notice. Except in the event of Executive's death, a termination under this Agreement shall be effected by means of a Termination Notice.

(e) Section 409A. Notwithstanding any other provision in this Agreement to the contrary, any payments that would constitute deferred compensation for purposes of (and subject to) Code Section 409A shall be deferred for a period of six months following Executive's separation from service with the Company.

13. Withholding. The Company shall have the right to withhold from all payments made pursuant to this Agreement any federal, state, or local taxes and such other amounts as may be required by law to be withheld from such payments.

14. Assignability. The Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any entity to which the Company may transfer all or substantially all of its assets, if in any such case said entity shall expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto. The Company may not otherwise assign this Agreement or its rights and obligations hereunder. This Agreement is personal to Executive and his rights and duties hereunder shall not be assigned except as expressly agreed to in writing by the Company.

15. Death of Executive. If Executive dies during the term of this Agreement, the Company shall pay Executive's spouse death benefits equal to (a) a lump sum payment equal to Executive's Base Salary at the time of death plus (b) continued participation by the spouse and any dependents in the Company's health benefit plan in which Executive would have been entitled to participate, for a period of one year from the date of Executive's death, at no cost to spouse and dependents of active employees; provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons. Such continued participation to be in addition to and not concurrent with any continuation coverage required by law (e.g. COBRA). Any amounts due Executive under this Agreement (not including any Base Salary not yet earned by Executive) unpaid as of the date of Executive's death shall be paid in a single sum as soon as practicable after Executive's death to Executive's surviving spouse, or if none, to the duly appointed personal representative of his estate.

16. Restrictive Covenants.

(a) Covenant Not to Compete. During the term of this Agreement and for a period of one year following the Termination Date of Executive's employment, Executive shall not, without the express written consent of the Company, directly or indirectly: (I) engage, anywhere within the geographical areas in which the Company is conducting business operations or providing services as of the date of Executive's termination of employment, in the tissue engineering business (the use of implantable absorbable materials, with or without a bioactive component, to attempt to elicit a specific cellular response in order to regenerate tissue or to impede the growth of tissue or migration of cells) (the "Tissue Engineering Business"), neurosurgery business (the use of surgical instruments, implants, monitoring products or disposable products to treat the brain or central nervous system) ("Neurosurgery Business"), instrument business (general surgical handheld instruments used for general purposes in surgical procedures) ("Instrument Business"), reconstruction business (bone fixation devices for foot and ankle reconstruction procedures) ("Reconstruction Business") or in any other line of business the revenues of which constituted at least 50% of the Company's revenues during the six (6) month period prior to the Termination Date (together with the Tissue Engineering Business, Neurosurgery Business, Instrument Business and Reconstruction Business, the "Business"); (II) be or become a stockholder, partner, owner, officer, director or employee or agent of, or a consultant to or give financial or other assistance to, any person or entity engaged in the Business; (III) seek in competition with the Business to procure orders

from or do business with any customer of the Company; (IV) solicit, or contact with a view to the engagement or employment by any person or entity of, any person who is an employee of the Company; (V) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of the Company) any person or entity who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to the Company; or (VI) engage in or participate in any effort or act to induce any of the customers, associates, consultants, or employees of the Company to take any action which might be disadvantageous to the Company; provided, however, that nothing herein shall prohibit Executive and his affiliates from owning, as passive investors, in the aggregate not more than 5% of the outstanding publicly traded stock of any corporation so engaged and provided, further, however, that nothing set forth in this Section 16(a) shall prohibit Executive from becoming an employee or agent of, or consultant to, any entity that is engaged in the Business so long as Executive does not engage in any activities in the Business in any capacity for said entity.

(b) Confidentiality. Executive acknowledges a duty of confidentiality owed to the Company and shall not, at any time during or after his employment by the Company, retain in writing, use, divulge, furnish, or make accessible to anyone, without the express authorization of the Board, any trade secret, private or confidential information or knowledge of the Company obtained or acquired by him while so employed. All computer software, business cards, telephone lists, customer lists, price lists, contract forms, catalogs, the Company books, records, files and know how acquired while an employee of the Company are acknowledged to be the property of the Company and shall not be duplicated, removed from the Company's possession or premises or made use of other than in pursuit of the Company's business or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against the Company and, upon termination of employment for any reason, Executive shall deliver to the Company all copies thereof which are then in his possession or under his control. No information shall be treated as "confidential information" if it is generally available public knowledge at the time of disclosure or use by Executive.

(c) Inventions and Improvements. Executive shall promptly communicate to the Company all ideas, discoveries and inventions which are or may be useful to the Company or its business. Executive acknowledges that all such ideas, discoveries, inventions, and improvements which heretofore have been or are hereafter made, conceived, or reduced to practice by him at any time during his employment with the Company heretofore or hereafter gained by him at any time during his employment with the Company are the property of the Company, and Executive hereby irrevocably assigns all such ideas, discoveries, inventions and improvements to the Company for its sole use

and benefit, without additional compensation. The provisions of this Section 16(c) shall apply whether such ideas, discoveries, inventions, or improvements were or are conceived, made or gained by him alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to the Company's business interests (including potential business interests), and whether or not within the specific realm of his duties. Executive shall, upon request of the Company, but at no expense to Executive, at any time during or after his employment with the Company, sign all instruments and documents reasonably requested by the Company and otherwise cooperate with the Company to protect its right to such ideas, discoveries, inventions, or improvements including applying for, obtaining and enforcing patents and copyrights thereon in such countries as the Company shall determine.

(d) Breach of Covenant. Executive expressly acknowledges that damages alone will be an inadequate remedy for any breach or violation of any of the provisions of this Section 16 and that the Company, in addition to all other remedies, shall be entitled as a matter of right to equitable relief, including injunctions and specific performance, in any court of competent jurisdiction. If any of the provisions of this Section 16 are held to be in any respect unenforceable, then they shall be deemed to extend only over the maximum period of time, geographic area, or range of activities as to which they may be enforceable.

17. Miscellaneous.

(a) Amendment. No provision of this Agreement may be amended unless such amendment is signed by Executive and such officer as may be specifically designated by the Board to sign on the Company's behalf.

(b) Interpretation. This Agreement is intended to comply with the requirements of Section 409A of the Code and all interpretations of this Agreement shall be in accordance with that intent. In that regard, notwithstanding the provisions of Section 17(a), the Company may amend this Agreement without the consent of the Executive if the Company determines that it is necessary in order for the benefits or payments to be made under this Agreement to comply with the requirements of Section 409A of the Code.

(c) Nature of Obligations. Nothing contained herein shall create or require the Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that Executive acquires a right to receive benefits from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(d) Prior Employment. Executive represents and warrants that his acceptance of employment with the Company has not breached, and the performance of his duties hereunder will not breach, any duty owed by him to any prior employer or other person.

(e) Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation or this Agreement. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.

(f) Gender and Number. Whenever used in this Agreement, a masculine pronoun is deemed to include the feminine and a neuter pronoun is deemed to include both the masculine and the feminine, unless the context clearly indicates otherwise. The singular form, whenever used herein, shall mean or include the plural form where applicable.

(g) Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable any other provision of this Agreement and shall not affect the application of any provision to other persons or circumstances.

(h) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, heirs, executors and administrators.

(i) Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by documented overnight delivery service or by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Company:

Integra LifeSciences Holdings Corporation
311 Enterprise Drive
Plainsboro, New Jersey 08536
Attn: President

With a copy to:

The Company's General Counsel

To the Executive:

John B. Henneman, III
78 Shady Brook Lane
Princeton, New Jersey 08540

(j) Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, pertaining to the subject matter hereof.

(k) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the laws of the State of New Jersey.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION	EXECUTIVE
By: /s/ Stuart M. Essig	/s/ John B. Henneman, III
Its: President and Chief Executive Officer	John B. Henneman, III

AMENDED AND RESTATED 2005 EMPLOYMENT AGREEMENT

This amended and restated 2005 employment agreement (this "Agreement") is made as of the 19th day of December, 2005 by and between Integra LifeSciences Holdings Corporation, a Delaware Corporation (the "Company") and Gerard S. Carlozzi ("Executive").

Background

Executive is currently the Chief Operating Officer of the Company. The Company desires to continue to employ Executive, and Executive desires to remain in the employ of the Company, on the terms and conditions contained in this Agreement. Executive will be substantially involved with the Company's operations and management and will learn trade secrets and other confidential information relating to the Company and its customers; accordingly, the noncompetition covenant and other restrictive covenants contained in Section 16 of this Agreement constitute essential elements hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and intended to be legally bound hereby, the parties hereto agree as follows:

Terms

1. Definitions. The following words and phrases shall have the meanings set forth below for the purposes of this Agreement (unless the context clearly indicates otherwise):

(a) "Base Salary" shall have the meaning set forth in Section 5.

(b) "Board" shall mean the Board of Directors of the Company, or any successor thereto.

(c) "Cause," as determined by the Board in good faith, shall mean Executive has

(1) failed to perform his stated duties in all material respects, which failure continues for 15 days after his receipt of written notice of the failure;

(2) intentionally and materially breached any provision of this Agreement and not cured such breach (if curable) within 15 days of his receipt of written notice of the breach;

(3) demonstrated his personal dishonesty in connection with his employment by the Company;

(4) engaged in a breach of fiduciary duty in connection with his employment with the Company; or

(5) engaged in willful misconduct that is materially and demonstrably injurious to the Company or any of its subsidiaries; or

(6) conviction or plea of guilty or nolo contendere to a felony or to any other crime involving moral turpitude which conviction or plea is materially and demonstrably injurious to the Company or any of its subsidiaries.

(d) A "Change in Control" of the Company shall be deemed to have occurred:

(1) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the combined voting power of Company Voting Securities (as herein defined) is acquired by any individual, entity or group (a "Person"), other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (for purposes of this Agreement, "Company Voting Securities" shall mean the then outstanding voting securities of the Company entitled to vote generally in the election of directors); provided, however, that any acquisition from the Company or any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (3) of this definition shall not be a Change in Control under this paragraph (1); or

(2) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason during any period of at least 24 months to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a

result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) upon consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of any entity (a "Business Combination"), in each case, unless immediately following such Business Combination: (i) Company Voting Securities outstanding immediately prior to such Business Combination (or if such Company Voting Securities were converted pursuant to such Business Combination, the shares into which

such Company Voting Securities were converted) (x) represent, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (the "Surviving Corporation"), or, if applicable, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (the "Parent Corporation") and (y) are held in substantially the same proportions after such Business Combination as they were immediately prior to such Business Combination; (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) except to the extent that such ownership of the Company existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(4) upon approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Company" shall mean Integra LifeSciences Holdings Corporation and any corporation, partnership or other entity owned directly or indirectly, in whole or in part, by Integra LifeSciences Holdings Corporation.

(g) "Disability" shall mean Executive's inability to perform his duties hereunder by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of not fewer than six months.

(h) "Good Reason" shall mean:

(1) a material breach of this Agreement by the Company which is not cured by the Company within 15 days of its receipt of written notice of the breach;

(2) the relocation by the Company of the Executive's office location to a location more than forty (40) miles from Princeton, New Jersey;

(3) without Executive's express written consent, the Company reduces Executive's Base Salary or bonus opportunity, or materially reduces the aggregate fringe benefits provided to Executive (except to the extent permitted by Sections 5, 6 or 7, respectively) or substantially alters the Executive's authority and/or title as set forth in Section 2 hereof in a manner reasonably construed to constitute a demotion, provided, Executive resigns within 90 days after the change objected to; or

(4) without Executive's express written consent, Executive fails at any point during the one year period following a Change in Control to hold the title and authority (as set forth in Section 2 hereof) with the Parent Corporation (or if there is no Parent Corporation, the Surviving Corporation) that Executive held with the Company immediately prior to the Change of Control, provided Executive resigns within one year of the Change in Control;

(5) the Company fails to obtain the assumption of this Agreement by any successor to the Company.

(i) "Principal Executive Office" shall mean the Company's principal office for executives, presently located at 311 Enterprise Drive, Plainsboro, New Jersey 08536.

(j) "Termination Date" shall mean the date specified in the Termination Notice.

(k) "Termination Notice" shall mean a dated notice which: (i) indicates the specific termination provision in this Agreement relied upon (if any); (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under such provision; (iii) specifies a Termination Date; and (iv) is given in the manner specified in Section 17(i).

2. Employment. The Company hereby employs Executive as Chief Operating Officer, responsible for the sales department, the marketing department, the research and development department, the clinical education department and the manufacturing operations department of the Company, and Executive hereby agrees to accept such employment and agrees to render services to the Company in such capacity (or in such other capacity in the future as the Board may reasonably deem equivalent to such position) on the terms and conditions set forth in this Agreement. Executive's primary place of employment shall be at the Principal Executive Office and Executive shall report to the Chief Executive Officer.

3. Term and Renewal of Agreement. Unless earlier terminated by Executive or the Company as provided in Section 12 hereof, the term of Executive's employment under this Agreement shall commence on the date of this

Agreement and terminate on January 3, 2009. This Agreement shall be deemed automatically, without further action, to extend for an additional year on January 3, 2009 and each anniversary thereof, unless either the Board provides written notice to Executive of its election not to extend the term, or Executive gives written notice to the Company of Executive's election not to extend the term. In either case, the written notice shall be given not fewer than 90 days prior to any such renewal date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

4. Duties. Executive shall:

(a) faithfully and diligently do and perform all such acts and duties, and furnish such services as are assigned to Executive as of the date this Agreement is signed, and (subject to Section 2) such additional acts, duties and services as the Board may assign in the future; and

(b) devote his full professional time, energy, skill and best efforts to the performance of his duties hereunder, in a manner that will faithfully and diligently further the business and interests of the Company, and shall not be employed by or participate or engage in or in any manner be a part of the management or operations of any business enterprise other than the Company without the prior consent of the Chief Executive Officer or the Board, which consent may be granted or withheld in his or its sole discretion; provided, however, that notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees so long as such service does not materially interfere with Executive's obligations pursuant to this Agreement; and provided, further, Executive may serve on the board of directors of Cascade Medical and Scandius Biomedical unless and until a conflict of interest arises or the business of the Company competes with the business of Cascade Medical or Scandius Biomedical.

5. Compensation. Currently, the Company compensates Executive at a minimum base salary of $350,000 per year (the "Base Salary"). Effective January 1, 2006, the Company shall compensate Executive for his services at a Base Salary of $400,000 per year, payable in periodic installments in accordance with the Company's regular payroll practices in effect from time to time. Executive's Base Salary shall be subject to annual reviews, but may not be decreased without Executive's express written consent.

6. Bonus Opportunity. Executive shall have the opportunity to receive a performance bonus targeted at 40% of Executive's Base Salary, based upon the satisfaction of certain performance objectives as determined by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"), in its sole discretion.

7. Benefit Plans. Executive shall be entitled to participate in and receive benefits under any employee benefit plan or stock based plan of the Company in accordance with their terms, and shall be eligible for any other plans and benefits covering executives of the Company, to the extent commensurate with his then duties and responsibilities fixed by the Board. The

Company shall not make any change in such plans or benefits that would adversely affect Executive's rights thereunder, unless such change affects all, or substantially all, executive officers of the Company.

8. Equity Compensation.

(a) Stock Options and Other Equity Compensation. Executive shall be entitled to receive annual equity compensation grants commensurate with the equity compensation grants received by other executive officers of the Company, as determined by the Compensation Committee from time to time; provided, however, nothing contained herein shall guarantee a grant or the level of grant. All such grants are in the discretion of the Compensation Committee based on performance. All grants made by the Compensation Committee shall vest in full upon a Change in Control, Executive's termination of employment without Cause, for Good Reason, Disability or death. In addition, upon the Company's nonrenewal of this Agreement, if any shares of restricted stock have been granted to Executive and remain restricted, a certain number of outstanding shares of such restricted stock shall be deemed to have vested as of the last day of Executive's employment with the Company, the exact number of restricted shares which shall be deemed vested to be determined by multiplying the number of restricted shares granted to Executive by a fraction, the numerator of which shall be the number of days that have elapsed since the date of grant and the denominator of which shall be the total number of days in the restricted period as stated in the original grant.

(b) Performance Stock. On January 3, 2006, and provided that Executive is an employee of the Company at that time, the Company shall grant to Executive an Award of 100,000 shares of the Company's common stock subject to certain restrictions and forfeiture (the "Performance Stock"), which shall be contingent upon attainment of certain performance goals (the "Performance Goals") pursuant to the Company's 2003 Equity Incentive Plan and the terms and conditions set forth in the award agreement attached as Exhibit A hereto (the "Performance Stock Award Agreement"), which shall include the specific Performance Goals. In the event of any inconsistency between the terms of this Agreement and the Performance Stock Award Agreement, the Performance Stock Award Agreement shall govern. Subject to attainment of the Performance Goals, 100,000 shares of Performance Stock shall be issued on January 3, 2009; provided, however, that notwithstanding the foregoing, all of the Performance Stock shall be issued on a Change in Control, Executive's termination without Cause, for Good Reason, Disability, or death. Until issued, the Performance Stock shall not be transferable and shall be subject to forfeiture.

(c) S 8. The Company agrees that for so long as it is required to file reports under Sections 13 or 15(d) of the Securities

Exchange Act of 1934, it will maintain in effect a Form S-8 registration statement covering the issuance of Performance Stock to Executive.

9. Vacation. Executive shall be entitled to paid annual vacation in accordance with the policies established from time to time by the Board, which shall in no event be fewer than four weeks per annum.

10. Business Expenses. The Company shall reimburse Executive or otherwise pay for all reasonable expenses incurred by Executive in furtherance of or in connection with the business of the Company, including, but not limited to, automobile and traveling expenses and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Company.

11. Disability. In the event Executive incurs a Disability, Executive's obligation to perform services under this Agreement will terminate, and the Board may terminate this Agreement upon written notice to Executive.

12. Termination.

(a) Termination without Salary Continuation. In the event (i) Executive terminates his employment hereunder other than for Good Reason, or (ii) Executive's employment is terminated by the Company for Cause, Executive shall have no right to compensation or other benefits pursuant to this Agreement for any period after his last day of active employment. Additionally, all unissued Performance Stock shall be forfeited on Executive's last day of active employment.

(b) Termination with Salary Continuation (No Change in Control). Except as provided in subsection 12(c) in the event of a Change in Control and subject to Executive and the Company executing a mutual release that is mutually agreeable (provided, however, that Executive shall not be required to execute such mutual release as a condition to the receipt of the payments and benefits described below unless the Company also executes such mutual release), in the event (i) Executive's employment is terminated by the Company for a reason other than death, Disability or Cause, or (ii) Executive terminates his employment for Good Reason, or (iii) the Company shall fail to extend this Agreement pursuant to the provisions of Section 3, then the Company shall:

(1) pay Executive a severance amount equal to Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment, plus the target bonus under Section 6; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date; and

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the first anniversary of the Termination Date; (ii) the date of

Executive's full time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with the Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons.

(c) Termination with Salary Continuation (Change in Control). Notwithstanding anything to the contrary set forth in subsection 12(b), and subject to Executive and the Company executing a mutual release that is mutually agreeable (provided, however, that Executive shall not be required to execute such mutual release as a condition to the receipt of the payments and benefits described below unless the Company also executes such mutual release), in the event within twelve months of a Change in Control: (i) Executive terminates his employment for Good Reason, or (ii) Executive's employment is terminated by the Company for a reason other than death, Disability or Cause, or (iii) the Company shall fail to extend this Agreement pursuant to Section 3, then the Company shall:

(1) pay Executive a severance amount equal to 2.99 times the amount that results from adding Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment plus the target bonus under Section 6; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date;

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the fifth anniversary of the date of this Agreement; or (ii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with the Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons;

(3) in the event that either the independent public accountants which serve as the auditors of the Company immediately prior to the Change in Control or the Internal Revenue Service determines that any payment, coverage or benefit provided to the Executive is subject to the excise tax imposed by Section 4999 (or any successor provisions) of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall promptly pay to the Executive, in addition to other payments, coverage or benefit due and owing hereunder or under any other plan, or agreement, an amount determined by

multiplying the rate of the excise tax then imposed by Code Section 4999 by the amount of the "excess parachute payment" received by the Executive (determined without regard to any payments made to the Executive pursuant to this section) and dividing the product so obtained by the amount obtained by subtracting the aggregate local, state and Federal income tax rate applicable to the receipt by the Executive of such "excess parachute payment" (taking into account the deductibility for Federal income tax purposes of the payment of state and local income taxes thereon) from the amount obtained by subtracting from 1.00 the rate of the excise tax then imposed by Code Section 4999 (the "Gross Up Payment"), it being the intention of the parties hereto that the Executive's net after tax position shall be identical to that which would have obtained had Code Sections 280G and 4999 not been part of the Code. The Gross Up Payment attributable to payments other than severance compensation described in subsections c(i) and (ii) shall be paid in a lump sum payment on the Termination Date following the Change in Control. The Gross-Up Payment attributable to the severance compensation described in subsections c(i) and (ii) shall be paid in a lump sum payment on the first day on which severance compensation is paid pursuant to subsection c(i) or subsection c(ii). All Gross Up Payments shall be paid in accordance with section 409A of the Code. For purposes of the calculations required by this subsection (3) reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable good faith interpretations of the Code may be relied upon; and

(4) pay to Executive all reasonable legal fees and expenses incurred by Executive as a result of such termination of employment (including all fees and expenses, if any, incurred by Executive in contesting or disputing any such termination or in seeking to obtain to enforce any right or benefit provided to Executive by this Agreement whether by arbitration or otherwise).

(d) Termination Notice. Except in the event of Executive's death, a termination under this Agreement shall be effected by means of a Termination Notice.

(e) Section 409A. Notwithstanding any other provision in this Agreement to the contrary, any payments that would constitute deferred compensation for purposes of (and subject to) Code Section 409A shall be deferred for a period of six months following Executive's separation from service with the Company.

13. Withholding. The Company shall have the right to withhold from all payments made pursuant to this Agreement any federal, state, or local taxes and such other amounts as may be required by law to be withheld from such payments.

14. Assignability. The Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any entity to which the Company may transfer all or substantially all of its assets, if in any such case said entity shall expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto. The Company may not otherwise assign this Agreement or its rights and obligations hereunder. This Agreement is personal to Executive and his rights and duties hereunder shall not be assigned except as expressly agreed to in writing by the Company.

15. Death of Executive. If Executive dies during the term of this Agreement, the Company shall pay Executive's spouse death benefits equal to (a) a lump sum payment equal to Executive's Base Salary at the time of death plus (b) continued participation by the spouse and any dependents in the Company's health benefit plan in which Executive would have been entitled to participate, for a period of one year from the date of Executive's death, at no cost to spouse and dependents of active employees; provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons. Such continued participation to be in addition to and not concurrent with any continuation coverage required by law (e.g. COBRA). Any amounts due Executive under this Agreement (not including any Base Salary not yet earned by Executive) unpaid as of the date of Executive's death shall be paid in a single sum as soon as practicable after Executive's death to Executive's surviving spouse, or if none, to the duly appointed personal representative of his estate.

16. Restrictive Covenants.

(a) Covenant Not to Compete. During the term of this Agreement and for a period of one year following the Termination Date of Executive's employment, Executive shall not, without the express written consent of the Company, directly or indirectly: (I) engage, anywhere within the geographical areas in which the Company is conducting business operations or providing services as of the date of Executive's termination of employment, in the tissue engineering business (the use of implantable absorbable materials, with or without a bioactive component, to attempt to elicit a specific cellular response in order to regenerate tissue or to impede the growth of tissue or migration of cells) (the "Tissue Engineering Business"), neurosurgery business (the use of surgical instruments, implants, monitoring products or disposable products to treat the brain or central nervous system) ("Neurosurgery Business"), instrument business (general surgical handheld instruments used for general purposes in surgical procedures) ("Instrument Business"), reconstruction business (bone fixation devices for foot and ankle reconstruction procedures) ("Reconstruction Business") or in any other line of business the revenues of which constituted at least 50% of the Company's revenues during the six (6) month period prior to the Termination Date (together with the Tissue Engineering Business, Neurosurgery Business, Instrument Business

and Reconstruction Business, the "Business"); (II) be or become a stockholder, partner, owner, officer, director or employee or agent of, or a consultant to or give financial or other assistance to, any person or entity engaged in the Business; (III) seek in competition with the Business to procure orders from or do business with any customer of the Company; (IV) solicit, or contact with a view to the engagement or employment by any person or entity of, any person who is an employee of the Company; (V) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of the Company) any person or entity who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to the Company; or (VI) engage in or participate in any effort or act to induce any of the customers, associates, consultants, or employees of the Company to take any action which might be disadvantageous to the Company; provided, however, that nothing herein shall prohibit Executive and his affiliates from owning, as passive investors, in the aggregate not more than 5% of the outstanding publicly traded stock of any corporation so engaged and provided, further, however, that nothing set forth in this Section 16(a) shall prohibit Executive from becoming an employee or agent of, or consultant to, any entity that is engaged in the Business so long as Executive does not engage in any activities in the Business in any capacity for said entity.

(b) Confidentiality. Executive acknowledges a duty of confidentiality owed to the Company and shall not, at any time during or after his employment by the Company, retain in writing, use, divulge, furnish, or make accessible to anyone, without the express authorization of the Board, any trade secret, private or confidential information or knowledge of the Company obtained or acquired by him while so employed. All computer software, business cards, telephone lists, customer lists, price lists, contract forms, catalogs, the Company books, records, files and know-how acquired while an employee of the Company are acknowledged to be the property of the Company and shall not be duplicated, removed from the Company's possession or premises or made use of other than in pursuit of the Company's business or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against the Company and, upon termination of employment for any reason, Executive shall deliver to the Company all copies thereof which are then in his possession or under his control. No information shall be treated as "confidential information" if it is generally available public knowledge at the time of disclosure or use by Executive.

(c) Inventions and Improvements. Executive shall promptly communicate to the Company all ideas, discoveries and inventions which are or may be useful to the Company or its business. Executive acknowledges that all such ideas, discoveries, inventions, and improvements which heretofore have been or are hereafter made, conceived, or reduced to practice by him

(d) at any time during his employment with the Company heretofore or hereafter gained by him at any time during his employment with the Company are the property of the Company, and Executive hereby irrevocably assigns all such ideas, discoveries, inventions and improvements to the Company for its sole use and benefit, without additional compensation. The provisions of this Section 16(c) shall apply whether such ideas, discoveries, inventions, or improvements were or are conceived, made or gained by him alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to the Company's business interests (including potential business interests), and whether or not within the specific realm of his duties. Executive shall, upon request of the Company, but at no expense to Executive, at any time during or after his employment with the Company, sign all instruments and documents reasonably requested by the Company and otherwise cooperate with the Company to protect its right to such ideas, discoveries, inventions, or improvements including applying for, obtaining and enforcing patents and copyrights thereon in such countries as the Company shall determine.

(e) Breach of Covenant. Executive expressly acknowledges that damages alone will be an inadequate remedy for any breach or violation of any of the provisions of this Section 16 and that the Company, in addition to all other remedies, shall be entitled as a matter of right to equitable relief, including injunctions and specific performance, in any court of competent jurisdiction. If any of the provisions of this Section 16 are held to be in any respect unenforceable, then they shall be deemed to extend only over the maximum period of time, geographic area, or range of activities as to which they may be enforceable.

17. Miscellaneous.

(a) Amendment. No provision of this Agreement may be amended unless such amendment is signed by Executive and such officer as may be specifically designated by the Board to sign on the Company's behalf.

(b) Interpretation. This Agreement is intended to comply with the requirements of Section 409A of the Code and all interpretations of this Agreement shall be in accordance with that intent. In that regard, notwithstanding the provisions of Section 17(a), the Company may amend this Agreement without the consent of the Executive if the Company determines that it is necessary in order for the benefits or payments to be made under this Agreement to comply with the requirements of Section 409A of the Code.

(c) Nature of Obligations. Nothing contained herein shall create or require the Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that

Executive acquires a right to receive benefits from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(d) Prior Employment. Executive represents and warrants that his acceptance of employment with the Company has not breached, and the performance of his duties hereunder will not breach, any duty owed by him to any prior employer or other person.

(e) Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation or this Agreement. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.

(f) Gender and Number. Whenever used in this Agreement, a masculine pronoun is deemed to include the feminine and a neuter pronoun is deemed to include both the masculine and the feminine, unless the context clearly indicates otherwise. The singular form, whenever used herein, shall mean or include the plural form where applicable.

(g) Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable any other provision of this Agreement and shall not affect the application of any provision to other persons or circumstances.

(h) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, heirs, executors and administrators.

(i) Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if hand-delivered, sent by documented overnight delivery service or by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Company:

Integra LifeSciences Holdings Corporation
311 Enterprise Drive
Plainsboro, New Jersey 08536
Attn: President

With a copy to:

The Company's General Counsel

To the Executive:

Gerard S. Carlozzi
5 Baker Way
Pennington, NJ 08534

(j) Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, pertaining to the subject matter hereof.

(k) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the laws of the State of New Jersey.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

By: /s/ Stuart M. Essig

Its: President and Chief Executive Officer

EXECUTIVE

/s/ Gerard S. Carlozzi

Gerard S. Carlozzi

AMENDED AND RESTATED 2005 EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (this "Agreement") is made as of the 19th day of December, 2005 by and between Integra LifeSciences Holdings Corporation, a Delaware Corporation (the "Company") and David B. Holtz ("Executive").

Background

Executive is currently the Senior Vice President, Finance, of the Company. The Company desires to continue to employ Executive, and Executive desires to remain in the employ of the Company, on the terms and conditions contained in this Agreement. Executive will be substantially involved with the Company's operations and management and will learn trade secrets and other confidential information relating to the Company and its customers; accordingly, the noncompetition covenant and other restrictive covenants contained in Section 14 of this Agreement constitute essential elements hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and intended to be legally bound hereby, the parties hereto agree as follows:

Terms

1. Definitions. The following words and phrases shall have the meanings set forth below for the purposes of this Agreement (unless the context clearly indicates otherwise):

(a) "Base Salary" shall have the meaning set forth in Section 5.

(b) "Board" shall mean the Board of Directors of the Company, or any successor thereto.

(c) "Cause," as determined by the Board in good faith, shall mean Executive has

(1) failed to perform his stated duties in all material respects, which failure continues for 15 days after his receipt of written notice of the failure;

(2) intentionally and materially breached any provision of this Agreement and not cured such breach (if curable) within 15 days of his receipt of written notice of the breach;

(3) demonstrated his personal dishonesty in connection with his employment by the Company;

(4) engaged in willful misconduct in connection with his employment with the Company;

(5) engaged in a breach of fiduciary duty in connection with his employment with the Company; or

(6) willfully violated any law, rule or regulation, or final cease and desist order (other than traffic violations or similar offenses) or engaged in other serious misconduct of such a nature that his continued employment may reasonably be expected to cause the Company substantial economic or reputational injury.

(d) A "Change in Control" of the Company shall be deemed to have occurred:

(1) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the combined voting power of the Company Voting Securities (as herein defined) is acquired by any individual, entity or group (a "Person"), other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (for purposes of this Agreement, "Company Voting Securities" shall mean the then outstanding voting securities of the Company entitled to vote generally in the election of directors); provided, however, that any acquisition from the Company or any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (3) of this definition shall not be a Change in Control under this paragraph (1); or

(2) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason during any period of at least 24 months to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such

individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) upon consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of any entity (a "Business Combination"), in each case, unless immediately following such Business Combination: (i) Company Voting Securities outstanding immediately prior to such Business Combination (or if such Company Voting Securities were converted pursuant to such Business Combination, the shares into which such Company Voting Securities were converted) (x) represent, directly or indirectly, more than 50% of the

combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (the "Surviving Corporation"), or, if applicable, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (the "Parent Corporation") and (y) are held in substantially the same proportions after such Business Combination as they were immediately prior to such Business Combination; (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) except to the extent that such ownership of the Company existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(4) upon approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Company" shall mean Integra LifeSciences Holdings Corporation and any corporation, partnership or other entity owned directly or indirectly, in whole or in part, by Integra LifeSciences Holdings Corporation.

(g) "Disability" shall mean Executive's inability to perform his duties hereunder by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of not fewer than six months.

(h) "Good Reason" shall mean:

(1) a material breach of this Agreement by the Company which is not cured by the Company within 15 days of its receipt of written notice of the breach;

(2) without Executive's express written consent, the Company reduces Executive's Base Salary or materially reduces the aggregate fringe benefits provided to Executive (except to

the extent permitted by Section 5 or Section 6, respectively) or substantially alters the Executive's authority as set forth in Section 2 hereof in a manner reasonably construed to constitute a demotion; provided, Executive resigns within 90 days after the change objected to and provided, however, that the appointment of a Chief Financial Officer shall not constitute a demotion hereunder; or

(3) without Executive's express written consent, Executive fails at any point during the one year period following a Change in Control to hold the title and authority held by Executive immediately prior to the Change in Control with the Parent Corporation (or if there is no Parent Corporation, the Surviving Corporation) that Executive held with the Company immediately prior to the Change of Control, provided Executive resigns within one year of the Change in Control;

(4) the Company fails to obtain the assumption of this Agreement by any successor to the Company;

(5) If the Company appoints a Chief Financial Officer and Executive is no longer responsible for the Finance department of the Company and the Company and Executive do not mutually agree to an amended job title and/or responsibilities for Executive by the 30th day before the expiration of this Agreement (without regard to any extensions); it being understood that Executive's performance of different duties on an interim basis after a Chief Financial Officer is appointed shall not be deemed Executive's agreement to "an amended job title and/or responsibilities" within the meaning of this paragraph (5) unless Executive expressly so states.

(i) "Principal Executive Office" shall mean the Company's principal office for executives, presently located at 311 Enterprise Drive, Plainsboro, New Jersey 08536.

(j) "Retirement" shall mean the termination of Executive's employment with the Company in accordance with the retirement policies, including early retirement policies, generally applicable to the Company's salaried employees.

(k) "Termination Date" shall mean the date specified in the Termination Notice.

(l) "Termination Notice" shall mean a dated notice which: (i) indicates the specific termination provision in this Agreement relied upon (if any); (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the

termination of Executive's employment under such provision; (iii) specifies a Termination Date; and (iv) is given in the manner specified in Section 15(h).

2. Employment. The Company hereby employs Executive as Senior Vice President, Finance or such other title and position as Executive and the Chief Executive Officer of the Company may mutually agree upon from time to time. Until the Company appoints a Chief Financial Officer, Executive shall be responsible for the Finance Department of the Company. Executive hereby agrees to continue his employment and agrees to render services to the Company in such capacity (or in such other capacity in the future as the Chief Executive Officer may reasonably deem equivalent to such position) on the terms and conditions set forth in this Agreement. Executive's primary place of employment shall be at the Principal Executive Office and Executive shall report to the Chief Executive Officer until such time as a Chief Financial Officer is appointed, at which time Executive shall report to the Chief Financial Officer.

3. Term.

(a) Term and Renewal of Agreement. Unless earlier terminated by Executive or the Company as provided in Section 10 hereof, the term of Executive's employment under this Agreement shall commence on the date of this Agreement and terminate on December 31, 2006. Subject to subsection 3(b), this Agreement shall be deemed automatically, without further action, to extend for an additional year on December 31, 2006 and each anniversary thereof.

(b) Annual Review. Prior to December 31, 2006 and each anniversary thereof, the Board shall consider extending the term of this Agreement. The term shall continue to extend in the manner set forth in subsection 3(a) unless either the Board does not approve the extension and provides written notice to Executive of such event, or Executive gives written notice to the Company of Executive's election not to extend the term. In either case, the written notice shall be given not fewer than 30 days prior to any such renewal date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

4. Duties. Executive shall:

(a) faithfully and diligently do and perform all such acts and duties, and furnish such services as are assigned to Executive as of the date this Agreement is signed, and (subject to Section 2) such additional acts, duties and services as the Chief Executive Officer or the Board may assign in the future; and

(b) devote his full professional time, energy, skill and best efforts to the performance of his duties hereunder, in a manner that will faithfully and diligently further the business and interests of the Company, and shall not be employed by or participate or engage in or in any manner be a part of the

management or operations of any business enterprise other than the Company without the prior consent of the Chief Executive Officer or the Board, which consent may be granted or withheld in his or its sole discretion; provided, however, that notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees so long as such service does not materially interfere with Executive's obligations pursuant to this Agreement.

5. Compensation.

(a) Base Salary. The Company shall compensate Executive for his services at a minimum base salary of $250,000 per year ("Base Salary"), payable in periodic installments in accordance with the Company's regular payroll practices in effect from time to time. Executive's Base Salary shall be subject to annual reviews, but may not be decreased without Executive's express written consent (unless the decrease is pursuant to a general compensation reduction applicable to all, or substantially all, executive officers of the Company).

(b) Bonus Opportunity. Executive shall have the opportunity to receive a performance bonus targeted at 30% of his Base Salary as determined by the Compensation Committee of the Board (the "Compensation Committee") in its sole discretion.

(c) Restricted Stock. Upon approval of the Compensation Committee, the Company shall grant Executive 6,750 shares of the Company's common stock subject to forfeiture and certain other restrictions (the "Restricted Stock") pursuant to the Company's 2003 Equity Incentive Plan and the terms and conditions set forth in the Restricted Stock Agreement set forth on Exhibit A hereto, (the "Restricted Stock Agreement"). In the event of any inconsistency between the term of this Agreement and the Restricted Stock Agreement, the Restricted Stock Agreement shall govern. The Restricted Stock shall vest and become non forfeitable on the earlier of (i) Change in Control, (ii) Termination of Executive's employment without Cause, death, for Good Reason or Disability prior to December 31, 2006, or (iii) December 31, 2006. Until vested the Restricted Stock shall not be transferable and shall be subject to forfeiture if Executive terminates his employment without Good Reason or the Company terminates Executive's employment for Cause.

6. Benefit Plans. Executive shall be entitled to participate in and receive benefits under any employee benefit plan or stock based plan of the Company, and shall be eligible for any other plans and benefits covering executives of the Company, to the extent commensurate with his then duties and responsibilities fixed by the Board. The Company shall not make any change in such plans or benefits that would adversely affect Executive's rights thereunder, unless such change affects all, or substantially all, executive officers of the Company.

7. Vacation. Executive shall be entitled to paid annual vacation in accordance with the policies established from time to time by the Board, which shall in no event be fewer than three weeks per annum.

8. Business Expenses. The Company shall reimburse Executive or otherwise pay for all reasonable expenses incurred by Executive in furtherance of or in connection with the business of the Company, including, but not limited to, automobile and traveling expenses and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Company.

9. Disability. In the event Executive incurs a Disability, Executive's obligation to perform services under this Agreement will terminate, and the Board may terminate this Agreement upon written notice to Executive.

10. Termination.

(a) Termination without Salary Continuation. In the event (i) Executive terminates his employment hereunder other than for Good Reason, or (ii) Executive's employment is terminated by the Company due to his Retirement, or death, or for Cause, Executive shall have no right to compensation or other benefits pursuant to this Agreement for any period after his last day of active employment. Additionally, subject to the exceptions set forth in subsection 5(c), all nonvested Restricted Stock granted pursuant to this Agreement shall be forfeited as of Executive's last day of active employment.

(b) Termination with Salary Continuation (No Change in Control). Except as provided in subsection 10(c) in the event of a Change in Control, in the event (i) Executive's employment is terminated by the Company for a reason other than Retirement, death, Disability or Cause, or (ii) Executive terminates his employment for Good Reason, or (iii) the Company shall fail to extend this Agreement pursuant to the provisions of Section 3, then the Company shall:

(1) pay Executive a severance amount equal to Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment , plus the target bonus under Section 5(b). The severance amount shall be paid in a single sum on the first business day of the month following the Termination Date; and

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the first anniversary of the Termination Date; (ii) the date of Executive's full time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his

employment with the Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons.

(c) Termination with Salary Continuation (Change in Control). Notwithstanding anything to the contrary set forth in subsection 10(b), in the event within twelve months of a Change in Control: (i) Executive terminates his employment for Good Reason, or (ii) Executive's employment is terminated by the Company for a reason other than Retirement, death, Disability or Cause, or (iii) the Company shall fail to extend this Agreement pursuant to Section 3, then the Company shall:

(1) pay Executive a severance amount equal to 2.99 times Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of his last day of active employment plus the target bonus under Section 5(b); the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date;

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the fifth anniversary of the date of this Agreement; or (ii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had his employment with the Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons; and

(3) pay to Executive all reasonable legal fees and expenses incurred by Executive as a result of such termination of employment (including all fees and expenses, if any, incurred by Executive in contesting or disputing any such termination or in seeking to obtain to enforce any right or benefit provided to Executive by this Agreement whether by arbitration or otherwise).

(d) Termination Notice. Except in the event of Executive's death, a termination under this Agreement shall be effected by means of a Termination Notice.

(e) Parachute Payment Limitation. If any payment or benefit to Executive under this Agreement would be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code and, if, after reduction for any applicable federal excise tax imposed by Section 4999 of the Code (the "Excise Tax") and federal income tax imposed by the Code, Executive's net proceeds of the amounts payable and the benefits provided under this Agreement would be less than the amount of Executive's net proceeds resulting from the payment of the Reduced Amount

described below, after reduction for federal income taxes, then the amount payable and the benefits provided under this Agreement shall be limited to the Reduced Amount. The "Reduced Amount" shall be the largest amount that could be received by Executive under this Agreement such that no amount paid to Executive under this Agreement and any other agreement, contract, or understanding heretofore or hereafter entered into between Executive and the Company (the "Other Agreements") and any formal or informal plan or other arrangement heretofore or hereafter adopted by the Company for the direct or indirect provision of compensation to Executive (including groups or classes of participants or beneficiaries of which Executive is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for Executive (a "Benefit Plan") would be subject to the Excise Tax. In the event that the amount payable to Executive shall be limited to the Reduced Amount, then Executive shall have the right, in Executive's sole discretion, to designate those payments or benefits under this Agreement, any Other Agreements, and/or any Benefit Plans, that should be reduced or eliminated so as to avoid having the payment to Executive under this Agreement be subject to the Excise Tax.

(f) Section 409A. Notwithstanding any other provision in this Agreement to the contrary, any payments that would constitute deferred compensation for purposes of (and subject to) Code Section 409A shall be deferred for a period of six months following Executive's separation from service with the Company.

11. Withholding. The Company shall have the right to withhold from all payments made pursuant to this Agreement any federal, state, or local taxes and such other amounts as may be required by law to be withheld from such payments.

12. Assignability. The Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any entity to which the Company may transfer all or substantially all of its assets, if in any such case said entity shall expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto. The Company may not otherwise assign this Agreement or its rights and obligations hereunder. This Agreement is personal to Executive and his rights and duties hereunder shall not be assigned except as expressly agreed to in writing by the Company.

13. Death of Executive. Any amounts due Executive under this Agreement (not including any Base Salary not yet earned by Executive) unpaid as of the date of Executive's death shall be paid in a single sum as soon as practicable after Executive's death to Executive's surviving spouse, or if none, to the duly appointed personal representative of his estate.

14. Restrictive Covenants.

(a) Covenant Not to Compete. During the term of this Agreement and for a period of one (1) year following the Termination Date, Executive shall not, without the express written consent of the Company, directly or indirectly: (i) engage, anywhere within the geographical areas in which the Company is conducting business operations or providing services as of the date of Executive's termination of employment, in the tissue engineering business

(the use of implantable absorbable materials, with or without a bioactive component, to attempt to elicit a specific cellular response in order to regenerate tissue or to impede the growth of tissue or migration of cells) (the "Tissue Engineering Business"), neurosurgery business (the use of surgical instruments, implants, monitoring products or disposable products to treat the brain or central nervous system) ("Neurosurgery Business"), instrument business (general surgical handheld instruments used for general purposes in surgical procedures) ("Instrument Business"), reconstruction business (bone fixation devices for foot and ankle reconstruction procedures) ("Reconstruction Business") or in any other line of business the revenues of which constituted at least 50% of the Company's revenues during the six (6) month period prior to the Termination Date (together with the Tissue Engineering Business, Neurosurgery Business, Instrument Business and Reconstruction Business, the "Business"); (ii) be or become a stockholder, partner, owner, officer, director or employee or agent of, or a consultant to or give financial or other assistance to, any person or entity engaged in the Business; (iii) seek in competition with the business of the Company to procure orders from or do business with any customer of the Company; (iv) solicit or contact with a view to the engagement or employment by any person or entity of any person who is an employee of the Company; (v) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of the Company) any person or entity who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to the Company; or (vi) engage in or participate in any effort or act to induce any of the customers, associates, consultants, or employees of the Company to take any action which might be disadvantageous to the Company; provided, however, that nothing herein shall prohibit Executive and his affiliates from owning, as passive investors, in the aggregate not more than 5% of the outstanding publicly traded stock of any corporation so engaged.

(b) Confidentiality. Executive acknowledges a duty of confidentiality owed to the Company and shall not, at any time during or after his employment by the Company, retain in writing, use, divulge, furnish, or make accessible to anyone, without the express authorization of the Board, any trade secret, private or confidential information or knowledge of the Company obtained or acquired by him while so employed. All computer software, business cards, telephone lists, customer lists, price lists, contract forms, catalogs, the Company books, records, files and know how acquired while an employee of the Company are acknowledged to be the property of the Company and shall not be duplicated, removed from the Company's possession or premises or made use of other than in pursuit of the

Company's business or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against the Company and, upon termination of employment for any reason, Executive shall deliver to the Company all copies thereof which are then in his possession or under his control. No information shall be treated as "confidential information" if it is generally available public knowledge at the time of disclosure or use by Executive.

(c) Inventions and Improvements. Executive shall promptly communicate to the Company all ideas, discoveries and inventions which are or may be useful to the Company or its business. Executive acknowledges that all such ideas, discoveries, inventions, and improvements which heretofore have been or are hereafter made, conceived, or reduced to practice by him at any time during his employment with the Company heretofore or hereafter gained by him at any time during his employment with the Company are the property of the Company, and Executive hereby irrevocably assigns all such ideas, discoveries, inventions and improvements to the Company for its sole use and benefit, without additional compensation. The provisions of this Section 14(c) shall apply whether such ideas, discoveries, inventions, or improvements were or are conceived, made or gained by him alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to the Company's business interests (including potential business interests), and whether or not within the specific realm of his duties. Executive shall, upon request of the Company, but at no expense to Executive, at any time during or after his employment with the Company, sign all instruments and documents reasonably requested by the Company and otherwise cooperate with the Company to protect its right to such ideas, discoveries, inventions, or improvements including applying for, obtaining and enforcing patents and copyrights thereon in such countries as the Company shall determine.

(d) Breach of Covenant. Executive expressly acknowledges that damages alone will be an inadequate remedy for any breach or violation of any of the provisions of this Section 14 and that the Company, in addition to all other remedies, shall be entitled as a matter of right to equitable relief, including injunctions and specific performance, in any court of competent jurisdiction. If any of the provisions of this Section 14 are held to be in any respect unenforceable, then they shall be deemed to extend only over the maximum period of time, geographic area, or range of activities as to which they may be enforceable.

15. Miscellaneous.

(a) Amendment. No provision of this Agreement may be amended unless such amendment is signed by Executive and such officer as may be specifically designated by the Board to sign on the Company's behalf.

(b) Nature of Obligations. Nothing contained herein shall create or require the Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that Executive acquires a right to receive benefits from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(c) Prior Employment. Executive represents and warrants that his acceptance of employment with the Company has not breached, and the performance of his duties hereunder will not breach, any duty owed by him to any prior employer or other person.

(d) Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation or this Agreement. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.

(e) Gender and Number. Whenever used in this Agreement, a masculine pronoun is deemed to include the feminine and a neuter pronoun is deemed to include both the masculine and the feminine, unless the context clearly indicates otherwise. The singular form, whenever used herein, shall mean or include the plural form where applicable.

(f) Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable any other provision of this Agreement and shall not affect the application of any provision to other persons or circumstances.

(g) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, heirs, executors and administrators.

(h) Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by documented overnight delivery service or by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Company:

Integra LifeSciences Holdings Corporation
311 Enterprise Drive
Plainsboro, New Jersey 08536
Attn: President

With a copy to:

The Company's General Counsel

To the Executive:

David B. Holtz
52 Heritage Drive
Allentown, NJ 05801

(i) Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, pertaining to the subject matter hereof.

(j) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the laws of the State of New Jersey.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION

By: /s/ Stuart M. Essig

Its: President and Chief Executive Officer

EXECUTIVE

/s/ David B. Holtz

David B. Holtz

RESTRICTED STOCK AGREEMENT

THIS RESTRICTED STOCK AGREEMENT (the "Award Agreement"), dated as of December 19, 2005 (the "Award Date"), is made by and between Integra LifeSciences Holdings Corporation, a Delaware corporation (the "Company"), and David B. Holtz, an employee of the Company (or one or more of its Related Corporations or Affiliates), hereinafter referred to as the "Participant":

WHEREAS, the Company maintains the Integra LifeSciences Holdings Corporation 2003 Equity Incentive Plan, as amended (the "Plan") and wishes to carry out the Plan, the terms of which are hereby incorporated by reference and made part of this Award Agreement; and

NOW, THEREFORE, in consideration of the various covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

Capitalized terms not otherwise defined below shall have the meaning set forth in the Plan. The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 1.1 Employment Agreement. "Employment Agreement" shall mean the Participant's employment agreement with the Company, dated December 19, 2005.

Section 1.2 Restricted Stock. "Restricted Stock" shall mean 6,750 shares of Common Stock of the Company issued under this Award Agreement and subject to the Restrictions imposed hereunder.

Section 1.3 Restrictions. "Restrictions" shall mean the forfeiture and transferability restrictions imposed upon Restricted Stock under the Plan and this Award Agreement.

Section 1.4 Rule 16b-3. "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

Section 1.5 Secretary. "Secretary" shall mean the Secretary of the Company.

Section 1.6 Termination of Service. "Termination of Service" shall mean the time when the Participant ceases to provide services to the Company and its Related Corporations and Affiliates as an employee or Associate for any reason with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, or Disability, but excluding a termination where the Participant is simultaneously reemployed by, or remains employed by, or continues to provide services to, the Company and/or one or more of its Related Corporations and Affiliates or a successor entity thereto.

Section 1.7 Vested Shares. "Vested Shares" shall mean the shares of Restricted Stock which are no longer subject to the Restrictions by reason of Section 3.2.

Section 1.8 Vesting Date. "Vesting Date" shall mean December 31, 2006.

ARTICLE II.
ISSUANCE OF RESTRICTED STOCK

Section 2.1 Issuance of Restricted Stock. On the date hereof the Company issues to the Participant the Restricted Stock subject to the Restrictions and other conditions set forth in this Award Agreement. The Company shall cause the Restricted Stock to be issued in the name of the Participant or held in book entry form, but if a stock certificate is issued it shall be delivered to and held in custody by the Company until the Restrictions lapse or such Restricted Stock is forfeited. As a further condition to the Company's obligations under this Award Agreement, the Participant's spouse, if any, shall execute and deliver to the Company the Consent of Spouse attached hereto as Exhibit A.

Section 2.2 Restrictions. Until vested pursuant to Section 3.2, the Restricted Stock shall be subject to forfeiture as provided in Section 3.1 and may not be sold, assigned, transferred, pledged, or otherwise encumbered or disposed of.

Section 2.3 Vesting and Dividend Rights. The Participant, shall have all the rights of a stockholder with respect to his Restricted Stock, including the right to vote the Restricted Stock and the right to receive all dividends or other distributions paid or made with respect to the Restricted Stock.

ARTICLE III.
RESTRICTIONS

Section 3.1 Forfeiture. Upon the Participant's Termination of Service for any reason other than termination on account of a termination by the Company without Cause (as determined under the Employment Agreement), Good Reason, death or Disability, the Participant's rights in Restricted Stock that has not yet vested pursuant to Section 3.2 shall lapse, and such Restricted Stock shall be surrendered to the Company without consideration (and, in the event of certificates representing such Restricted Stock are held by the Company, such Restricted Stock shall be so transferred without any further action by the Participant).

Section 3.2 Termination of Restrictions. The Restrictions shall

terminate and lapse, and such shares shall vest in the Participant and become Vested Shares on the Vesting Date as provided in Section 3.3, provided that the Participant has continued to serve as an employee or an Associate from the Award Date to and including the Vesting Date. Notwithstanding the foregoing, upon a Change in Control, or a Termination of Service on account of a termination by the Company without Cause, Good Reason, death or Disability, all Restrictions shall lapse and all Restricted Stock shall become Vested Shares.

Section 3.3 Lapse of Restrictions. Upon the Vesting Date, the Company shall issue new certificates evidencing the Vested Shares and deliver such certificates to the Participant or his legal representative, free from the legend provided for in Section 4.2 and any of the other Restrictions; provided, however, such certificates shall bear any other legends as the Company may determine are required to comply with Section 4.6. Such Vested Shares shall cease to be considered Restricted Stock subject to the terms and conditions of this Award Agreement. Notwithstanding the foregoing, no such new certificate

shall be delivered to the Participant or his legal representative unless and until the Participant or his legal representative shall have satisfied the full amount of all federal, state and local withholding or other employment taxes applicable to the taxable income of the Participant resulting from the lapse of the Restrictions in accordance with Section 4.3.

ARTICLE IV.
MISCELLANEOUS

Section 4.1 No Additional Rights. Nothing in this Award Agreement or in the Plan shall confer upon any person any right to a position as an Associate or continued employment by the Company or any of its Related Corporations or Affiliates or affect in any way the right of any of the foregoing to terminate the services of an individual at any time.

Section 4.2 Legend. Any certificates representing shares of Restricted Stock issued pursuant to this Award Agreement shall, until all Restrictions lapse and new certificates are issued pursuant to Section 3.3, bear the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN VESTING REQUIREMENTS AND MAY BE SUBJECT TO FORFEITURE UNDER THE TERMS OF THAT CERTAIN RESTRICTED STOCK AGREEMENT BY AND BETWEEN INTEGRA LIFESCIENCES HOLDINGS CORPORATION AND THE HOLDER OF THE SECURITIES. PRIOR TO VESTING OF OWNERSHIP IN THE SECURITIES, THEY MAY NOT BE, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, OR OTHERWISE ENCUMBERED OR DISPOSED OF UNDER ANY CIRCUMSTANCES. COPIES OF THE ABOVE REFERENCED AGREEMENT ARE ON FILE AT THE OFFICES OF THE CORPORATION AT 311 ENTERPRISE DRIVE, PLAINSBORO, NEW JERSEY 08536.

Section 4.3 Tax Withholding. On the Vesting Date, the Company shall notify the Participant of the amount of tax which must be withheld by the Company under all applicable federal, state and local tax laws. Subject to any applicable legal conditions or restrictions, the Company shall withhold from the shares of Restricted Stock a number of whole shares of common stock having a fair market value, determined as of the Vesting Date, not in excess of the minimum of tax required to be withheld by law.

Section 4.4 Notices. Any notice to be given under the terms of this Award Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Participant shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 4.4, either party may hereafter designate a different address for notices to be given to it or him. Any notice which is required to be given to the Participant shall, if the Participant is then deceased, be given to the Participant's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 4.4. Any notice shall have been deemed duly given when enclosed in a

properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 4.5 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

Section 4.6 Conformity to Securities Laws. This Award Agreement is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation Rule 16b-3. Notwithstanding anything herein to the contrary, this Award Agreement shall be administered, and the Restricted Stock shall be issued, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, this Award Agreement and the Restricted Stock issued hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

Section 4.7 Amendment. This Award Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Award Agreement.

Section 4.8 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Award Agreement regardless of the law that might be applied under principles of conflicts of laws.

*****

IN WITNESS HEREOF, this Award Agreement has been executed and delivered by the parties hereto.

THE PARTICIPANT	INTEGRA LIFESCIENCES HOLDINGS CORPORATION
/s/ David B. Holtz	By: /s/ Stuart M. Essig
David B. Holtz	Name: Stuart M. Essig
52 Heritage Drive	Title: President and CEO
Allentown, NJ 05801	

EXHIBIT A

CONSENT OF SPOUSE

I, _____, spouse of _____, have read and approve the foregoing Award Agreement. In consideration of granting of the right to my spouse to purchase shares of Integra LifeSciences Holdings Corporation as set forth in the Award Agreement, I hereby appoint my spouse as my attorney in fact in respect to the exercise of any rights under the Award Agreement and agree to be bound by the provisions of the Award Agreement insofar as I may have any rights in said Award Agreement or any shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Award Agreement.

Dated: _____, _____

_____

Name:

PERFORMANCE STOCK AGREEMENT

THIS PERFORMANCE STOCK AGREEMENT (the "Award Agreement"), dated as of January 3, 2006 (the "Award Date"), is made by and between Integra LifeSciences Holdings Corporation, a Delaware corporation (the "Company"), and John B. Henneman, III, an employee of the Company (or one or more of its Related Corporations or Affiliates), hereinafter referred to as the "Participant":

WHEREAS, the Company maintains the Integra LifeSciences Holdings Corporation 2003 Equity Incentive Plan, as amended (the "Plan") and wishes to carry out the Plan, the terms of which are hereby incorporated by reference and made part of this Award Agreement; and

NOW, THEREFORE, in consideration of the various covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

Capitalized terms not otherwise defined below shall have the meaning set forth in the Plan. The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 1.1 Employment Agreement. "Employment Agreement" shall mean the Participant's employment agreement with the Company, dated December 19, 2005.

Section 1.2 Performance Goals. "Performance Goals" shall mean the specific goal or goals determined by the Committee, as specified in Exhibit B.

Section 1.3 Performance Period. "Performance Period" shall mean the period of time that the Performance Goals must be met, as specified in Exhibit B.

Section 1.4 Performance Stock. "Performance Stock" shall mean 100,000 Shares that will be issued to the Participant under this Award Agreement if the Performance Goals or such other criteria described hereunder are met during the Performance Period.

Section 1.5 Rule 16b-3. "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

Section 1.6 Secretary. "Secretary" shall mean the Secretary of the Company.

Section 1.7 Termination of Service. "Termination of Service" shall mean the time when the Participant ceases to provide services to the Company and its Related Corporations and Affiliates as an employee or Associate for any reason with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, or Disability. A Termination of Service shall not include a termination where the Participant is simultaneously reemployed by, or remains employed by, or continues to provide services to, the Company and/or one or more of its Related Corporations and Affiliates or a successor entity thereto.

ARTICLE II.
AWARD OF PERFORMANCE STOCK

Section 2.1 Award of Performance Stock. As of the Award Date, the Company issues to the Participant the right to receive after the end of the Performance Period (or such earlier date as provided in Section 3.2 of this Award Agreement) the Performance Stock if the Performance Goals and the other conditions set forth in this Award Agreement are met. If the Performance Goals are satisfied, the Company shall cause the Performance Stock to be issued in the name of the Participant as described under Section 3.3 of this Award Agreement. As a further condition to the Company's obligations under this Award Agreement, the Participant's spouse, if any, shall execute and deliver to the Company the Consent of Spouse attached hereto as Exhibit A.

Section 2.2 Forfeiture; Anti Assignment. The right to receive the Performance Stock shall be subject to forfeiture as provided in Section 3.1 of this Award Agreement, and the Participant shall have no right to sell, assign, transfer, pledge, or otherwise encumber or dispose of the Participant's right to receive the Performance Stock.

Section 2.3 Dividend Equivalents. Prior to the end of the Performance Period, the Participant shall have the right to receive an amount equal to all dividends or other distributions paid or made with respect to the Shares underlying the Performance Stock as though the Performance Stock had been issued as of the Award Date. Payment shall be made at the same time as the payment of dividends on its Shares are made to the Company's stockholders.

Section 2.4 Voting Rights. Prior to the issuance of the Performance Stock, the Participant shall have no voting rights with respect to any Shares represented by the Performance Stock.

ARTICLE III.
RESTRICTIONS

Section 3.1 Forfeiture. If the Performance Goals are not met by the end of the Performance Period, the Participant shall forfeit the Performance Stock and shall have no right to receive any Shares represented by the Performance Stock. If the Participant has a Termination of Service for any reason other than termination on account of a termination by the Company without Cause (as

determined under the Employment Agreement), Good Reason, death or Disability prior to the end of the Performance Period, the Participant's rights to receive any Shares represented by the Performance Stock shall immediately terminate on the date of such Termination of Service.

Section 3.2 Acceleration of Issuance of Performance Stock. If the Participant has a Termination of Service on account of a termination by the Company without Cause, Good Reason, death or Disability prior to the end of the Performance Period, the Shares represented by the Performance Stock shall be

issued to the Participant (or the Participant's beneficiary, in the case of death) as soon as reasonably practicable following the Participant's Termination of Service. If a Change in Control occurs prior to the end of the Performance Period, the Shares represented by the Performance Stock shall be issued to the Participant upon the Change in Control.

Section 3.3 Issuance of Shares. As soon as practicable after (i) the end of the Performance Period, and subject to a determination of the Committee that the applicable Performance Goals have been met, or (ii) an acceleration event occurs prior to the end of the Performance Period as described in Section 3.2 of this Award Agreement, the Company shall issue certificates evidencing the Shares represented by the Performance Stock and deliver such certificates to the Participant or his legal representative, free from any restrictions; provided, however, such Shares shall be subject to any such restrictions and conditions as required pursuant to Section 4.5 of the Award Agreement and those that the Company imposes on its employees in general with respect to selling its Shares. Notwithstanding the foregoing, no such new certificate shall be delivered to the Participant or his legal representative unless and until the Participant or his legal representative shall have satisfied the full amount of all federal, state and local withholding or other employment taxes applicable to the taxable income of the Participant resulting from the issuance of the Shares as provided in this Award Agreement.

ARTICLE IV.
MISCELLANEOUS

Section 4.1 No Additional Rights. Nothing in this Award Agreement or in the Plan shall confer upon any person any right to a position as an Associate or continued employment by the Company or any of its Related Corporations or Affiliates or affect in any way the right of any of the foregoing to terminate the services of an individual at any time.

Section 4.2 Tax Withholding. On the date that the Shares represented by the Performance Stock become issuable, the Company shall notify the Participant of the amount of tax which must be withheld by the Company under all applicable federal, state and local tax laws. Subject to any applicable legal conditions or restrictions, the Company shall withhold from the shares of Performance Stock a number of whole Shares having a fair market value, determined as of the date the Shares are issued, not in excess of the minimum of tax required to be withheld by law.

Section 4.3 Notices. Any notice to be given under the terms of this Award Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Participant shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 4.3, either party may hereafter designate a different address for notices to be given to it or him. Any notice which is required to be given to the Participant shall, if the Participant is then deceased, be given to the Participant's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 4.3. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

Section 4.5 Conformity to Securities Laws. This Award Agreement is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation Rule 16b-3. Notwithstanding anything herein to the contrary, this Award Agreement shall be administered, and the Performance Stock shall be issued, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, this Award Agreement and the Performance Stock issued hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

Section 4.6 Amendment. This Award Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Award Agreement.

Section 4.7 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Award Agreement regardless of the law that might be applied under principles of conflicts of laws.

* * * * *

IN WITNESS HEREOF, this Award Agreement has been executed and delivered by the parties hereto.

THE PARTICIPANT	INTEGRA LIFESCIENCES HOLDINGS CORPORATION
/s/ John B. Henneman, III	By: /s/Stuart M. Essig
John B. Henneman, III	Name: Stuart M. Essig
	Title: President and Chief Executive Officer
78 Shady Brook Lane Princeton, NJ 08540	
Address	

EXHIBIT A

CONSENT OF SPOUSE

I, _____, spouse of John B. Henneman, III, have read and approve the foregoing Award Agreement. In consideration of granting of the right to my spouse to receive shares of Integra LifeSciences Holdings Corporation as set forth in the Award Agreement if the Performance Goals are met, I hereby appoint my spouse as my attorney-in-fact in respect to the exercise of any rights under the Award Agreement and agree to be bound by the provisions of the Award Agreement insofar as I may have any rights in said Award Agreement or any shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Award Agreement.

Dated: _____, _____

_____

Name:

EXHIBIT B

PERFORMANCE GOALS AND PERFORMANCE PERIOD

The Performance Period shall be the three year period beginning January 1, 2006 and ending December 31, 2008.

The Performance Goal is that consolidated Company sales in any calendar year during the Performance Period shall be greater than consolidated sales in calendar year 2005.

PERFORMANCE STOCK AGREEMENT

THIS PERFORMANCE STOCK AGREEMENT (the "Award Agreement"), dated as of January 3, 2006 (the "Award Date"), is made by and between Integra LifeSciences Holdings Corporation, a Delaware corporation (the "Company"), and Gerard S. Carlozzi, an employee of the Company (or one or more of its Related Corporations or Affiliates), hereinafter referred to as the "Participant":

WHEREAS, the Company maintains the Integra LifeSciences Holdings Corporation 2003 Equity Incentive Plan, as amended (the "Plan") and wishes to carry out the Plan, the terms of which are hereby incorporated by reference and made part of this Award Agreement; and

NOW, THEREFORE, in consideration of the various covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

Capitalized terms not otherwise defined below shall have the meaning set forth in the Plan. The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 1.1 Employment Agreement. "Employment Agreement" shall mean the Participant's employment agreement with the Company, dated December 19, 2005.

Section 1.2 Performance Goals. "Performance Goals" shall mean the specific goal or goals determined by the Committee, as specified in Exhibit B.

Section 1.3 Performance Period. "Performance Period" shall mean the period of time that the Performance Goals must be met, as specified in Exhibit B.

Section 1.4 Performance Stock. "Performance Stock" shall mean 100,000 Shares that will be issued to the Participant under this Award Agreement if the Performance Goals or such other criteria described hereunder are met during the Performance Period.

Section 1.5 Rule 16b-3. "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

Section 1.6 Secretary. "Secretary" shall mean the Secretary of the Company.

Section 1.7 Termination of Service. "Termination of Service" shall mean the time when the Participant ceases to provide services to the Company and its Related Corporations and Affiliates as an employee or Associate for any reason with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, or Disability. A Termination of Service shall not include a termination where the Participant is simultaneously reemployed by, or remains employed by, or continues to provide services to, the Company and/or one or more of its Related Corporations and Affiliates or a successor entity thereto.

ARTICLE II.
AWARD OF PERFORMANCE STOCK

Section 2.1 Award of Performance Stock. As of the Award Date, the Company issues to the Participant the right to receive after the end of the Performance Period (or such earlier date as provided in Section 3.2 of this Award Agreement) the Performance Stock if the Performance Goals and the other conditions set forth in this Award Agreement are met. If the Performance Goals are satisfied, the Company shall cause the Performance Stock to be issued in the name of the Participant as described under Section 3.3 of this Award Agreement. As a further condition to the Company's obligations under this Award Agreement, the Participant's spouse, if any, shall execute and deliver to the Company the Consent of Spouse attached hereto as Exhibit A.

Section 2.2 Forfeiture; Anti Assignment. The right to receive the Performance Stock shall be subject to forfeiture as provided in Section 3.1 of this Award Agreement, and the Participant shall have no right to sell, assign, transfer, pledge, or otherwise encumber or dispose of the Participant's right to receive the Performance Stock.

Section 2.3 Dividend Equivalents. Prior to the end of the Performance Period, the Participant shall have the right to receive an amount equal to all dividends or other distributions paid or made with respect to the Shares underlying the Performance Stock as though the Performance Stock had been issued as of the Award Date. Payment shall be made at the same time as the payment of dividends on its Shares are made to the Company's stockholders.

Section 2.4 Voting Rights. Prior to the issuance of the Performance Stock, the Participant shall have no voting rights with respect to any Shares represented by the Performance Stock.

ARTICLE III.
RESTRICTIONS

Section 3.1 Forfeiture. If the Performance Goals are not met by the end of the Performance Period, the Participant shall forfeit the Performance Stock and shall have no right to receive any Shares represented by the Performance Stock. If the Participant has a Termination of Service for any reason other than termination on account of a termination by the Company without Cause (as

determined under the Employment Agreement), Good Reason, death or Disability prior to the end of the Performance Period, the Participant's rights to receive any Shares represented by the Performance Stock shall immediately terminate on the date of such Termination of Service.

Section 3.2 Acceleration of Issuance of Performance Stock. If the Participant has a Termination of Service on account of a termination by the Company without Cause, Good Reason, death or Disability prior to the end of the Performance Period, the Shares represented by the Performance Stock shall be issued to the Participant (or the Participant's beneficiary, in the case of death) as soon as reasonably practicable following the Participant's Termination

of Service. If a Change in Control occurs prior to the end of the Performance Period, the Shares represented by the Performance Stock shall be issued to the Participant upon the Change in Control.

Section 3.3 Issuance of Shares. As soon as practicable after (i) the end of the Performance Period, and subject to a determination of the Committee that the applicable Performance Goals have been met, or (ii) an acceleration event occurs prior to the end of the Performance Period as described in Section 3.2 of this Award Agreement, the Company shall issue certificates evidencing the Shares represented by the Performance Stock and deliver such certificates to the Participant or his legal representative, free from any restrictions; provided, however, such Shares shall be subject to any such restrictions and conditions as required pursuant to Section 4.5 of the Award Agreement and those that the Company imposes on its employees in general with respect to selling its Shares. Notwithstanding the foregoing, no such new certificate shall be delivered to the Participant or his legal representative unless and until the Participant or his legal representative shall have satisfied the full amount of all federal, state and local withholding or other employment taxes applicable to the taxable income of the Participant resulting from the issuance of the Shares as provided in this Award Agreement.

ARTICLE IV.
MISCELLANEOUS

Section 4.1 No Additional Rights. Nothing in this Award Agreement or in the Plan shall confer upon any person any right to a position as an Associate or continued employment by the Company or any of its Related Corporations or Affiliates or affect in any way the right of any of the foregoing to terminate the services of an individual at any time.

Section 4.2 Tax Withholding. On the date that the Shares represented by the Performance Stock become issuable, the Company shall notify the Participant of the amount of tax which must be withheld by the Company under all applicable federal, state and local tax laws. Subject to any applicable legal conditions or restrictions, the Company shall withhold from the shares of Performance Stock a number of whole Shares having a fair market value, determined as of the date the Shares are issued, not in excess of the minimum of tax required to be withheld by law.

Section 4.3 Notices. Any notice to be given under the terms of this Award Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Participant shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 4.3, either party may hereafter designate a different address for notices to be given to it or him. Any notice which is required to be given to the Participant shall, if the Participant is then deceased, be given to the Participant's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 4.3. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

Section 4.5 Conformity to Securities Laws. This Award Agreement is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation Rule 16b-3. Notwithstanding anything herein to the contrary, this Award Agreement shall be administered, and the Performance Stock shall be issued, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, this Award Agreement and the Performance Stock issued hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

Section 4.6 Amendment. This Award Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Award Agreement.

Section 4.7 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Award Agreement regardless of the law that might be applied under principles of conflicts of laws.

* * * * *

IN WITNESS HEREOF, this Award Agreement has been executed and delivered by the parties hereto.

THE PARTICIPANT	INTEGRA LIFESCIENCES HOLDINGS CORPORATION
/s/ Gerard S. Carlozzi	By: /s/ Stuart M. Essig
Gerard S. Carlozzi	Name: Stuart M. Essig Title: President and Chief Executive Officer
5 Baker Way Pennington, NJ 08534	
Address	

EXHIBIT A

CONSENT OF SPOUSE

I, _____, spouse of Gerard S. Carlozzi, have read and approve the foregoing Award Agreement. In consideration of granting of the right to my spouse to receive shares of Integra LifeSciences Holdings Corporation as set forth in the Award Agreement if the Performance Goals are met, I hereby appoint my spouse as my attorney in fact in respect to the exercise of any rights under the Award Agreement and agree to be bound by the provisions of the Award Agreement insofar as I may have any rights in said Award Agreement or any shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Award Agreement.

Dated: _____, _____

_____

Name:

EXHIBIT B

PERFORMANCE GOALS AND PERFORMANCE PERIOD

The Performance Period shall be the three year period beginning January 1, 2006 and ending December 31, 2008.

The Performance Goal is that consolidated Company sales in any calendar year during the Performance Period shall be greater than consolidated sales in calendar year 2005.

2006 EMPLOYMENT AGREEMENT

This employment agreement (this "Agreement") is made as of the 10th day of January 2006 by and between Integra LifeSciences Holdings Corporation, a Delaware Corporation (the "Company") and Maureen B. Bellantoni ("Executive").

Background

The Company desires to employ Executive as Executive Vice President and Chief Financial Officer of the Company, and Executive desires to become the Executive Vice President and Chief Financial Officer of the Company, on the terms and conditions contained in this Agreement. Executive will be substantially involved with the Company's operations and management and will learn trade secrets and other confidential information relating to the Company and its customers; accordingly, the noncompetition covenant and other restrictive covenants contained in Section 15 of this Agreement constitute essential elements hereof.

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein and intended to be legally bound hereby, the parties hereto agree as follows:

Terms

1. Definitions. The following words and phrases shall have the meanings set forth below for the purposes of this Agreement (unless the context clearly indicates otherwise):

(a) "Base Salary" shall have the meaning set forth in Section 5.

(b) "Board" shall mean the Board of Directors of the Company, or any successor thereto.

(c) "Cause," as determined by the Board in good faith, shall mean Executive has —

(1) failed to perform her stated duties in all material respects, which failure continues for 15 days after her receipt of written notice of the failure;

(2) intentionally and materially breached any provision of this Agreement and not cured such breach (if curable) within 15 days of her receipt of written notice of the breach;

(3) demonstrated her personal dishonesty in connection with her employment by the Company;

(4) engaged in a breach of fiduciary duty in connection with her employment with the Company; or

(5) engaged in willful misconduct that is materially and demonstrably injurious to the Company or any of its subsidiaries;

(6) been convicted or having pleaded guilty or nolo contendere to a felony or to any other crime involving moral turpitude which conviction or plea is materially and demonstrably injurious to the Company or any of its subsidiaries; or

(7) failed to comply with the requirements of the last sentence of Section 2.

(d) A "Change in Control" of the Company shall be deemed to have occurred:

(1) if the "beneficial ownership" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of securities representing more than fifty percent (50%) of the combined voting power of Company Voting Securities (as herein defined) is acquired by any individual, entity or group (a "Person"), other than the Company, any trustee or other fiduciary holding securities under any employee benefit plan of the Company or an affiliate thereof, or any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (for purposes of this Agreement, "Company Voting Securities" shall mean the then outstanding voting securities of the Company entitled to vote generally in the election of directors); provided, however, that any acquisition from the Company or any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (3) of this definition shall not be a Change in Control under this paragraph (1); or

(2) if individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason during any period of at least 24 months to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the

Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) upon consummation by the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of any entity (a "Business Combination"), in each case, unless immediately following

such Business Combination: (i) Company Voting Securities outstanding immediately prior to such Business Combination (or if such Company Voting Securities were converted pursuant to such Business Combination, the shares into which such Company Voting Securities were converted) (x) represent, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (the "Surviving Corporation"), or, if applicable, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (the "Parent Corporation") and (y) are held in substantially the same proportions after such Business Combination as they were immediately prior to such Business Combination; (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of the combined voting power of the then outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) except to the extent that such ownership of the Company existed prior to the Business Combination; and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) were members of the Incumbent Board at the time of the execution of the initial agreement, or the action of the Board, providing for such Business Combination; or

(4) upon approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) "Company" shall mean Integra LifeSciences Holdings Corporation and any corporation, partnership or other entity owned directly or indirectly, in whole or in part, by Integra LifeSciences Holdings Corporation.

(g) "Disability" shall mean Executive's inability to perform her duties hereunder by reason of any medically determinable physical or mental impairment which is expected to result in death or which has lasted or is expected to last for a continuous period of not fewer than six months.

(h) "Good Reason" shall mean:

(1) a material breach of this Agreement by the Company which is not cured by the Company within 15 days of its receipt of written notice of the breach;

(2) the relocation by the Company of the Executive's office location to a location more than forty (40) miles from Princeton, New Jersey;

(3) without Executive's express written consent, the Company reduces Executive's Base Salary or bonus opportunity, or materially reduces the aggregate fringe benefits provided to Executive (except to the extent permitted by Sections 5, 6 or 7, respectively) or substantially alters the Executive's authority and/or title as set forth in Section 2 hereof in a manner reasonably construed to constitute a demotion, provided, Executive resigns within 90 days after the change objected to; or

(4) without Executive's express written consent, Executive fails at any point during the one year period following a Change in Control to hold the title and authority (as set forth in Section 2 hereof) with the Parent Corporation (or if there is no Parent Corporation, the Surviving Corporation) that Executive held with the Company immediately prior to the Change of Control, provided Executive resigns within one year of the Change in Control;

(5) the Company fails to obtain the assumption of this Agreement by any successor to the Company.

(i) "Principal Executive Office" shall mean the Company's principal office for executives, presently located at 311 and 313 Enterprise Drive, Plainsboro, New Jersey 08536.

(j) "Termination Date" shall mean the date specified in the Termination Notice.

(k) "Termination Notice" shall mean a dated notice which: (i) indicates the specific termination provision in this Agreement relied upon (if any); (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for the termination of Executive's employment under such provision; (iii) specifies a Termination Date; and (iv) is given in the manner specified in Section 16(i).

2. Employment. The Company hereby employs Executive as Chief Financial Officer, responsible for the finance department, which shall include the corporate controller, financial reporting, internal audit, tax, and treasury functions of the Company and any such other departments or functions as deemed appropriate by the Chief Executive Officer, and Executive hereby agrees to

accept such employment and agrees to render services to the Company in such capacity (or in such other capacity in the future as the Board may reasonably deem equivalent to such position) on the terms and conditions set forth in this Agreement. Executive's primary place of employment shall be at the Principal Executive Office and Executive shall report to the Chief Executive Officer. Executive's employment is contingent upon Executive's provision to the Company's Human Resources Department with two original documents verifying her identity and her authorization to work, as well as satisfactory completion of Federal Form I 9.

3. Term and Renewal of Agreement. Unless earlier terminated by Executive or the Company as provided in Section 12 hereof, the term of Executive's employment under this Agreement shall commence on the date of this Agreement and terminate on January 10, 2007 . This Agreement shall be deemed automatically, without further action, to extend for an additional year on January 10, 2007 and each anniversary thereof, unless either the Board provides written notice to Executive of its election not to extend the term, or Executive gives written notice to the Company of Executive's election not to extend the term. In either case, the written notice shall be given not fewer than 30 days prior to any such renewal date. References herein to the term of this Agreement shall refer both to the initial term and successive terms.

4. Duties. Executive shall:

(a) faithfully and diligently do and perform all such acts and duties, and furnish such services as are assigned to Executive as of the date this Agreement is signed, and (subject to Section 2) such additional acts, duties and services as the Board may assign in the future; and

(b) devote her full professional time, energy, skill and best efforts to the performance of her duties hereunder, in a manner that will faithfully and diligently further the business and interests of the Company, and shall not be employed by or participate or engage in or in any manner be a part of the management or operations of any business enterprise other than the Company without the prior consent of the Chief Executive Officer or the Board, which consent may be granted or withheld in her or its sole discretion; provided, however, that notwithstanding the foregoing, Executive may serve on civic or charitable boards or committees so long as such service does not materially interfere with Executive's obligations pursuant to this Agreement.

5. Compensation.

(a) Base Salary. Effective January 10, 2006, the Company shall compensate Executive for her services at a base salary of $300,000 per year ("Base Salary"), payable in periodic installments in accordance with the Company's regular payroll practices in effect from time to time. Executive's Base Salary shall be subject to annual reviews, but may not be decreased without Executive's express written consent.

(b) Temporary Living Expenses. Subject to Section 5(e), the Company shall reimburse Executive for reasonable expenses for a temporary apartment within commuting distance of the Company's

Principal Executive Office and a rental car for a ninety day period beginning on the date of this Agreement and ending on April 8, 2006, subject to the provision of reasonable supporting documentation and other limitations established by the Company.

(c) Reimbursement for Moving Expenses. Subject to Section 5(e), the Company shall reimburse Executive for the expenses that she incurs in relocating her principal residence within commuting distance of the Principal Executive Office in an amount not to exceed $25,000, subject to the provision of reasonable supporting documentation and other limitations established by the Company.

(d) Payment for Real Estate Brokerage and Related Legal Fees. Subject to Section 5(e), the Company shall pay the following expenses that Executive incurs in connection with her purchase of a principal residence within commuting distance of the Principal Executive Office: real estate brokerage fees and corresponding legal fees arising from the purchase of said residence, provided, however, that such fees, taken together, do not exceed $75,000, and, provided, further, that Executives signs a contract to purchase such residence on or before April 8, 2006, in any event subject to the provision of reasonable supporting documentation and other limitations established by the Company. From and after April 9, 2006, the Company shall have no obligation to reimburse Executive for the fees contemplated in this Section 5(d).

(e) Reimbursement by Executive of Company for Relocation Assistance. If Executive terminates her employment with the Company for any reason during the term of this Agreement, Executive shall reimburse the Company for all of the amounts provided her pursuant to Sections 5(b), 5(c) and 5(d) within thirty days of the date of termination of employment. If the term of this Agreement is renewed pursuant to Section 3 and Executive terminates her employment with the Company for any reason between January 11, 2007 and January 10, 2008, Executive shall reimburse the Company for one half of the amounts provided her pursuant to Sections 5(b), 5(c) and 5(d) within thirty days of the date of termination of employment.

6. Bonus Opportunity. Executive shall have the opportunity to receive a performance bonus targeted at 40% of Executive's Base Salary, based upon the satisfaction of certain performance objectives as determined by the Compensation Committee of the Board of Directors of the Company (the "Compensation Committee"), in its sole discretion. This performance bonus shall be paid part in cash and part in restricted equity securities pursuant to the plan.

7. Benefit Plans. Executive shall be entitled to participate in and receive benefits under any employee benefit plan or stock based plan of the Company in accordance with their terms, and shall be eligible for any other plans and benefits covering executives of the Company, to the extent commensurate with her then duties and responsibilities fixed by the Board. The Company shall not make any change in such plans or benefits that would adversely affect Executive's rights thereunder, unless such change affects all, or substantially all, executive officers of the Company.

8. Equity Compensation.

(a) Performance Stock. On January 10, 2006, the Company shall grant to Executive an Award of 10,000 shares of the Company's common stock subject to certain restrictions and forfeiture (the "Performance Stock"), which shall be contingent upon attainment of certain performance goals (the "Performance Goals") pursuant to the Company's 2003 Equity Incentive Plan and the terms and conditions set forth in the award agreement attached as Exhibit A hereto (the "Performance Stock Award Agreement"), which shall include the specific Performance Goals. In the event of any inconsistency between the terms of this Agreement and the Performance Stock Award Agreement, the Performance Stock Award Agreement shall govern. Subject to attainment of the Performance Goals, 10,000 shares of Performance Stock shall be issued on January 10, 2009; provided, however, that notwithstanding the foregoing, all of the Performance Stock shall be issued on a Change in Control. Until issued, the Performance Stock shall not be transferable and shall be subject to forfeiture.

(b) S-8. The Company agrees that for so long as it is required to file reports under Sections 13 or 15(d) of the Securities Exchange Act of 1934, it will maintain in effect a Form S-8 registration statement covering the issuance of Performance Stock to Executive.

9. Vacation. Executive shall be entitled to paid annual vacation in accordance with the policies established from time to time by the Board, which shall in no event be fewer than four weeks per annum.

10. Business Expenses. The Company shall reimburse Executive or otherwise pay for all reasonable expenses incurred by Executive in furtherance of or in connection with the business of the Company, including, but not limited to, automobile and traveling expenses and all reasonable entertainment expenses, subject to such reasonable documentation and other limitations as may be established by the Company.

11. Disability. In the event Executive incurs a Disability, Executive's obligation to perform services under this Agreement will terminate, and the Board may terminate this Agreement upon written notice to Executive.

12. Termination.

(a) Termination without Salary Continuation. In the event (i) Executive terminates her employment hereunder other than for Good Reason, or (ii) Executive's employment is terminated by the Company for Cause, Executive shall have no right to compensation or other benefits pursuant to this Agreement for any period after her last day of active employment. Additionally, all unissued Performance Stock shall be forfeited on Executive's last day of active employment.

(b) Termination with Salary Continuation (No Change in Control). Except as provided in subsection 12(c) in the event of a Change in Control and subject to Executive and the Company executing a general release of all claims against the Company, in the event (i) Executive's employment is terminated by the Company for a reason other than death, Disability or Cause, or (ii) Executive terminates her employment for Good Reason, then the Company shall pay Executive a severance amount equal to Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of her last day of active employment; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date; and

(1) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the first anniversary of the Termination Date; (ii) the date of Executive's full time employment by another employer; or (iii) Executive's death, continued participation in all group insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had her employment with the Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons; and

(2) reimburse Executive for any expenses that she incurred in relocating her principal residence to the vicinity of the Principal Executive Office for which she was not reimbursed pursuant to Sections, 5(b), 5(c) and 5(d), including reimbursement for income taxes that Executive incurs, if any, on the amounts provided her under Sections 5(b), 5(c) and 5(d).

(c) Termination with Salary Continuation (Change in Control). Notwithstanding anything to the contrary set forth in subsection 12(b), and subject to Executive and the Company executing a general release of all claims against the Company, in the event within twelve months of a Change in Control: (i) Executive terminates her employment for Good Reason, or (ii) Executive's employment is terminated by the Company for a reason other than death, Disability or Cause, then the Company shall:

(1) pay Executive a severance amount equal to 2.99 times the amount that results from adding Executive's Base Salary (determined without regard to any reduction in violation of Section 5) as of her last day of active employment plus the target bonus under Section 6; the severance amount shall be paid in a single sum on the first business day of the month following the Termination Date;

(2) maintain and provide to Executive, at no cost to Executive, for a period ending at the earliest of (i) the first anniversary of the Executive's Termination Date ; or (ii) Executive's death, continued participation in all group

insurance, life insurance, health and accident, disability, and other employee benefit plans in which Executive would have been entitled to participate had her employment with the Company continued throughout such period, provided that such participation is not prohibited by the terms of the plan or by the Company for legal reasons;

(3) in the event that either the independent public accountants which serve as the auditors of the Company immediately prior to the Change in Control or the Internal Revenue Service determines that any payment, coverage or benefit provided to the Executive is subject to the excise tax imposed by Section 4999 (or any successor provisions) of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall promptly pay to the Executive, in addition to other payments, coverage or benefit due and owing hereunder or under any other plan, or agreement, an amount determined by multiplying the rate of the excise tax then imposed by Code Section 4999 by the amount of the "excess parachute payment" received by the Executive (determined without regard to any payments made to the Executive pursuant to this section) and dividing the product so obtained by the amount obtained by subtracting the aggregate local, state and Federal income tax rate applicable to the receipt by the Executive of such "excess parachute payment" (taking into account the deductibility for Federal income tax purposes of the payment of state and local income taxes thereon) from the amount obtained by subtracting from 1.00 the rate of the excise tax then imposed by Code Section 4999 (the "Gross Up Payment"), it being the intention of the parties hereto that the Executive's net after tax position shall be identical to that which would have obtained had Code Sections 280G and 4999 not been part of the Code. The Gross Up Payment attributable to payments other than severance compensation described in subsections c(i) and (ii) shall be paid in a lump sum payment on the Termination Date following the Change in Control. The Gross Up Payment attributable to the severance compensation described in subsections c(i) and (ii) shall be paid in a lump sum payment on the first day on which severance compensation is paid pursuant to subsection c(i) or subsection c(ii). All Gross Up Payments shall be paid in accordance with section 409A of the Code. For purposes of the calculations required by this subsection (3) reasonable assumptions and approximations may be made with respect to applicable taxes and reasonable good faith interpretations of the Code may be relied upon; and

(4) pay to Executive all reasonable legal fees and expenses incurred by Executive as a result of such termination of

employment (including all fees and expenses, if any, incurred by Executive in contesting or disputing any such termination or in seeking to obtain to enforce any right or benefit provided to Executive by this Agreement whether by arbitration or otherwise).

(d) Termination Notice. Except in the event of Executive's death, a termination under this Agreement shall be effected by means of a Termination Notice.

(e) Section 409A. Notwithstanding any other provision in this Agreement to the contrary, any payments that would constitute deferred compensation for purposes of (and subject to) Code Section 409A shall be deferred for a period of six months following Executive's separation from service with the Company.

(f) Death After Vesting. In the event of Executive's death after the vesting of any payment hereunder pursuant to the terms of this Agreement, all payments shall be made to the Executive's estate.

13. Withholding. The Company shall have the right to withhold from all payments made pursuant to this Agreement any federal, state, or local taxes and such other amounts as may be required by law to be withheld from such payments.

14. Assignability. The Company may assign this Agreement and its rights and obligations hereunder in whole, but not in part, to any entity to which the Company may transfer all or substantially all of its assets, if in any such case said entity shall expressly in writing assume all obligations of the Company hereunder as fully as if it had been originally made a party hereto. The Company may not otherwise assign this Agreement or its rights and obligations hereunder. This Agreement is personal to Executive and her rights and duties hereunder shall not be assigned except as expressly agreed to in writing by the Company.

15. Restrictive Covenants.

(a) Covenant Not to Compete. During the term of this Agreement and for a period of one year, in each case following the Termination Date of Executive's employment, Executive shall not, without the express written consent of the Company, directly or indirectly: (I) engage, anywhere within the geographical areas in which the Company is conducting business operations or providing services as of the date of Executive's termination of employment, in the tissue engineering business (the use of implantable absorbable materials, with or without a bioactive component, to attempt to elicit a specific cellular response in order to regenerate tissue or to impede the growth of tissue or migration of cells) (the "Tissue Engineering Business"), neurosurgery business (the use of surgical instruments, implants, monitoring products or disposable products to treat the brain or central nervous system) ("Neurosurgery Business"), instrument business (general surgical handheld instruments used for general purposes in

surgical procedures) ("Instrument Business"), reconstruction business (bone fixation devices for foot and ankle reconstruction procedures) ("Reconstruction Business") or in any other line of business the revenues of which constituted at least 50% of the Company's revenues during the six (6) month period prior to the Termination Date (together with the Tissue Engineering Business, Neurosurgery Business, Instrument Business and Reconstruction Business, the "Business"); (II) be or become a stockholder, partner, owner, officer, director or employee or agent of, or a consultant to or give financial or other assistance to, any person or entity engaged in the Business; (III) seek in competition with the business of the Company to procure orders from or do business with any customer of the Company; (IV) solicit, or contact with a view to the engagement or employment by any person or entity of, any person who is an employee of the Company; (V) seek to contract with or engage (in such a way as to adversely affect or interfere with the business of the Company) any person or entity who has been contracted with or engaged to manufacture, assemble, supply or deliver products, goods, materials or services to the Company; or (VI) engage in or participate in any effort or act to induce any of the customers, associates, consultants, or employees of the Company to take any action which might be disadvantageous to the Company; provided, however, that nothing herein shall prohibit Executive and her affiliates from owning, as passive investors, in the aggregate not more than 5% of the outstanding publicly traded stock of any corporation so engaged.

(b) Confidentiality. Executive acknowledges a duty of confidentiality owed to the Company and shall not, at any time during or after her employment by the Company, retain in writing, use, divulge, furnish, or make accessible to anyone, without the express authorization of the Board, any trade secret, private or confidential information or knowledge of the Company obtained or acquired by her while so employed. All computer software, business cards, telephone lists, customer lists, price lists, contract forms, catalogs, the Company books, records, files and know-how acquired while an employee of the Company are acknowledged to be the property of the Company and shall not be duplicated, removed from the Company's possession or premises or made use of other than in pursuit of the Company's business or as may otherwise be required by law or any legal process, or as is necessary in connection with any adversarial proceeding against the Company and, upon termination of employment for any reason, Executive shall deliver to the Company all copies thereof which are then in her possession or under her control. No information shall be treated as "confidential information" if it is generally available public knowledge at the time of disclosure or use by Executive.

(c) Inventions and Improvements. Executive shall promptly communicate to the Company all ideas, discoveries and inventions which are or may be useful to the Company or its business. Executive acknowledges that all such ideas, discoveries,

inventions, and improvements which heretofore have been or are hereafter made, conceived, or reduced to practice by her at any time during her employment with the Company heretofore or hereafter gained by her at any time during her employment with the Company are the property of the Company, and Executive hereby irrevocably assigns all such ideas, discoveries, inventions and improvements to the Company for its sole use and benefit, without additional compensation. The provisions of this Section 15(c) shall apply whether such ideas, discoveries, inventions, or improvements were or are conceived, made or gained by her alone or with others, whether during or after usual working hours, whether on or off the job, whether applicable to matters directly or indirectly related to the Company's business interests (including potential business interests), and whether or not within the specific realm of her duties. Executive shall, upon request of the Company, but at no expense to Executive, at any time during or after her employment with the Company, sign all instruments and documents reasonably requested by the Company and otherwise cooperate with the Company to protect its right to such ideas, discoveries, inventions, or improvements including applying for, obtaining and enforcing patents and copyrights thereon in such countries as the Company shall determine.

(d) Breach of Covenant. Executive expressly acknowledges that damages alone will be an inadequate remedy for any breach or violation of any of the provisions of this Section 15 and that the Company, in addition to all other remedies, shall be entitled as a matter of right to equitable relief, including injunctions and specific performance, in any court of competent jurisdiction. If any of the provisions of this Section 15 are held to be in any respect unenforceable, then they shall be deemed to extend only over the maximum period of time, geographic area, or range of activities as to which they may be enforceable.

16. Miscellaneous.

(a) Amendment. No provision of this Agreement may be amended unless such amendment is signed by Executive and such officer as may be specifically designated by the Board to sign on the Company's behalf.

(b) Interpretation. This Agreement is intended to comply with the requirements of Section 409A of the Code and all interpretations of this Agreement shall be in accordance with that intent. In that regard, notwithstanding the provisions of Section 16(a), the Company may amend this Agreement without the consent of the Executive if the Company determines that it is necessary in order for the benefits or payments to be made under this Agreement to comply with the requirements of Section 409A of the Code.

(c) Nature of Obligations. Nothing contained herein shall create or require the Company to create a trust of any kind to fund any benefits which may be payable hereunder, and to the extent that Executive acquires a right to receive benefits from the Company hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

(d) Prior Employment. Executive represents and warrants that her acceptance of employment with the Company has not breached, and the performance of her duties hereunder will not breach, any duty owed by her to any prior employer or other person.

(e) Headings. The Section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation or this Agreement. In the event of a conflict between a heading and the content of a Section, the content of the Section shall control.

(f) Gender and Number. Whenever used in this Agreement, a masculine pronoun is deemed to include the feminine and a neuter pronoun is deemed to include both the masculine and the feminine, unless the context clearly indicates otherwise. The singular form, whenever used herein, shall mean or include the plural form where applicable.

(g) Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable under any applicable law, such event shall not affect or render invalid or unenforceable any other provision of this Agreement and shall not affect the application of any provision to other persons or circumstances.

(h) Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, heirs, executors and administrators.

(i) Notice. For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given if hand delivered, sent by documented overnight delivery service or by certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below:

To the Company:

Integra LifeSciences Holdings Corporation
311 Enterprise Drive
Plainsboro, New Jersey 08536
Attn: President

With a copy to:

The Company's General Counsel

To the Executive:

Maureen B. Bellantoni
2332 Fawn Lake Circle
Naperville, IL 60564

(j) Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, pertaining to the subject matter hereof.

(k) Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the United States where applicable and otherwise by the laws of the State of New Jersey.

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IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

INTEGRA LIFESCIENCES HOLDINGS CORPORATION	EXECUTIVE
By: /s/Stuart M. Essig	/s/ Maureen B. Bellantoni
Name: Stuart M. Essig	Maureen B. Bellantoni
Title: President and Chief Executive Officer	

PERFORMANCE STOCK AGREEMENT

THIS PERFORMANCE STOCK AGREEMENT (the "Award Agreement"), dated as of January 10, 2006 (the "Award Date"), is made by and between Integra LifeSciences Holdings Corporation, a Delaware corporation (the "Company"), and Maureen B. Bellantoni, an employee of the Company (or one or more of its Related Corporations or Affiliates), hereinafter referred to as the "Participant":

WHEREAS, the Company maintains the Integra LifeSciences Holdings Corporation 2003 Equity Incentive Plan, as amended (the "Plan") and wishes to carry out the Plan, the terms of which are hereby incorporated by reference and made part of this Award Agreement; and

NOW, THEREFORE, in consideration of the various covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I.
DEFINITIONS

Capitalized terms not otherwise defined below shall have the meaning set forth in the Plan. The masculine pronoun shall include the feminine and neuter, and the singular the plural, where the context so indicates.

Section 1.1 Employment Agreement. "Employment Agreement" shall mean the Participant's employment agreement with the Company, dated January 10, 2006.

Section 1.2 Performance Goals. "Performance Goals" shall mean the specific goal or goals determined by the Committee, as specified in Exhibit B.

Section 1.3 Performance Period. "Performance Period" shall mean the period of time that the Performance Goals must be met, as specified in Exhibit B.

Section 1.4 Performance Stock. "Performance Stock" shall mean 10,000 Shares that will be issued to the Participant under this Award Agreement if the Performance Goals or such other criteria described hereunder are met during the Performance Period.

Section 1.5 Rule 16b-3. "Rule 16b-3" shall mean that certain Rule 16b-3 under the Exchange Act, as such Rule may be amended from time to time.

Section 1.6 Secretary. "Secretary" shall mean the Secretary of the Company.

Section 1.7 Termination of Service. "Termination of Service" shall mean the time when the Participant ceases to provide services to the Company and its Related Corporations and Affiliates as an employee or Associate for any reason with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, or Disability. A Termination of Service shall not include a termination where the Participant is simultaneously reemployed by, or remains employed by, or continues to provide services to, the Company and/or one or more of its Related Corporations and Affiliates or a successor entity thereto.

ARTICLE II.
AWARD OF PERFORMANCE STOCK

Section 2.1 Award of Performance Stock. As of the Award Date, the Company issues to the Participant the right to receive after the end of the Performance Period (or such earlier date as provided in Section 3.2 of this Award Agreement) the Performance Stock if the Performance Goals and the other conditions set forth in this Award Agreement are met. If the Performance Goals are satisfied, the Company shall cause the Performance Stock to be issued in the name of the Participant as described under Section 3.3 of this Award Agreement. As a further condition to the Company's obligations under this Award Agreement, the Participant's spouse, if any, shall execute and deliver to the Company the Consent of Spouse attached hereto as Exhibit A.

Section 2.2 Forfeiture; Anti Assignment. The right to receive the Performance Stock shall be subject to forfeiture as provided in Section 3.1 of this Award Agreement, and the Participant shall have no right to sell, assign, transfer, pledge, or otherwise encumber or dispose of the Participant's right to receive the Performance Stock.

Section 2.3 Dividend Equivalents. Prior to the end of the Performance Period, the Participant shall have the right to receive an amount equal to all dividends or other distributions paid or made with respect to the Shares underlying the Performance Stock as though the Performance Stock had been issued as of the Award Date. Payment shall be made at the same time as the payment of dividends on its Shares are made to the Company's stockholders.

Section 2.4 Voting Rights. Prior to the issuance of the Performance Stock, the Participant shall have no voting rights with respect to any Shares represented by the Performance Stock.

ARTICLE III.
RESTRICTIONS

Section 3.1 Forfeiture. If the Performance Goals are not met by the end of the Performance Period, the Participant shall forfeit the Performance Stock and shall have no right to receive any Shares represented by the Performance Stock. If the Participant has a Termination of Service for any reason prior to the end of the Performance Period, the Participant's rights to receive any

Shares represented by the Performance Stock shall immediately terminate on the date of such Termination of Service.

Section 3.2 Acceleration of Issuance of Performance Stock. If a Change in Control occurs prior to the end of the Performance Period, the Shares represented by the Performance Stock shall be issued to the Participant upon the Change in Control.

Section 3.3 Issuance of Shares. As soon as practicable after (i) the end of the Performance Period, and subject to a determination of the Committee that the applicable Performance Goals have been met, or (ii) an acceleration event occurs prior to the end of the Performance Period as described in Section 3.2 of this Award Agreement, the Company shall issue certificates evidencing the Shares represented by the Performance Stock and deliver such certificates to the Participant or his legal representative, free from any restrictions; provided,

however, such Shares shall be subject to any such restrictions and conditions as required pursuant to Section 4.5 of the Award Agreement and those that the Company imposes on its employees in general with respect to selling its Shares. Notwithstanding the foregoing, no such new certificate shall be delivered to the Participant or his legal representative unless and until the Participant or his legal representative shall have satisfied the full amount of all federal, state and local withholding or other employment taxes applicable to the taxable income of the Participant resulting from the issuance of the Shares as provided in this Award Agreement.

ARTICLE IV.
MISCELLANEOUS

Section 4.1 No Additional Rights. Nothing in this Award Agreement or in the Plan shall confer upon any person any right to a position as an Associate or continued employment by the Company or any of its Related Corporations or Affiliates or affect in any way the right of any of the foregoing to terminate the services of an individual at any time.

Section 4.2 Tax Withholding. On the date that the Shares represented by the Performance Stock become issuable, the Company shall notify the Participant of the amount of tax which must be withheld by the Company under all applicable federal, state and local tax laws. Subject to any applicable legal conditions or restrictions, the Company shall withhold from the shares of Performance Stock a number of whole Shares having a fair market value, determined as of the date the Shares are issued, not in excess of the minimum of tax required to be withheld by law.

Section 4.3 Notices. Any notice to be given under the terms of this Award Agreement to the Company shall be addressed to the Company in care of its Secretary, and any notice to be given to the Participant shall be addressed to him at the address given beneath his signature hereto. By a notice given pursuant to this Section 4.3, either party may hereafter designate a different address for notices to be given to it or him. Any notice which is required to be given to the Participant shall, if the Participant is then deceased, be given to the Participant's personal representative if such representative has previously informed the Company of his status and address by written notice under this Section 4.3. Any notice shall have been deemed duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 4.4 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

Section 4.5 Conformity to Securities Laws. This Award Agreement is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, including without limitation Rule 16b-3. Notwithstanding anything herein to the contrary, this Award Agreement shall be administered, and the Performance Stock shall be issued, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, this Award Agreement and the Performance Stock issued hereunder shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

Section 4.6 Amendment. This Award Agreement may be amended only by a writing executed by the parties hereto which specifically states that it is amending this Award Agreement.

Section 4.7 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Award Agreement regardless of the law that might be applied under principles of conflicts of laws.

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IN WITNESS HEREOF, this Award Agreement has been executed and delivered by the parties hereto.

THE PARTICIPANT	INTEGRA LIFESCIENCES HOLDINGS CORPORATION
/s/ Maureen B. Bellantoni	By: /s/Stuart M. Essig
Maureen B. Bellantoni	Name: Stuart M. Essig
	Title: President and
2332 Fawn Lake Circle	Chief Executive Officer
Naperville, IL 60564	
Address	

EXHIBIT A

CONSENT OF SPOUSE

I, _____, spouse of _____, have read and approve the foregoing Award Agreement. In consideration of granting of the right to my spouse to receive shares of Integra LifeSciences Holdings Corporation as set forth in the Award Agreement if the Performance Goals are met, I hereby appoint my spouse as my attorney in fact in respect to the exercise of any rights under the Award Agreement and agree to be bound by the provisions of the Award Agreement insofar as I may have any rights in said Award Agreement or any shares issued pursuant thereto under the community property laws or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Award Agreement.

Dated: _____, _____

_____

Name:

EXHIBIT B

PERFORMANCE GOALS AND PERFORMANCE PERIOD

The Performance Period shall be the three year period beginning January 1, 2006 and ending December 31, 2008.

The Performance Goal is that consolidated Company sales in any calendar year during the Performance Period shall be greater than consolidated sales in calendar year 2005.

Subsidiaries of Integra LifeSciences Holdings Corporation

Name of Subsidiary	State or Country of Incorporation or Organization
Caveangle Limited	United Kingdom
GMS mbH	Germany
Integra CI, Inc.	Cayman Islands
Integra Clinical Education Institute, Inc.	Delaware
Integra Healthcare Products LLC	Delaware
Integra LifeSciences Corporation	Delaware
Integra LifeSciences (France) LLC	Delaware
Integra LifeSciences Holdings SAS	France
Integra LifeSciences Investment Corporation	Delaware
Integra LifeSciences (Ireland) Limited	Ireland
Integra ME GmbH	Germany
Integra NeuroSciences Holdings B.V.	Netherlands
Integra NeuroSciences Holdings (France) SA	France
Integra NeuroSciences Holdings Limited	United Kingdom
Integra NeuroSciences Implants (France) SA	France
Integra NeuroSciences (International), Inc.	Delaware
Integra NeuroSciences (IP), Inc.	Delaware
Integra NeuroSciences Limited	United Kingdom
Integra Ohio, Inc.	Delaware
Integra Selector Corporation	Delaware
Integra Radionics, Inc.	Delaware
J. Jamner Surgical Instruments, Inc.	Delaware
Jarit Instruments Inc. & Co. KG	Germany
Jarit Instruments, Inc.	Delaware
ND Service NV	Belgium
Newdeal, Inc.	Texas
Newdeal SAS	France
Newdeal Technologies SAS	France
NMT NeuroSciences Gmbh	Germany
Spembly Cryosurgery Limited	United Kingdom
Spembly Medical Limited	United Kingdom
Spinal Specialties, Inc.	Delaware
Surfix Technologies SAS	France

March 15, 2006

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File Nos. 333-46024, 333-82233, 333-58235, 333-06577, 333-73512, 333-109042 and 333-127488) of Integra LifeSciences Holdings Corporation and Subsidiaries of our report dated March 15, 2006 relating to the consolidated financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Florham Park, New Jersey
March 15, 2006

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 annual report on Form 10-K 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: March 15, 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 annual report on Form 10-K 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: March 15, 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 Annual Report on Form 10-K of the Company for the year ended December 31, 2005 (the "Report") fully complies with the requirements 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: March 15, 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 Annual Report on Form 10 K of the Company for the year ended December 31, 2005 (the "Report") fully complies with the requirements 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: March 15, 2006

/s/ Maureen B. Bellantoni

Maureen B. Bellantoni
Executive Vice President and
Chief Financial Officer